

Subcontracting in Horizon2020

Subcontractors are a type of third party but they are subject to their own rules. A ‘subcontract’ means the purchase of goods, works or services that are identified in Annex 1 as action tasks.

In this leaflet, we are going to discuss Subcontracting in normal Research and Innovation Projects. We are not discussing here the Subcontract within the SME Instrument which is handled very differently.

Generally, Subcontractors are not liked in H2020. This is because of the “no profit” rule. When money is paid out to a Subcontractor it includes their profit margin and this is a problem.

It is understood that sometimes Subcontractors are required to cover only a limited part¹ of the action in H2020 projects. You will have to persuade your Project Officer during negotiations that it is necessary for the project, and include the role of the subcontractor into Annex 1 and the associated costs into Annex 2.

Subcontracts must be selected on a basis of your normal practice for procurement – as long as it is deemed as reasonable by the auditor. You have to be able to demonstrate that it is on the basis of best value for money (or lowest price) and absent of conflict of interests.

Subcontracting has its own budget category and you have to ensure that all money approved to be used for subcontracting is reported under it. If you wish to increase the amount allocated to Subcontracting, or introduce a new Subcontract then a Grant Agreement amendment is required to ensure that there are no issues with eligibility.

Subcontracting costs must be claimed on the basis of “Actual Costs” (how much did you actually pay) and the 25% overhead rate is NOT added to them.

What are Subcontractors?

- Engaged based on commercial business conditions to one of the beneficiaries.
- Subcontractor works without the direct supervision of the beneficiary and is not hierarchically subordinate to the beneficiary.
- Subcontractor's motivation is pecuniary, not the research work itself.
- The subcontractor is paid by the beneficiary in exchange for its work.
- The beneficiary is responsible for the subcontracted work towards the Commission.
- Subcontractor has no rights or obligations towards the Commission/Agency or the other beneficiaries (it has no contractual relation with them).

¹ except for actions involving PCP/PPI (because the PCP/PPI action tasks are by definition fully subcontracted)



The beneficiaries must ensure that the subcontractors comply with certain obligations under the Grant Agreement:

- Avoiding conflicts of interest
- Maintaining confidentiality
- Promoting the action and giving visibility to the EU funding
- Liability for damages

It is the beneficiaries' responsibility to ensure that these obligations are accepted by the subcontractors.

The beneficiaries must ensure that the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their subcontractors

Other Issues:

- Subcontracting between beneficiaries is NOT allowed in the same GA.
- Subcontracting to affiliates is NOT allowed, unless they have a framework contract or the affiliate is their usual provider, and the subcontract is priced at market conditions.
- Coordination tasks of the coordinator can NOT be subcontracted.

Please Note: The Commission have the ability to approve subcontracts not set out in Annexes 1 and 2 without amendment, if they are specifically justified in the periodic technical report and they do not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants.

We DO NOT recommend that you rely on this "simplified method". We strongly suggest that you request a Grant Agreement amendment to ensure that there are no issues with eligibility.

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