

# Payment Modalities

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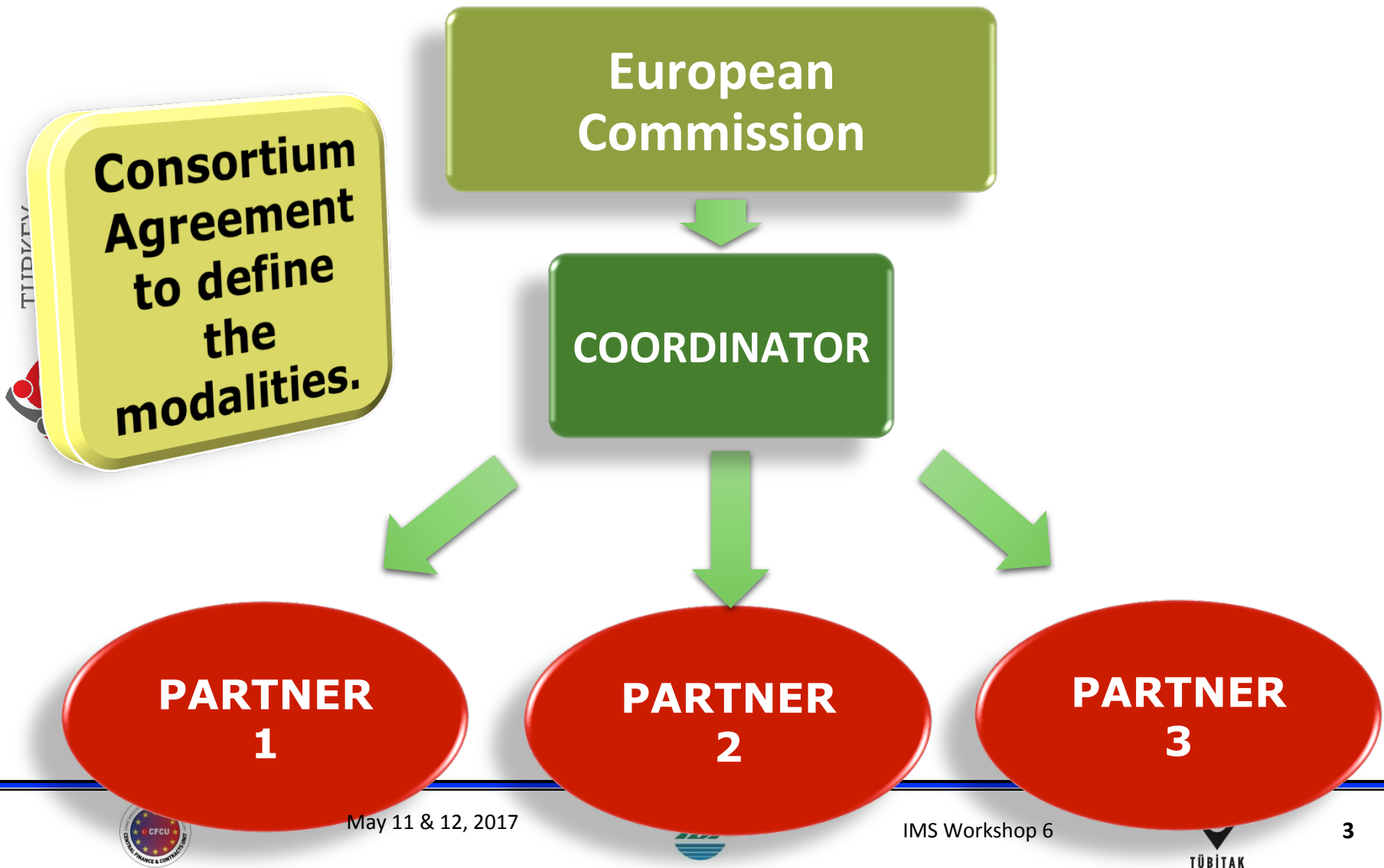
Thies Wittig

# Payments

The Commission will make the following payments to the coordinator:

- a pre-financing payment at the beginning of the action (to provide beneficiaries with cash to start working on the project and continue until the first interim payment).  
Pre-financing will not be paid before:
  - the GA is signed (even if the action starts prior to that)
  - the work has started.
- interim payment(s) to cover eligible costs incurred in the reporting periods until the accumulated payments have reached the 85% ceiling (10% retention, 5% guarantee) .
- the payment of the balance after the end of the action.

# Payments



# The Guarantee Fund

The Guarantee Fund is a mutual benefit instrument establishing solidarity among participants in indirect actions. It replaces the financial collective responsibility between participants before FP7.

The Fund is the property of the beneficiaries. Each beneficiary will contribute to the Guarantee Fund with 5% of the maximum EC contribution. It will be subtracted from the pre-financing and transferred by the Commission to the fund.

# The Guarantee Fund

At the end of a project, beneficiaries will recover their contribution. However, if at the time of payment, the fund is in a situation where the interest has been insufficient to cover the losses, a deduction will be made from the amount to be returned.

This potential deduction does not concern public bodies or legal entities whose participation is guaranteed by a Member State or an Associated Country and higher and secondary education establishments.

# Interim payments: Example

Grant with three beneficiaries (A, B and C) and three reporting periods.

Maximum grant amount: EUR 1,000,000 at 100%

Pre-financing of EUR 350,000

Costs declared at end of the first reporting period:

500,000 (direct costs) + 125,000 (25% indirect costs) = 625,000

After checking, the EC finds that 20,000 of the direct costs claimed by beneficiary A and 12,000 of those claimed by beneficiary B are not eligible and therefore rejects them:

Reject: 32,000 direct costs + 8,000 for indirect costs = 40,000

Total costs accepted by the EC : **585,000**

# Interim payments: Example

Step 1: application of reimbursement rate:  
 $100\% = 585,000$

Step 2: 90% limit of the maximum grant amount for pre-financing and interim payments = 900,000  
- 5% Guarantee Fund = 850,000

1st interim payment to the coordinator is  
 $(850,000 - 350,000) = 500,000$

Total accepted eligible costs for 2nd interim period: 162,500

2nd interim payment:  
EUR 0 (the 90% limit has already been reached in 1. period).

Final Payment: 150,000

# Interim payments: Example

Maximum EC Contribution:	1,000,000
10% Retention ceiling	900,000
5% Guarantee Fund Contribution	50,000
Project Reporting Periods	3
Average per period	333,333
Project Start:	01/01/2015
Project End:	31/12/2017

	Cost claims	Payment by EC		Accummulated
		Amount	Date	
Pre-financing (120% of average/period) - 5%		350,000	01/02/15	350,000
Accepted cost 1st period (31/12/2015)	585,000			
1. Interim Payment		500,000	01/04/16	850,000
Accepted cost 2nd period (31/12/2016)	162,599			
2. Interim Payment (up to 10% ceiling)		0	01/04/17	850,000
Accepted cost 3rd period (31/12/2017)	252,401			
Final Payment after closing of project incl GF recovery		150,000	01/06/18	1,000,000
	1,000,000	1,000,000		

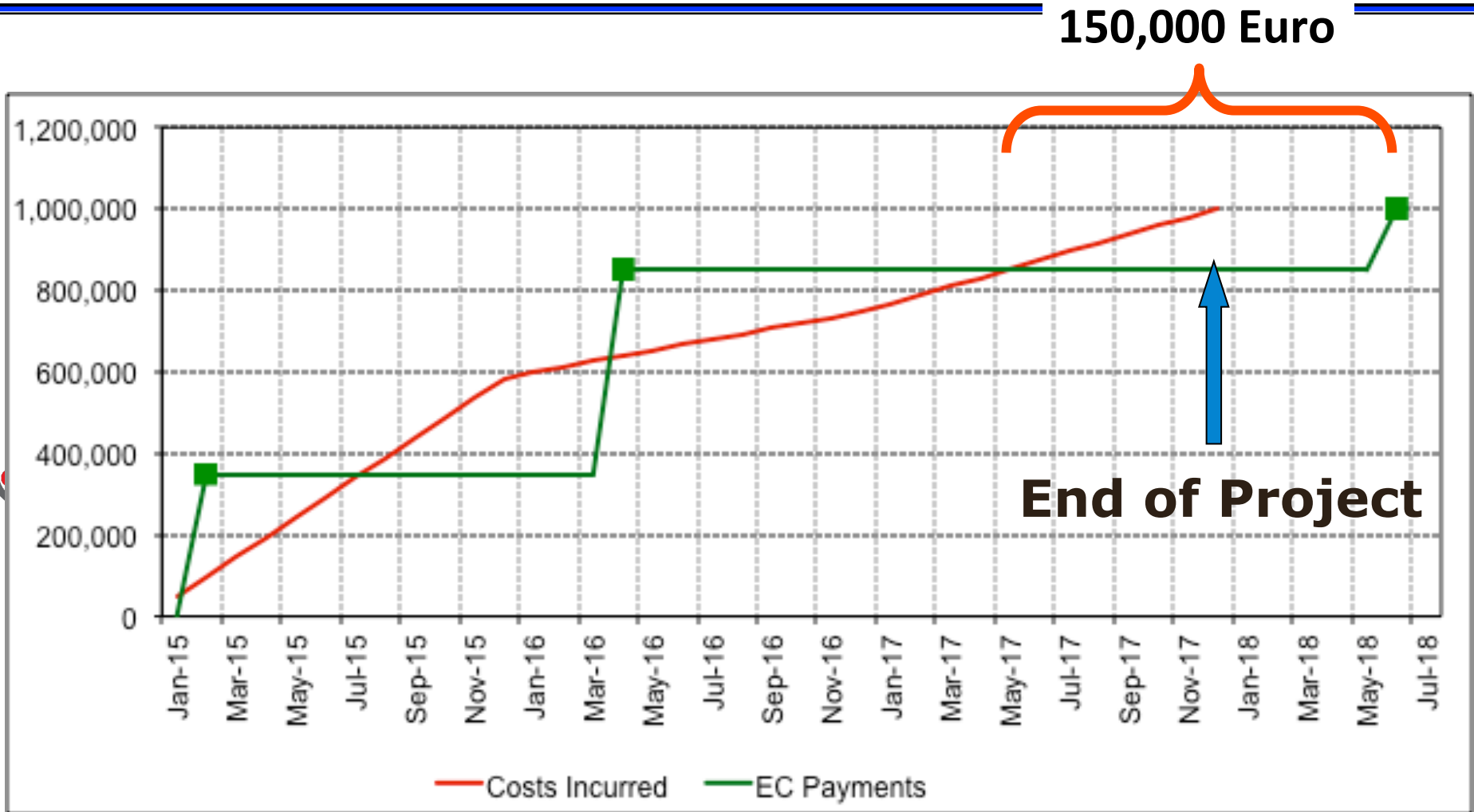
# Let's have a little exercise ...

# Exercise (4) solution:

Maximum EC Contribution:	<b>3,000,000</b>
10% Retention ceiling	2,700,000
5% Guarantee Fund Contribution	150,000
Project Reporting Periods	3
Average per period	1,000,000
Project Start:	01/01/2015
Project End:	31/12/2017

	Cost claims	Payment by EC		Accummulated
		Amount	Date	
Pre-financing (120% of average/period) - 5%		1,000,000	01/02/15	1,000,000
Accepted cost 1st period (31/12/2015)	800,000			
1. Interim Payment		800,000	01/04/16	1,800,000
Accepted cost 2nd period (31/12/2016)	1,200,000			
2. Interim Payment (up to 10% ceiling)		750,000	01/04/17	2,550,000
Accepted cost 3rd period (31/12/2017)	1,100,000			
Final Payment after closing of project incl GF recovery		450,000	01/06/18	<b>3,000,000</b>
	<b>3,100,000</b>	<b>3,000,000</b>		

# The Cash Flow Gap



# Thank you !