



Proposal Budget Preparation in H2020 projects

Focused Group Training – H2020 Legal & Financial issues

Ankara 10 November 2017

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Proposal Budget in H2020

Importance of appropriate Budget **estimation** and **distribution**:

- *Evaluation criteria: “...appropriateness of the allocation of tasks & resources.”*
- *Demonstrates **clear vision** of tasks and objectives (budget should be structured according to Project’s needs)*
- *Reduces the risk that costs may be found **ineligible** during the report/audit. Usually, **eligibility** of costs is **overlooked** during proposal preparation*
- *Minimizes potential **changes** during the project’s implementation (amendments, re-distribution of costs between partners, request for EC’s approval, ...)*
- *Allows for **proper budget consumption** without deviations during implementation demonstrating that the budget requested was **necessary***

Budget & Evaluation

3. Quality and efficiency of the implementation*

Note: The following aspects will be taken into account:

- Coherence and effectiveness of the work plan, including appropriateness of the allocation of tasks and resources;
- Complementarity of the participants within the consortium (when relevant);
- Appropriateness of the management structures and procedures, including risk and innovation management.

Comments:

Score 3:
Threshold 3/5

Proposal Budget in H2020

Part B
(Research
Proposal)

3.4 Resources to be committed

 *Please make sure the information in this section matches the costs as stated in the budget table in section 3 of the administrative proposal forms, and the number of person/months, shown in the detailed work package descriptions.*

Please provide the following:

- a table showing number of person/months required (table 3.4a)
- a table showing ‘other direct costs’ (table 3.4b) for participants where those costs exceed 15% of the personnel costs (according to the budget table in section 3 of the administrative proposal forms)

Proposal Budget in H2020

**Part B
(Research
Proposal)**

Table 3.4a: Summary of staff effort

Please indicate the number of person/months over the whole duration of the planned work, for each work package, for each participant. Identify the work-package leader for each WP by showing the relevant person-month figure in bold.

	WPn	WPn+1	WPn+2	Total Person/ Months per Participant
Participant Number/Short Name				
ParticipantNumber/ Short Name				
Participant Number/ Short Name				
Total Person/Months				

Proposal Budget in H2020

**Part B
(Research
Proposal)**

Table 3.4b: ‘Other direct cost’ items (travel, equipment, other goods and services, large research infrastructure)

Please complete the table below for each participant if the sum of the costs for ‘travel’, ‘equipment’, and ‘goods and services’ exceeds 15% of the personnel costs for that participant (according to the budget table in section 3 of the proposal administrative forms).

Participant Number/Short Name	Cost (€)	Justification
Travel		
Equipment		
Other goods and services		
Total		

Proposal Budget in H2020

Part B
(Research
Proposal)

Please complete the table below for all participants that would like to declare costs of large research infrastructure under Article 6.2 of the General Model Agreement⁶, irrespective of the percentage of personnel costs. Please indicate (in the justification) if the beneficiary's methodology for declaring the costs for large research infrastructure has already been positively assessed by the Commission.

Participant Number/Short Name	Cost (€)	Justification
Large research infrastructure		

⁶ Large research infrastructure means research infrastructure of a total value of at least EUR 20 million, for a beneficiary. More information and further guidance on the direct costing for the large research infrastructure is available in the H2020 Online Manual on the Participant Portal.

Proposal Budget in H2020

Part B
(Research
Proposal)

4.2. Third parties involved in the project (including use of third party resources)

Please complete, for each participant, the following table (or simply state "No third parties involved", if applicable):

Does the participant plan to subcontract certain tasks (please note that core tasks of the project should not be sub-contracted)	Y/N
<i>If yes, please describe and justify the tasks to be subcontracted</i>	
Does the participant envisage that part of its work is performed by linked third parties ¹	Y/N
<i>If yes, please describe the third party, the link of the participant to the third party, and describe and justify the foreseen tasks to be performed by the third party</i>	
Does the participant envisage the use of contributions in kind provided by third parties (Articles 11 and 12 of the General Model Grant Agreement)	Y/N
<i>If yes, please describe the third party and their contributions</i>	

¹ A third party that is an affiliated entity or has a legal link to a participant implying a collaboration not limited to the action. (Article 14 of the Model Grant Agreement).

Proposal Budget in H2020

Part A
(Administrative forms)

Q: What about a **not-for-profit** entity participating in IA as linked third party of a **for-profit** entity?

Research and Innovation

No	Participant	Country	(A) Direct personnel costs/€	(B) Other direct costs/€	(C) Direct costs of sub-contracting/€	Direct costs of providing financial support to third parties/€	Costs of inkind contributions not used on the beneficiary's premises/€	Indirect Costs / € (=0.25(A+B+E))	(G) Special unit costs covering direct & indirect costs / €	(H) Total estimated eligible costs / € (=A+B+C+D+F+G)	(I) Reimbursement rate (%)	(J) Max. EU Contribution / € (=H*I)	(K) Requested EU Contribution / €
1			0	0	0	0	0	0,00	0	0,00	100	0,00	0,00
Total			0	0	0	0	0	0,00	0	0,00		0,00	0,00

Innovation actions

No	Participant	Country	(A) Direct personnel costs/€	(B) Other direct costs/€	(C) Direct costs of sub-contracting/€	(D) Direct costs of providing financial support to third parties/€	(E) Costs of inkind contributions not used on the beneficiary's premises/€	(F) Indirect Costs / € (=0.25(A+B-E))	(G) Special unit costs covering direct & indirect costs / €	(H) Total estimated eligible costs / € (=A+B+C+D+F+G) BENEFICIARY	(I) Reimbursement rate (%) BENEFICIARY	(J) Max. EU Contribution / € (=H*I) BENEFICIARY	(K) Costs of third parties linked to participant THIRD PARTIES	(L) Max. EU Contribution / € THIRD PARTIES	(M) Total Costs for BENEFICIARY & THIRD PARTIES (=H+K)	(N) Max. EU Contribution / € BENEFICIARY & THIRD PARTIES (=J+L)	(O) Requested EU Contribution / € BENEFICIARY & THIRD PARTIES
1			0	0	0	0	0	0,00	0	0,00	100	0,00	0	0	0,00	0,00	0,00
Total			0	0	0	0	0	0,00	0	0,00		0,00	0,00	0,00	0,00	0,00	0,00

Proposal Budget in H2020

Budget table in Part A (stage 1 of a two-stage proposals)

Part A
(Administrative forms)



European Commission - Research - Participants
Proposal Submission Forms
Directorate-General for Research and Innovation
Table Of Contents Validate Form Save And Close
Proposal ID SEP-210130198 Acronym TEST

3 - Budget for the proposal

Total requested amount / €	0
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Budget key points

Important points for Evaluation

- Allocation of resources according to the **scope** of the proposal (not over/ under estimated)
- Significant **imbalances** between partners should be justified by their individual roles
- No unjustified costs for **subcontracting**
- Participation of **3rd parties** under the suitable scheme
- Suitable effort foreseen for **coordination/ management**
- No **ambiguous / unclear** points

A. Direct personnel costs

Important points when structuring the budget of Personnel

- Identify the **tasks** to be carried out by the beneficiary
- Identify the **persons/ researchers** suitable for implementation of these tasks
 - Potential involvement of persons **NOT** working for the beneficiary?
 - Identify personnel on the basis of the **ENTITY** and **not** on the basis of the **research team, group, company department etc** they work for.
- Identify **persons/ researchers** according to:
 - **Level** (manager, professor, researcher, post-doc, technician, administrative, ...)
 - **Employment status** (permanent, temporary, natural persons with direct contract, SME owners, ...)
- Consider the **start date** of the project
- Consider **internal rules** for personnel costs when participating in H2020 projects
- Estimate their **effort** in the project (PersonMonths, PMs).
- Identify the **average monthly rate of the specific persons** according to the organisational practices
- Estimate **Personnel costs** according to the above

Q: Should I name in the proposal all the persons that are going to be involved in the implementation of the project?

Q: What if Actual PMs deviate from Planned PMs?

B. Other Direct costs

Important points when structuring the budget of Travel costs:

Estimate:

- Travels for **Project implementation**, communication and dissemination (Visits to research sites, Conferences, Infodays, Events, Exhibitions, ...)
- Travels for Project meetings **between** partners (General Assembly, Steering Committee, Consortium Board, Advisory Board, WP Leaders meetings, ...)
- Travels for Project meetings **with the** EC (Project reviews)
- Travels of **external experts/ invited speakers**
- Take into account the usual practices of the beneficiary

B. Other Direct costs

Important points when structuring the budget of Equipment:

- Equipment to be used according to the needs of the project (if any)
- Reimbursed **ONLY** on the basis of **depreciation** costs (except if foreseen in the call)
- Reimbursed **ONLY** for the % of actual use in the specific project
- Decide:
 - Purchase of new equipment?
 - Use of existing equipment?
 - Rent or lease equipment instead of purchasing?
- Equipment = **asset** according to national and international accounting standards. If **not asset** → *Other goods & services*
- Take into account **internal rules** for the purchase of equipment which may cause delays in the actual use

Proposal Budget in H2020

	Effort (Personmonths)										
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Partner 6	Partner 7	Partner 8	Partner 9	Partner 10	Total
WP 1	17.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	21.5
T 1.1	8.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	12.5
T 1.2	8.0										8.0
T 1.3	1.0										1.0
T 1.4											
WP 2	15.0	4.0	8.0	6.0	4.0		6.5	9.0		5.0	57.5
T 2.1		2.0	4.0	1.0	1.0		2.0	5.0		2.0	17.0
T 2.2	4.0	2.0	2.0	2.0	2.0		2.0	4.0		1.5	19.5
T 2.3	8.0		2.0	3.0	1.0		2.5			1.5	18.0
T 2.4	3.0										3.0
WP 3	8.0	2.0	4.0	6.0	7.5	7.0		7.0	7.0	7.0	55.5
T 3.1	4.0					3.0			2.0		9.0
T 3.2	2.0		3.0		2.0	4.0		6.0	2.0	3.5	22.5
T 3.3	2.0	1.0	1.0		4.0			1.0	3.0	3.5	15.5
T 3.4		1.0		6.0	1.5						8.5
WP 4	5.0	5.0	1.5	3.0	6.0	7.0	6.5	3.0	5.0	4.0	46.0
T 4.1				1.0	3.0				2.0	2.0	8.0
T 4.2	3.0	2.0			3.0	3.0	1.5			2.0	14.5
T 4.3	2.0	3.0	1.5			4.0	2.0				12.5
T 4.4							3.0	3.0	3.0		9.0
Total	45.0	11.5	14.0	15.5	18.0	14.5	13.5	19.5	12.5	16.5	180.5

Proposal Budget in H2020

	Personnel costs										
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Partner 6	Partner 7	Partner 8	Partner 9	Partner 10	Total
PM rate (est.)	3,500.00	2,700.00	6,600.00	8,600.00	5,500.00	4,100.00	3,680.00	4,200.00	2,200.00	2,600.00	
WP 1	59,500.0	1,350.0	3,300.0	4,300.0	2,750.0	2,050.0	1,840.0	2,100.0	1,100.0	1,300.0	79,590.00
T 1.1	28,000.00	1,350.00	3,300.00	4,300.00	2,750.00	2,050.00	1,840.00	2,100.00	1,100.00	1,300.00	48,090.00
T 1.2	28,000.00										28,000.00
T 1.3	3,500.00										3,500.00
T 1.4											
WP 2	52,500.0	10,800.0	52,800.0	51,600.0	22,000.0		23,920.0	37,800.0		13,000.0	264,420.00
T 2.1		5,400.00	26,400.00	8,600.00	5,500.00		7,360.00	21,000.00		5,200.00	79,460.00
T 2.2	14,000.00	5,400.00	13,200.00	17,200.00	11,000.00		7,360.00	16,800.00		3,900.00	88,860.00
T 2.3	28,000.00		13,200.00	25,800.00	5,500.00		9,200.00			3,900.00	85,600.00
T 2.4	10,500.00										10,500.00
WP 3	28,000.0	5,400.0	26,400.0	51,600.0	41,250.0	28,700.0		29,400.0	15,400.0	18,200.0	244,350.00
T 3.1	14,000.00					12,300.00			4,400.00		30,700.00
T 3.2	7,000.00		19,800.00		11,000.00	16,400.00		25,200.00	4,400.00	9,100.00	92,900.00
T 3.3	7,000.00	2,700.00	6,600.00		22,000.00			4,200.00	6,600.00	9,100.00	58,200.00
T 3.4		2,700.00		51,600.00	8,250.00						62,550.00
WP 4	17,500.0	13,500.0	9,900.0	8,600.0	33,000.0	28,700.0	23,920.0	12,600.0	11,000.0	10,400.0	169,120.00
T 4.1				8,600.00	16,500.00				4,400.00	5,200.00	34,700.00
T 4.2	10,500.00	5,400.00			16,500.00	12,300.00	5,520.00			5,200.00	55,420.00
T 4.3	7,000.00	8,100.00	9,900.00			16,400.00	7,360.00				48,760.00
T 4.4							11,040.00	12,600.00	6,600.00		30,240.00
Total	157,500.0	31,050.0	92,400.0	116,100.0	99,000.0	59,450.0	49,680.0	81,900.0	27,500.0	42,900.0	757,480.00

Proposal Budget in H2020

	Travel costs											
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Partner 6	Partner 7	Partner 8	Partner 9	Partner 10	Total	
55												
56												
57												
58												
59	WP 1	50,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	95,000.00
60	T 1.1	28,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	73,000.00
61	T 1.2	22,000.00										22,000.00
62	T 1.3											
63	T 1.4											
64	WP 2	7,000.0	3,000.0	2,000.0	2,000.0	2,000.0	2,000.0		3,000.0	1,500.0		22,500.00
65	T 2.1	7,000.00		2,000.00	2,000.00	2,000.00	2,000.00			1,500.00		16,500.00
66	T 2.2											
67	T 2.3		3,000.00						3,000.00			6,000.00
68	T 2.4											
69	WP 3	3,000.0		2,000.0	3,500.0	1,000.0				1,500.0		11,000.00
70	T 3.1			2,000.00	3,500.00							5,500.00
71	T 3.2											
72	T 3.3	3,000.00				1,000.00				1,500.00		5,500.00
73	T 3.4											
74	WP 4	1,500.0	1,000.0					1,500.0		1,500.0		5,500.00
75	T 4.1	1,500.00	1,000.00					1,500.00		1,500.00		5,500.00
76	T 4.2											
77	T 4.3											
78	T 4.4											
79	Total	61,500.0	9,000.0	9,000.0	10,500.0	8,000.0	7,000.0	6,500.0	8,000.0	9,500.0	5,000.0	134,000.00
80												
81												

Proposal Budget in H2020

	Other goods and services costs										
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Partner 6	Partner 7	Partner 8	Partner 9	Partner 10	Total
WP 1	22,000.0	2,000.0		2,000.0	2,000.0	2,000.0		2,000.0	2,000.0	2,000.0	36,000.00
T 1.1	12,000.00	2,000.00		2,000.00	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00	26,000.00
T 1.2											
T 1.3	2,000.00										2,000.00
T 1.4	8,000.00										8,000.00
WP 2	2,000.0	1,200.0					2,200.0		1,200.0		6,600.00
T 2.1	2,000.00								1,200.00		3,200.00
T 2.2											
T 2.3		1,200.00					2,200.00				3,400.00
T 2.4											
WP 3	6,000.0		3,000.0			2,300.0	1,200.0		2,600.0	2,200.0	17,300.00
T 3.1	6,000.00		3,000.00				1,200.00				10,200.00
T 3.2										2,200.00	2,200.00
T 3.3						2,300.00			2,600.00		4,900.00
T 3.4											
WP 4	2,500.0	1,100.0		1,500.0	3,200.0	1,200.0	1,000.0	2,200.0	2,200.0	2,200.0	17,100.00
T 4.1		1,100.00		1,500.00	1,500.00	1,200.00		2,200.00	2,200.00	1,200.00	10,900.00
T 4.2							1,000.00				1,000.00
T 4.3	2,500.00				1,700.00					1,000.00	5,200.00
T 4.4											
Total	32,500.0	4,300.0	3,000.0	3,500.0	5,200.0	5,500.0	4,400.0	4,200.0	8,000.0	6,400.0	77,000.00

BUDGET												
	Partner 1	Partner 2	Partner 3	Partner 4	Partner 5	Partner 6	Partner 7	Partner 8	Partner 9	Partner 10	Total	
PM rate (est.)	3,500.00	2,700.00	6,600.00	8,600.00	5,500.00	4,100.00	3,680.00	4,200.00	2,200.00	2,600.00		
Funding rate (%)	100%	100%	70%	100%	70%	100%	70%	100%	100%	70%		
WP 1												
Personnel	59,500.00	1,350.00	3,300.00	4,300.00	2,750.00	2,050.00	1,840.00	2,100.00	1,100.00	1,300.00	79,590.00	
Travel	50,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	95,000.00	
Equipment												
Other goods & services	22,000.00	2,000.00		2,000.00	2,000.00	2,000.00		2,000.00	2,000.00	2,000.00	36,000.00	
Subcontracting												
Indirect costs	32,875.00	2,087.50	2,075.00	2,825.00	2,437.50	2,262.50	1,710.00	2,275.00	2,025.00	2,075.00	52,647.50	
Total costs	164,375.00	10,437.50	10,375.00	14,125.00	12,187.50	11,312.50	8,550.00	11,375.00	10,125.00	10,375.00	263,237.50	
WP 2												
Personnel	52,500.00	10,800.00	52,800.00	51,600.00	22,000.00		23,920.00	37,800.00		13,000.00	264,420.00	
Travel	7,000.00	3,000.00	2,000.00	2,000.00	2,000.00	2,000.00		3,000.00	1,500.00		22,500.00	
Equipment	2,000.00	1,200.00					2,200.00		22,000.00		27,400.00	
Other goods & services	2,000.00	1,200.00					2,200.00		1,200.00		6,600.00	
Subcontracting	18,000.00				16,000.00			6,000.00			40,000.00	
Indirect costs	15,875.00	4,050.00	13,700.00	13,400.00	6,000.00	500.00	7,080.00	10,200.00	6,175.00	3,250.00	80,230.00	
Total costs	97,375.00	20,250.00	68,500.00	67,000.00	46,000.00	2,500.00	35,400.00	57,000.00	30,875.00	16,250.00	441,150.00	
WP 3												
Personnel	28,000.00	5,400.00	26,400.00	51,600.00	41,250.00	28,700.00		29,400.00	15,400.00	18,200.00	244,350.00	
Travel	3,000.00		2,000.00	3,500.00	1,000.00				1,500.00		11,000.00	
Equipment												
Other goods & services	6,000.00		3,000.00			2,300.00	1,200.00		2,600.00	2,200.00	17,300.00	
Subcontracting					6,000.00						6,000.00	
Indirect costs	9,250.00	1,350.00	7,850.00	13,775.00	10,562.50	7,750.00	300.00	7,350.00	4,875.00	5,100.00	68,162.50	
Total costs	46,250.00	6,750.00	39,250.00	68,875.00	58,812.50	38,750.00	1,500.00	36,750.00	24,375.00	25,500.00	346,812.50	
WP 4												
Personnel	17,500.00	13,500.00	9,900.00	25,800.00	33,000.00	28,700.00	23,920.00	12,600.00	11,000.00	10,400.00	186,320.00	
Travel	1,500.00	1,000.00					1,500.00		1,500.00		5,500.00	
Equipment	9,500.00				1,700.00		3,200.00		2,200.00		16,600.00	
Other goods & services	2,500.00	1,100.00		1,500.00	3,200.00	1,200.00	1,000.00	2,200.00	2,200.00	2,200.00	17,100.00	
Subcontracting	6,000.00					2,600.00					8,600.00	
Indirect costs	7,750.00	3,900.00	2,475.00	6,825.00	9,475.00	7,475.00	7,405.00	3,700.00	4,225.00	3,150.00	56,380.00	
Total costs	44,750.00	19,500.00	12,375.00	34,125.00	47,375.00	39,975.00	37,025.00	18,500.00	21,125.00	15,750.00	290,500.00	
TOTAL costs												
Personnel	157,500.00	31,050.00	92,400.00	133,300.00	99,000.00	59,450.00	49,680.00	81,900.00	27,500.00	42,900.00	774,680.00	
Travel	61,500.00	9,000.00	9,000.00	10,500.00	8,000.00	7,000.00	6,500.00	8,000.00	9,500.00	5,000.00	134,000.00	
Equipment	11,500.00	1,200.00			1,700.00		5,400.00		24,200.00		44,000.00	
Other goods & services	32,500.00	4,300.00	3,000.00	3,500.00	5,200.00	5,500.00	4,400.00	4,200.00	8,000.00	6,400.00	77,000.00	
Subcontracting	24,000.00				22,000.00	2,600.00		6,000.00			54,600.00	
Indirect costs	65,750.00	11,387.50	26,100.00	36,825.00	28,475.00	17,987.50	16,495.00	23,525.00	17,300.00	13,575.00	257,420.00	
Total	352,750.00	56,937.50	130,500.00	184,125.00	164,375.00	92,537.50	82,475.00	123,625.00	86,500.00	67,875.00	1,341,700.00	
Max Requested EC contribution	352,750.00	56,937.50	91,350.00	184,125.00	115,062.50	92,537.50	57,732.50	123,625.00	86,500.00	47,512.50	1,208,132.50	

Proposal Budget in H2020

3 - Budget for the proposal													
Participant	Country	(A) Direct personnel costs	(B) Other direct costs	(C) Direct costs of subcontracting	(D) Direct costs of providing financial support to third parties	(E) Costs of inkind contributions not used on the beneficiary's premises	(F) Indirect costs (=0.25 * (A+B-E))	(G) Special unit costs covering direct & indirect costs	(H) Total estimated eligible costs (=A+B+C+D+F+G)	(I) Reimburse ment rate	(J) Max. grant (=H*I)	(K) Requested grant	
1	Partner 1	157,500.00	105,500.00	24,000.00			65,750.00		352,750.00	100%	352,750.00	352,750.00	
2	Partner 2	31,050.00	14,500.00	0.00			11,387.50		56,937.50	100%	56,937.50	56,937.50	
3	Partner 3	92,400.00	12,000.00	0.00			26,100.00		130,500.00	70%	91,350.00	91,350.00	
4	Partner 4	133,300.00	14,000.00	0.00			36,825.00		184,125.00	100%	184,125.00	184,125.00	
5	Partner 5	99,000.00	14,900.00	22,000.00			28,475.00		164,375.00	70%	115,062.50	115,062.50	
6	Partner 6	59,450.00	12,500.00	2,600.00			17,987.50		92,537.50	100%	92,537.50	92,537.50	
7	Partner 7	49,680.00	16,300.00	0.00			16,495.00		82,475.00	70%	57,732.50	57,732.50	
8	Partner 8	81,900.00	12,200.00	6,000.00			23,525.00		123,625.00	100%	123,625.00	123,625.00	
9	Partner 9	27,500.00	41,700.00	0.00			17,300.00		86,500.00	100%	86,500.00	86,500.00	
10	Partner 10	42,900.00	11,400.00	0.00			13,575.00		67,875.00	70%	47,512.50	47,512.50	
		774,680.00	255,000.00	54,600.00	0.00	0.00	257,420.00	0.00	1,341,700.00		1,208,132.50	1,208,132.50	

Proposal Budget in H2020

- A. Direct personnel costs**
- B. Other direct costs**
 - *Travel*
 - *Equipment*
 - *Other goods & services*
 - *Large Research Infrastructure*
- C. Subcontracting**
- D. Financial support to 3rd parties**
- E. In-kind contributions not used in the beneficiary's premises**
- F. Indirect costs**
- G. Special Unit costs**
- H. Total costs**
- I. Reimbursement rate**
- J. Maximum EU contribution**
- K. Requested EU contribution**



H2020 cost categories and cost eligibility

Focused Group Training – H2020 Legal & Financial issues

Ankara 10 November 2017

Vangelis Argoudelis / FORTH

Eligible costs

Costs must be...

- Actually incurred by the beneficiary AND in the period of implementation
- Indicated in the estimated budget
- In connection with the action as described in Annex 1
- They must be identifiable and verifiable and recorded in the beneficiary's accounts
- Comply with the applicable national law on taxes, labour and social security
- Reasonable and justified

Costs approved in proposal budget NOT automatically eligible during report/audit:

- ▶ Evaluators approve the **NECESSITY** for the activity and the related cost
- ▶ **ELIGIBILITY** of the cost is determined on the basis of the procedures followed for the realisation of the cost (*modalities of implementation*)

Controls by the EU (1)

- **Reports** on the progress of the action (technical + financial)
 - Every reporting period + Final report in the end
- **Certificate on the Financial Statement (CFS)**
 - when EU contribution ≥ 325.000 €, as reimbursement of actual costs and unit costs on the basis of usual cost accounting practices (Known as “1st level control”)

Controls by the EU (2)

- **Reviews** on the proper implementation of the action (including assessment of deliverables and reports).
 - May be started from end of PR1 up to two years after the payment of the balance → “review report”
- **Audits** on the proper implementation of the action and compliance with the obligations under the Agreement. (2nd level control)
 - May be started from end of PR1 up to two years after the payment of the balance → “draft audit report” and “final audit report”

Controls by the EU

Possible actions by the EU depending on the findings

- **Rejection** of ineligible costs
- **Reduction** of the grant
- **Recovery** of undue amounts
- Administrative and financial **penalties**
- **Suspension** of payments
- **Suspension** of the action implementation
- **Termination** of the participation of the beneficiary in the grant agreement
- **Termination** of the grant agreement
- **Extension of Findings** (only during **Audits**)

Controls by the EU

Audits

- Mainly focused on financial aspects, but may include technical aspects
- Less audits (max 7%), more targeted.
- **By whom:** EU Auditors, external collaborating auditing firms, OLAF, ECA
- **To whom:**
 - Beneficiaries selected through **sampling** (selection through statistical method targeted to a representative sample of beneficiaries)
 - Beneficiaries selected on the grounds of **reasonable doubt** or existence of **risk factors**
- **What:** one or more H2020 actions
- **Extension of the findings (extrapolation)** in case of systematic errors.

Controls by the EU

Audits

Process:

1. Inform the beneficiary with “Letter of announcement”
2. Request for preliminary documents
3. On the spot audit
4. Request documents/ evidence on the spot
5. Draft audit report
6. 30 days Contradictory procedure: feedback of beneficiary on draft audit report
7. Final audit report and audit closure with “Letter of closure”
8. Implementation of the audit findings by the EC to the beneficiary

A. Direct personnel costs

- Related to personnel working for the beneficiary **under an employment** contract (or equivalent appointing act) and assigned to the action
- Limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract



A. Direct personnel costs

Types of personnel

1. **Employees** (both permanent staff and temporary)
2. Personnel **seconded** by a third party against payment
3. **Natural persons** working under a direct contract
4. **SMEs owners** not receiving a salary / **natural persons** participating as beneficiaries

1. Employees

Calculation of personnel costs (during REPORTING)

$$\begin{array}{c} \text{[Hourly rate]} \\ \times \\ \text{[number of actual hours worked on the action]} \end{array}$$

- **Step 1**

Calculation of the hourly rate:
On an **annual** or **monthly** basis

- **Step 2**

X number of actual hours worked on the action

- **Step 3**

For non-profit legal entities: Addition of additional remuneration, if any

1. Employees

Step 1

Calculation of the hourly rate

The hourly rate must be calculated either:

- Per financial **year** and on the basis of **closed** financial years:

$$\frac{\text{[Actual annual personnel costs (excluding additional rem.) for the person]}}{\text{[Number of annual productive hours]}}$$

OR

- Per **month** on the basis of the **current** financial year :

$$\frac{\text{[Actual monthly personnel cost (excluding additional rem.) for the person]}}{\text{[number of annual productive hours / 12]}}$$

No **adjustment** to previous reported hourly rate costs in order to adjust to **ACTUAL** costs (allowed only to correct mistakes)

1. Employees

Example – use of last closed financial year

Report of 18 months spreading over 3 consecutive years

Year	2015	2016				2017
Trimester	4	1	2	3	4	1
Reporting period						
Hourly rate used	2015	2016				2016



1. Employees

Annual productive hours

Q: Organisations using 1.680 on FP7 projects?

Must use one of the following options:

1. 1.720 hours for persons working full time (or corresponding pro-rata for persons not working full time)
 2. the total number of hours worked by the person in the year for the beneficiary ('individual annual productive hours')
 3. the 'standard number of annual hours' generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices ('standard annual productive hours').
- Same option per group of personnel employed under similar conditions (no individual application)

1. Employees

Step 2

Multiplying the hourly rate by the number of actual hours worked on the action

Step 3

For non-profit legal entities: Addition of additional remuneration, if any

1. Employees

Additional remuneration

What it is:

- Extra payments made for the participation in projects ABOVE the beneficiary's usual remuneration practice for national projects resulting to a HIGHER hourly rate

Only for non-profit legal entities, IF:

- Part of the beneficiary's usual remuneration practices
- Paid in a consistent manner whenever the same kind of work or expertise is required
- Paid for additional work or expertise which results in higher hourly rate
- Criteria objective and generally applied by the beneficiary
- System established in the beneficiary's internal rules or at least be documented
- Rules for additional remuneration may not depend on the fund provider.

Eligible up to the amount of **8.000 per year**

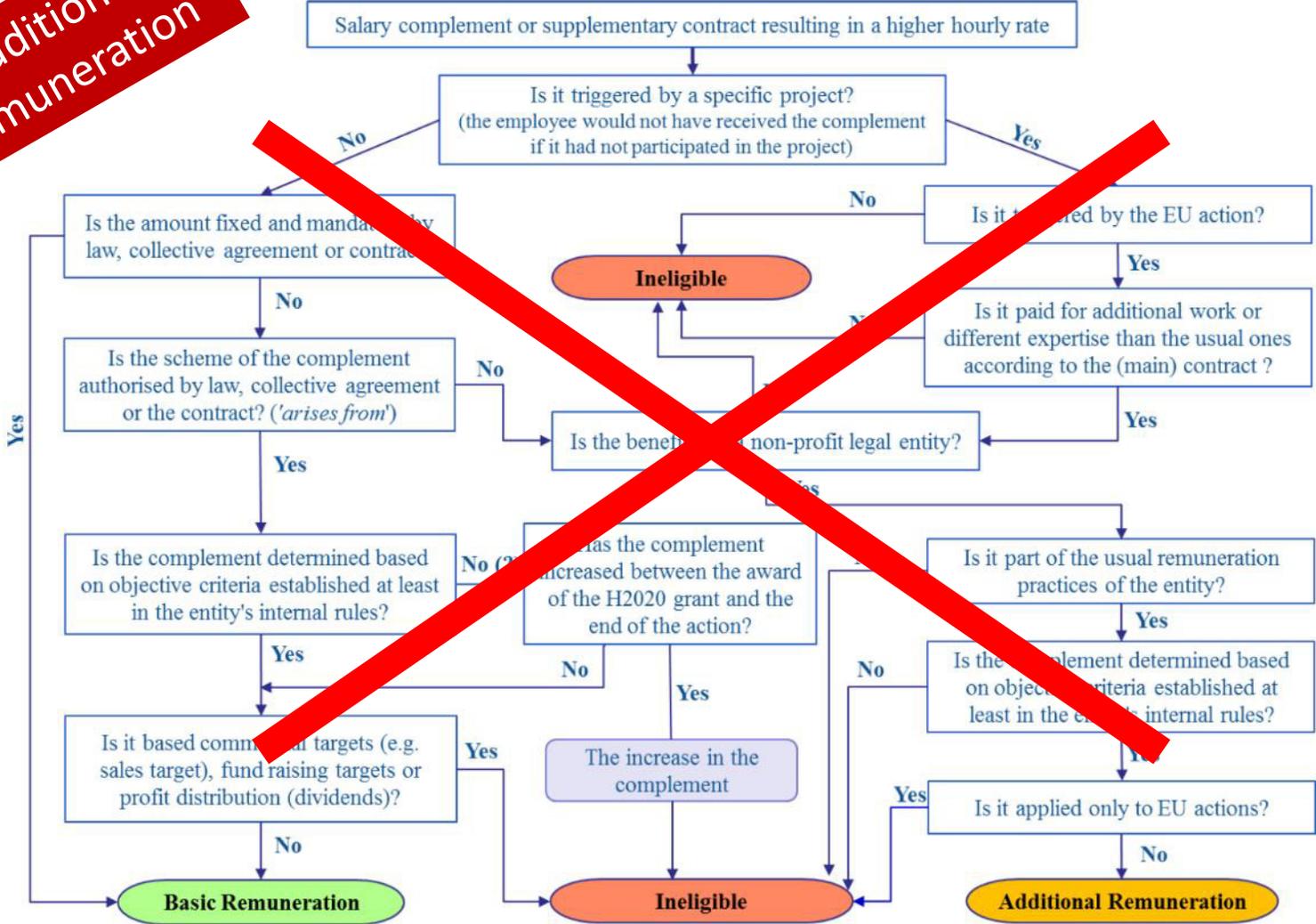
- Or PRO-RATA if not working full time or not working exclusively on the action

Limit of 8.000 will also be applied to the basic remuneration if artificially increased for participation in the EU action



1. Employees

Additional remuneration



Decision tree no longer applies

1. Employees

Additional remuneration

How to determine if the remuneration is **BASIC** or **ADDITIONAL**:

1. Calculate the hourly rate applying for NATIONAL FUNDING PROGRAMMES (A)

Take into account:

- Previous remuneration data under National funding programmes
- Regulatory requirements (national laws or collective labour agreements) specifying the hourly rate to be used
- Internal rules specifying the hourly rate to be used

2. Compare the hourly rate (A) above with the hourly rate of the H2020 action (B)

3. If $(A) \geq (B) \rightarrow$ then all cost charged to H2020 project will be **basic** remuneration

If $(A) < (B) \rightarrow$ then the exceeding part $(B-A)$ will be **additional** remuneration

2. Seconded personnel

Costs for personnel seconded by a 3rd party

- MAY be eligible as personnel costs of the beneficiary, if all the general conditions for eligibility apply
- Additional conditions for eligibility:
 - The beneficiary pays the 3rd party (otherwise → Linked 3rd party OR In-kind contribution by 3rd parties)
 - The personnel works at the premises of the 3rd party or the beneficiary's
 - There must be a secondment agreement/ decision describing the work conditions (location, tasks, duration, ...)

3. Natural persons under a direct contract

(“in-house consultants”)

Eligible as personnel costs, if all the following apply:

- Incurred/used during the action duration, necessary, linked to the action...
- There is a **contract** between the natural person and the beneficiary (not legal person, not te agency)
- Works under conditions **similar to those of an employee** in terms of **PRESENCE** and **WORK SUPERVISION**
- The **results belongs** to the beneficiary
- The costs are **not significantly different** from those for personnel performing similar tasks under an employment contract with the beneficiary
- The remuneration must be **based on working hours**, rather than on specific outputs/products (time sheets)

Q: What if during an Audit the cost is found to be significantly different?



If **NOT:**



Subcontracting or Other goods & services

3. Natural persons under a direct contract

[Personnel cost] = [Hourly rate] X [Number of actual hours worked on the action]

Calculation depends on:

- If the contract specifies an hourly rate:

[Personnel cost] = [hourly rate] X [actual hours on the action]

- If the contract specifies a total number of hours:

[hourly rate] = [total amount] / [total number of contract hours]

[Personnel cost] = [hourly rate] X [actual hours on the action]

- If the contract does not specify an hourly rate NOR a total number of hours:

[hourly rate] = [total amount] / [1.720] (or pro-rata)

[Personnel cost] = [hourly rate] X [actual hours on the action]

4. SME owners / natural persons as beneficiaries

Costs for SME owners not receiving a salary

AND

natural persons participating as beneficiaries without a salary

Q: Is there a definition of the term "SME owner"?

... can be considered as personnel costs if conditions for eligibility apply

- Only if **not receiving a salary** but compensated through other means as dividends, service contract, etc.
- Declared as **UNIT costs**

Q: So how is the SME owner going to get paid by the SME for his/her effort?

... cost = Hourly rate = 55.800 € (yearly living allowance of the recipient according to MSCA Individual Fellowships) / 1.720 hours (Standard Annual Productive Hours) X country correction coefficient (86,6% for Turkey)

Q: What if the SME owner has a direct contract with the SME, as in case (3) before?

- Standard Annual Productive Hours = 1.720
- **Maximum** declared hours of work in H2020 projects = 1.720 (time sheets)



B. Other Direct costs

Travel & Subsistence

Q: What about costs for travels which were cancelled and not realized?

- Travel and subsistence costs for **personnel AND external experts** if described in Annex I.
- According to usual practices of the beneficiary
- No distinction between travelling **in or outside** of EU or AC.
- Not planned or particularly expensive travels: **MAY** require **approval** of PO.

Q: Is 1st class ticket not allowed?



Exceptions to the rule of “within the duration of the project”

B. Other Direct costs

Q: What if our national accounting standards for depreciation are in contrast with the international accounting standards?



Q: What about costs for insurance of equipment?

Equipment (Depreciation costs)

Depreciated costs \leq equipment's purchase price

- Depreciation period \leq equipment's useful life
- In compliance with the beneficiary's **usual accounting practice** and **international accounting standards**
- May include costs necessary for **first operation** (e.g. site preparation, delivery and handling, installation, etc.)
- Only the part of the equipment's 'working time' for the action may be charged (i.e. the % of actual use and % of time used for the action). (**AUDITABLE**)
- Costs of renting or leasing equipment, eligible if they do not exceed the depreciation costs of similar equipment

B. Other Direct costs

Costs for other goods and services

- Consumables and supplies
- Dissemination, translations and publications
- Protection of results/ IPR
- Organisation of meetings, events, workshops
- Certificates on the Financial Statements (if required)
 - *When EU contribution ≥ 325.000 €, as reimbursement of actual costs and unit costs on the basis of usual cost accounting practices*
- Certificates on the methodology
- Any other costs required for implementation
- **Detailed breakdown in the proposal and periodic report if >15% personnel costs**



B. Other Direct costs

Costs for other goods and services

Example – requirement of CFS or not		
Budget (RIA action)	Case 1	Case 2
Personnel costs (actual)	270,000	250,000
Personnel costs (SME owners unit costs)	60,000	80,000
Other direct costs	65,000	65,000
Indirect costs 25%	98,750	98,750
Total requested EU contribution	493,750	493,750
EU contribution requested as actual costs	335,000	315,000
CFS	required	not required

B. Other Direct costs

Difference between “Other goods & services” and “Subcontracting”?

*Contracts to purchase
goods and services*

VS

Subcontracts

Q: Creation of a website – Other direct costs OR Subcontracting?

- Not concern action tasks but necessary to implement tasks
- Not indicated in DoW
- Reported as Other direct costs
- Generate Indirect costs

- Concern action tasks
- Must be indicated in DoW
- Reported as Subcontracting
- Don't generate Indirect costs

C. Subcontracting

- Subcontracting costs **always checked diligently** by the EC
- According to **procurement rules** that apply for the beneficiary
- Awarded according to **Best value for money** OR **Lowest price**
- Transparency, equal treatment and avoid any **conflict of interest**
- Subcontracting **between beneficiaries NOT allowed**

Q: What about subcontracting to affiliate companies/entities?

C. Subcontracting

Q: Can we subcontract any tasks of the coordinator?

- Must cover only a **limited part** of the action
- The majority of the work done by the subcontractor(s) must be located in the **EU MS or AC**
- Tasks and costs mentioned in **Annex 1 and Annex 2**. If not, approval is required and perhaps amendment.
- Specific rules may be set by the Authorising Officer (EC) for subcontracts higher than 60.000 euros

C. Subcontracting

4.2. Third parties involved in the project (including use of third party resources)

Please complete, for each participant, the following table (or simply state "No third parties involved", if applicable):

Does the participant plan to subcontract certain tasks (please note that core tasks of the project should not be sub-contracted)	Y/N
<i>If yes, please describe and justify the tasks to be subcontracted</i>	
Does the participant envisage that part of its work is performed by linked third parties ¹	Y/N
<i>If yes, please describe the third party, the link of the participant to the third party, and describe and justify the foreseen tasks to be performed by the third party</i>	
Does the participant envisage the use of contributions in kind provided by third parties (Articles 11 and 12 of the General Model Grant Agreement)	Y/N
<i>If yes, please describe the third party and their contributions</i>	

¹ A third party that is an affiliated entity or has a legal link to a participant implying a collaboration not limited to the action. (Article 14 of the Model Grant Agreement).

D. Costs for providing financial support to 3rd parties

- Beneficiaries provide EU funding to recipient(s) that are **not party to the GA** ("cascade funding")
- **ONLY** when foreseen in the Call / Work Programme
- Either in the form of **FINANCIAL SUPPORT** or in the form of **PRIZES**. *e.g.*:
 - *Financial support to farmers testing a new agricultural technology*
 - *Awarding research scholarships in the field of the action*
- **Limited** and pre-defined maximum amount per third party (exception if required)
- Criteria for determining **the amount** of financial support AND **the conditions** for finally approving to pass the financial support
- Clear and exhaustive list of the types of activities that qualify for financial support for third parties
- **ALL** described in the proposal
- **Best practice**: Contract between beneficiary/ies and third party/ies

In-kind contributions by 3rd parties

Costs for activities implemented by 3rd Parties

- **3rd party definition:** Any entity which is not a beneficiary
- The beneficiary is responsible towards the EC for the proper implementation of activities by 3rd parties
- Ways of involvement of 3rd Parties (other than Subcontractors and Contractors):



In-kind contributions by 3rd parties

- **In-kind contributions:** Seconded personnel, equipment, infrastructure or other non-financial resources
- **Example:** Hospital providing medical equipment/ infrastructure to university, civil servant working for beneficiary but paid by Government (Ministry), independent unit created specifically for managing administration of EU projects of a beneficiary, ...
- **If the beneficiary PAYS the 3rd party → the cost is recorded in the accounts of the beneficiary**
- **If the beneficiary DOES NOT PAY the 3rd party → the cost is recorded in the accounts of the 3rd party**
- No separate Financial Statement but costs included in the beneficiary's Financial Statement)
- Identification of 3rd party and their tasks in Annex I
- Obligation to accept audits and reviews by the EC
- Indirect costs depending on the place of implementing the t

Q: Can an entity from the USA be funded as 3rd party?

Linked 3rd parties

Linked or affiliated 3rd parties implementing Action tasks

- Affiliated entities and entities with a legal link to a beneficiary
- Established, legal relationship which is **pre-existing, broad and not specifically created for the work under the GA** (NO ad-hoc collaboration)
- **Example:** Parent/ subsidiary, holding/ subsidiary, associations/ members (if they have a legal link), subsidiary/ subsidiary, entities with framework collaboration agreement...
- The entity performing most of the work should be the one participating as beneficiary, and the other should participate as linked third party
- Identification of LTP and their tasks/ amounts in Annex I
- Costs are recorded in LTP accounts
- Submit their own Financial Statement (submitted by the beneficiary in the electronic system)
- Obligation to accept audits and reviews by the EC
- Indirect costs depending on the place of implementing the tasks

3rd Parties - Summary

Types of third parties	CHARACTERISTICS						
	Does work of the action (Annex 1)	Provides resources or services	What is eligible?	Must be indicated in Annex 1	Indirect costs	Selecting the third party	Articles
Linked third party	YES	NO	Costs	YES	YES	Must be affiliated or have a legal link	Article 14
Subcontractors	YES	NO	Price	YES	NO	Best value for money, avoid conflict of interest	Article 13
Third party providing in-kind contributions	NO	YES	Costs	YES	YES	Not used to circumvent the rules	Articles 11 and 12
Contractors			Price	NO	YES	Best value for money, avoid conflict of interest	Article 10
Financial support to third parties	On the part of the project		Costs in the	YES	NO	According to the conditions in Annex 1	Article 15

Q: Are we free to choose under which of these options a 3rd party shall participate?

F. Indirect costs



Indirect costs

Q: What about indirect costs of personnel working under a direct contract (“inhouse consultants”) OUTSIDE the premises of the beneficiary due to a teleworking agreement?

- 25% of Total Direct costs excluding:
 - Subcontracting
 - costs of in-kind contributions incurred by 3rd parties outside the beneficiary’s premises
 - costs of providing financial support to 3rd parties



- Exceptions:
 - MSC Actions: **unit costs** (management and indirect)

G. Special unit costs

Forms of costs

- **Actual costs**

costs which are real and not estimated or budgeted

- **Unit costs**

- fixed amount per unit of measure, or
- amount per unit of measure calculated by the beneficiary in accordance with its usual cost accounting practices for personnel costs

→ *MSC Actions, SME owners, natural persons, average personnel costs, clinical trials...*

- **Flat-rate costs**

- calculated as a fixed percentage on another form of costs

- **Lump sum costs**

- fixed amount based on an estimation

→ *SME instr. Ph. 1 feasibility study*

Special Unit costs

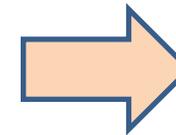
G. Special unit costs

FORMS OF COSTS	BUDGET CATEGORIES					
	DIRECT COSTS				INDIRECT COSTS	SPECIFIC CATEGORIES OF COSTS
	Personnel	Subcontracting	Financial support to 3rd parties	Other		
Actual costs	✓	✓	✓	✓	✗	✓
Unit costs	Yes for - Average personnel costs - SME owners & natural persons without a salary	✗	✗	✗	✗	Yes if foreseen by Comm. Decision
Flat-rate costs	✗	✗	✗	✗	✓	✗
Lump sum costs	✗	✗	✗	✗	✗	Yes if foreseen by Comm. Decision

I. Reimbursement Rates

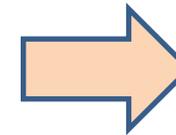


- Research & Innovation Actions (RIA)
- Innovation Actions (IA) (*not-for-profit entities*)
- Coordination & Support Actions (CSA)
- MSC Actions (*unit costs*) (*not COFUND*)
- ERC Grants



100%

- Innovation Actions (IA) (*for-profit entities*)
- SME Instrument phase I (*lump sum*)
- SME Instrument phase II



70%

The reimbursement rates apply to all forms of costs (actual, unit, lump sums and flat-rates costs) and all budget categories.

Ineligible costs

Q: Costs for updating the CA?

- Costs for drafting the **Consortium Agreement**
- Depreciation costs for equipment bought before the action's start (if the equipment has been **fully depreciated**)
- Costs for **preparing**, submitting and negotiating the proposal
- Bank costs charged by the beneficiary's bank for transfers from the EC
- Currency exchange losses
- **Excessive or reckless expenditure**
- Deductible VAT
- Costs incurred during suspension of the implementation action
- Costs declared under another EU or Euratom grant
- ... (*non exhaustive list*)

Q: Costs for bank transfers when the coo transfers payments to partners?

VAT

Q: How and when should we prove the “non-deductibility” of VAT?

- Non-deductible VAT is **ELIGIBLE**
- Deductible VAT is **NOT ELIGIBLE**
- Non-identifiable VAT is **ELIGIBLE**



Budget transfers

Between beneficiaries and cost categories:

Allowed if:



- Needed and justified
- Annex I not affected
- May require Amendment
- Total EC contribution not increased (*but different reimbursement rates taken into consideration*)

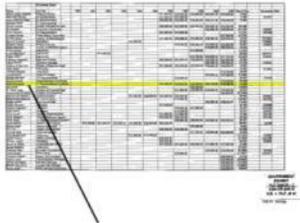
Not allowed if:



- Costs declared as Lump Sum
- Subcontracting costs not foreseen in Annex I (*approval / amendment*)
- Affects significantly Annex I (*approval / amendment*)
- Challenges proper implementation

Keeping records

Obligation to keep records and other supporting documentation



 Your Company Name **INVOICE**

Street Address: _____
City, ST, ZIP Code _____
Phone Number (VAT Address, if) _____

BILL TO: C/OSS _____
National Tax No. _____
BILGİLİLEME TANI _____
Sakarya 0308 _____
Address _____

Ship To: _____

P.O. #	Order Ref. / Item	Ship Date	Ship Qty	Units	Price	Line Total
		03/03/2016	1	UNIT	100.00	100.00
			2	UNIT	400.00	800.00

DESCRIPTION	QUANTITY	UNIT PRICE	LINE TOTAL
Very long product description that occupies more than the width of a regular line	1	100.00	100.00
One line product description	2	400.00	800.00

GRAND TOTAL 1,000.00
NET 0.00% 07.00
GST 0.00% 00.00
SHIPPING & HANDLING 0.00
TOTAL 1,007.00
TAX 0.00
TOTAL DUE 1,007.00

THANK YOU FOR YOUR BUSINESS!



- Keep **records and other supporting evidence** and documentation to prove proper implementation and eligibility of costs for 5 years after the payment of the balance (3 for low value grants ≤ 60.000)
- **Digital/ electronic** documents acceptable if National Legislation exists allowing it and considering them of equal validity as originals
- **Digital/ electronic time sheets** acceptable as long as reliable according to EC's specifications
- **No time sheets required** for persons working exclusively in one project (with supporting statement by the beneficiary)

Keeping records

Supporting documentation to keep (1):

(for 5 years)

For **ACTUAL** costs:

- Contracts, subcontracts, invoices, time sheets, payslips, ... ALL accounting and financial records
- The beneficiaries' usual cost accounting practices and internal control procedures must enable direct reconciliation between the amounts **declared**, the amounts **recorded** in their accounts and the amounts **stated** in the supporting documentation

For **UNIT** costs:

- Adequate records and other supporting documentation to prove the **number of units** declared
- No need to identify the actual eligible costs covered

Keeping records

Supporting documentation to keep (2):

For **FLAT RATE** costs:

- Adequate records and other supporting documentation prove the eligibility **of the costs to which the flat-rate is applied**
- No need to identify the actual eligible costs covered

Q: So when we are funded under Lump-sum we do not need to keep evidence / records of the actual costs?

For **LUMP SUM** costs:

- Adequate records and other supporting documentation to prove that the corresponding tasks or part of the action as described in Annex 1 **were implemented properly**
- No need to **identify** the actual eligible costs covered

Useful links

- ↳ Participant Portal
 - ↳ How to participate
 - ↳ Reference Documents
 - ↳ Grant agreements, contracts and rules of contest
 - ↳ Model grant agreements
 - ↳ **General Grant Agreement**
 - ↳ Guidance
 - ↳ **Annotated Model Grant Agreement**
 - ↳ Templates & forms
 - ↳ **Proposal templates**
 - ↳ H2020 Online user manual

The End

Thank you for your attention !

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