

SESSION 7: Financial Aspects and Budgeting

1. Eligible costs, Ineligible costs
2. PRIMA Budget template and lines
3. Third Parties
4. Archiving: keeping records, supporting documentation
5. Reporting and payment requests
6. Checks, reviews, audits and investigations

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1. Eligible Costs, Ineligible Costs

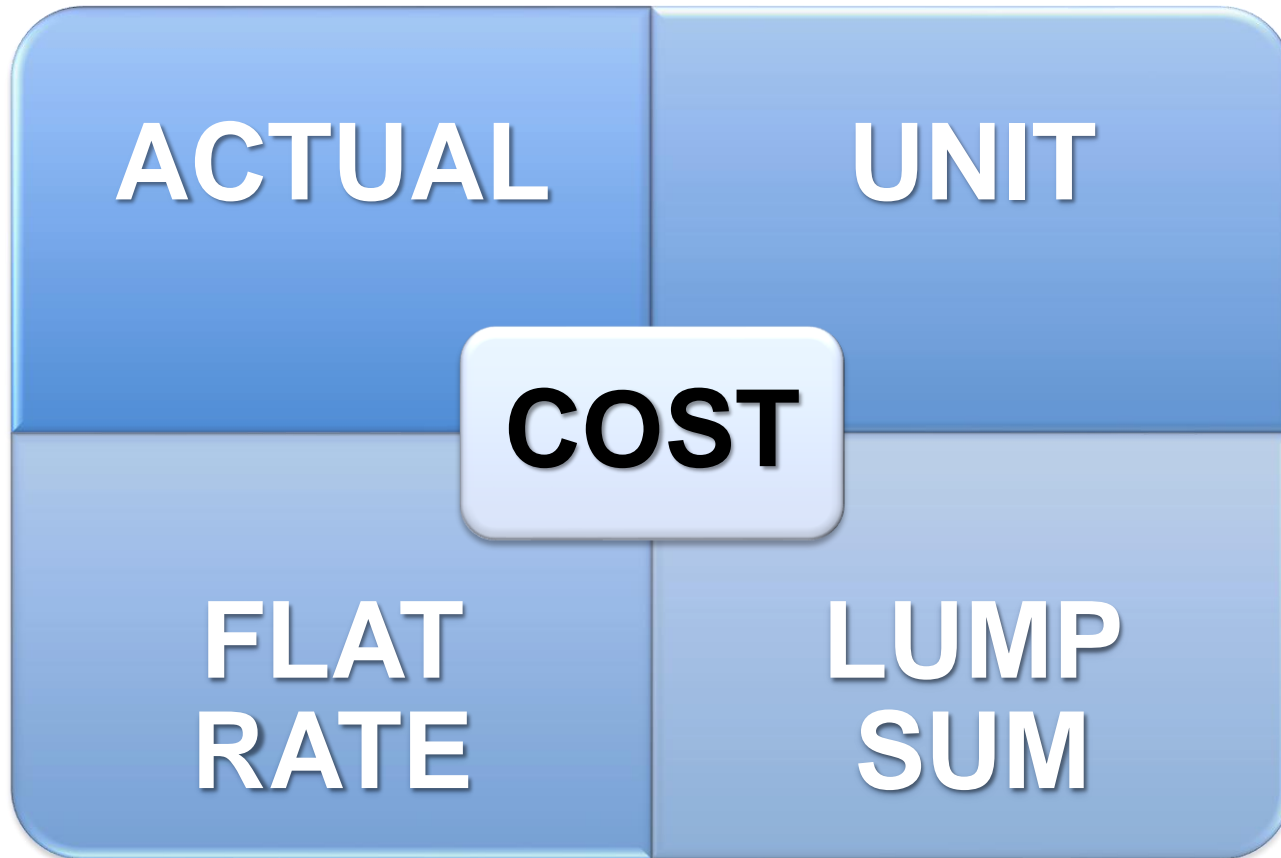
Calls 2019: Section 1 – Section 2

Section and call	Call	Total Call Budget	Budget per Topic	Type of Action	N. of expected grants	TRL	Funding Rate	Expected duration of projects	Total Budget per Section
Section 1	Call Water	6.400.000,00	6.400.000,00	RIA	Up to 4	3 to 5	100%	36-48 Months	28.000.000,00
	Call Farming	10.900.000,00	4.500.000,00	RIA	Up to 3	3 to 5	100%	36-48 Months	
			6.400.000,00	IA*	Up to 4	5 to 8	70 or 100%	36-48 Months	
	Call Agro-food	6.400.000,00	6.400.000,00	IA*	Up to 4	5 to 8	70 or 100%	36-48 Months	
	Call Nexus	4.300.000,00	3.200.000,00	RIA	Up to 2	3 to 5	100%	36-48 Months	
			1.100.000,00	CSA	1	NA	100%	Appr. 36 Months	
Section 2	Single call	34.950.000,00	34.950.000,00	RIA	Appr. 35	NA	depending on National Regulations	36 Months	34.950.000,00

Reimbursement Rate: 70% of eligible costs for profit entities for IAs (100% of eligible costs in case of non-profit entities). 100% of eligible costs for RIAs (either being profit or non-profit entities)



Eligible Costs – how to calculate your budget?



This applies to Section 1 as for section 2 national rules apply.

Eligible Costs

A) ACTUAL COSTS (Art 6.1 MGA)

- 1- Must be actually **induced by the beneficiary**
- 2- During the **period of the action/project**
- 3- Must be **indicated in the estimated Budget** (excel File)
- 4- Must be run in **connection with the action as described in Annex 1**
- 5- Must be **identifiable and verifiable**
- 6- Must comply with the **applicable national law of taxes**, labour and social security
- 7- Must be **reasonable, justified** and must comply with the principle of sound financial management.



Eligible Costs

SPECIFIC CASES ACTUAL COSTS

1- Cost related to project activities (staff cost, events, printing...) **ELIGIBLE**

1- Depreciation costs for equipment used for the action, but bought before the action starts. **ELIGIBLE**

2- Cost related to preparing, submitting and negotiating the proposals. **NOT ELIGIBLE**

3- Costs related to drafting the consortium agreement. **NOT ELIGIBLE**

4- Travel Costs for the kick-off meeting. **ELIGIBLE**

5- Costs of reporting at end of the action. **ELIGIBLE**

6- Cost to allow for the participation of disabled people. **ELIGIBLE**



Ineligible costs

Costs that **do not comply with the conditions** set out in the eligible costs:

- Doubtful debts
- Currency Exchange losses
- Excessive or reckless expenditure
- Deductible VAT



Eligible Costs

B) UNIT COSTS

- Usual accounting practices

- Must be calculated as follows: **Number of actual units x Amounts per unit**

C) LUMP SUM

Payment exclusively based on **outcome base payment**

Example: A measurement campaign, clinical tests.

D) FLAT RATE COSTS

Calculated by applying the flat rate to eligible costs (Example: 25% Eligible direct costs will be indirect costs)



2. PRIMA Budget Template and Lines



PRIMA Budget template and sections

			A. Direct personnel costs				B. Direct costs of subcontracting	C. Direct costs of financial support	D. Other direct costs			E. Indirect costs	Total costs	Reimbursement rate	Maximum PRIMA contribution	Maximum grant amount
			A1, A2, A3, A6		A4, A5			C1, C2	D1, D2, D3, D4	D5						
Partner nu	Partner country	Form of costs	Actual	Unit	Unit	Unit	Actual	Actual	Actual	Unit	Flat rate					
		Partner acronym	a	Total b	No hours	Total c	d	[e]	f	Total g	$h=0.25*(a+b+c+f+g-n)$	$j=a+b+c+d+e+f+g+h$	k	l	m	
1			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	100.00%	€ -	€ -	
2			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	100.00%	€ -	€ -	
3			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
4			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	100.00%	€ -	€ -	
5			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
6			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
7			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
8			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
9			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
10			€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -	70.00%	€ -	€ -	
		Total consortium	€ -	€ -		€ -	€ -	€ -	€ -	€ -	€ -	€ -		€ -	€ -	



Budget Lines

A) Direct Personnel Costs

B) Direct costs of subcontracting

C) Direct costs of providing financial support to third parties

D) Other direct costs

E) Indirect costs

DIRECT COSTS: Costs directly linked to the action implementation and can be attributed directly to it.

INDIRECT COSTS: Costs NOT directly linked to the action implementation and cannot be attributed directly to it.



Eligible Costs

A) DIRECT PERSONNEL COSTS (Art 6.2 MGA)

- Costs for employees

Personnel costs for employees (salary +social security contributions)

GENERAL RULE: HOURS WORKED (time records) x HOURLY RATE+ (Additional Remuneration)

$$\text{HOURLY RATE} = \frac{\text{PERSONNEL COSTS}}{\text{PRODUCTIVE HOURS}}$$

- **Hourly rate** can be calculated either annually or monthly

- **Productive hours**

a) 1.720 hours

b) Individual productive hours



Eligible Costs

Specific cases direct personnel costs

- Teleworking. **ELIGIBLE**
- Benefits in kind. **ELIGIBLE** (e.g costs of lunch vouchers)
- Recruitment costs. **NON ELIGIBLE**
- Students, PhDs under scholarship, internship or similar agreement. **ELIGIBLE**
- Parental live. **ELIGIBLE**

- Costs for natural persons working under a direct contract

- Costs of **in-house consultants** similars (**i.e self-employed**)

- Costs for personnel seconded by a third party

B) DIRECT COSTS OF SUBCONTRACTING

- Covers the **price paid for subcontracts** and related taxes.
- Must be declared as **actual costs**
- Be incurred for the subcontracting of action tasks **described in Annex 1.**

Eligible Costs

C) OTHER DIRECT COSTS

- Travel costs

- Covers the travel costs and related subsistence allowances spent for the action
- Be in line with the beneficiary's usual practices on travel.

Specific cases

Combination with personal travels or travels for other purposes.

- Equipment

a) *Depreciation costs of equipment, infrastructure or other assets*

b) *Costs of renting or leasing equipment*



Eligible Costs

C) OTHER DIRECT COSTS

- Other goods (Art 10 MGA)

Goods and services purchased for the action. **It is not necessary to detail in Annex 1**

- Consumables and supplies
- Intellectual property rights
- Certificates on financial statements

- Costs of internally invoiced goods and services

Costs for **goods and services** which the beneficiary **itself produced or provided for the action**.



Eligible Costs

D) INDIRECT COSTS

Indirect costs are eligible if they are declared on the basis of the **flat-rate of 25%** of the eligible DIRECT costs from which are **EXCLUDED**:

- Costs of subcontracting

EXAMPLE:

A public university is a beneficiary under a GA and has incurred the following costs:

- 100.000 € personnel costs
- 20.000 € subcontracting costs
- 10.000 € Other direct costs

Eligible DIRECT costs: $100.000 + 20.000 + 10.000 = 130.000$ €

Eligible INDIRECT costs: $(100.000 + 10.000) \times 25\% = 27.500$ €

Total Eligible costs: 157.500 €



3. Third Parties

Third Parties

⇒ What is a third party?

A legal entity which **carries out work of the action**, supplies goods or provides services for the action, but which **did not sign the grant agreement**

⇒ What types of third parties?



1. Third parties **directly carrying out** part of the work described in Annex 1



2. Other third parties: **providing resources, goods or services** to the beneficiaries for them to carry out the work described in Annex 1

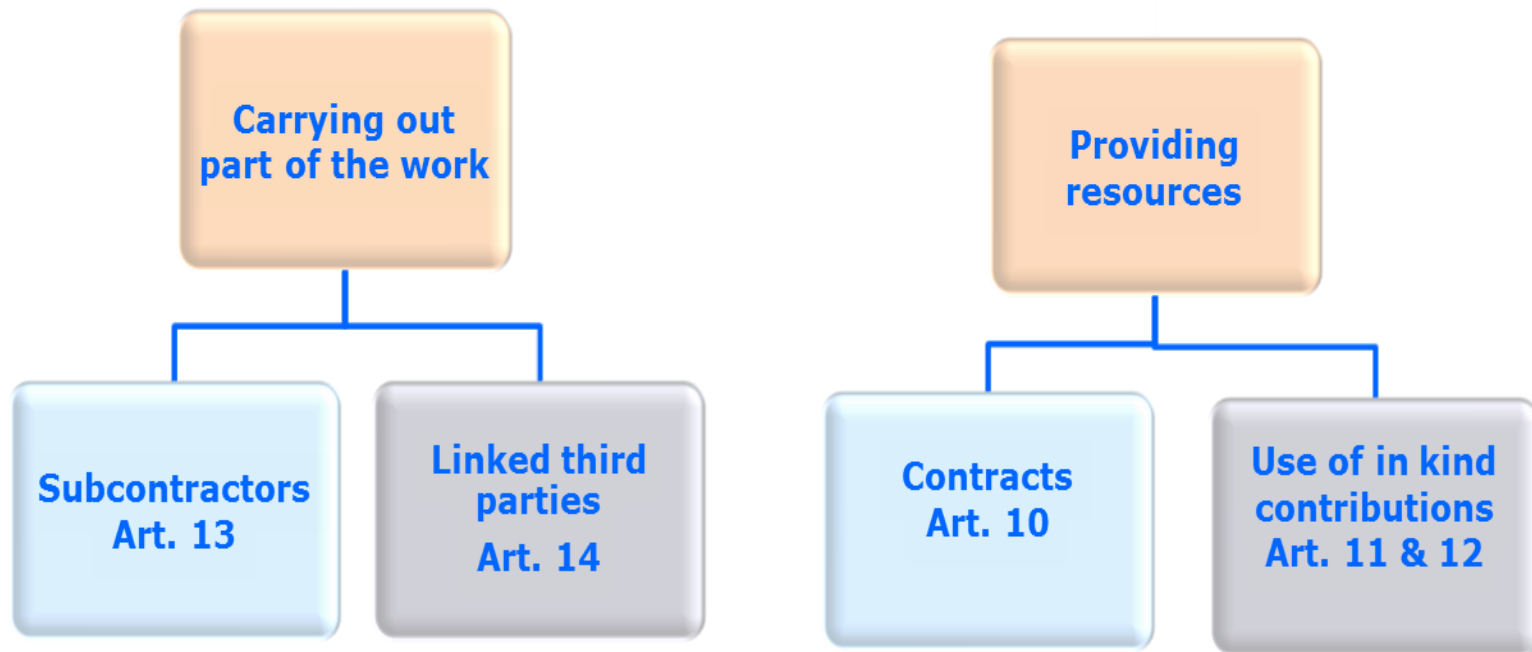
Source: European Commission, EC



Third Parties

Source: European Commission, EC

THIRD PARTIES IN H2020





4. Archiving: keeping records, supporting documentation



Keeping records-Supporting documentation

- **Five** years keep records and other supporting documentation.

- **Original documents.**

-The beneficiaries must keep the records and documentation supporting the costs declared:

a) Actual costs: e.g: contracts, subcontracts, invoices and accounting records.

b) Unit costs: Adequate records and other supporting documentation to prove the number of units declared.

-**'Certificate on the methodology'** Stating that their usual cost accounting practices comply with these conditions.

-In addition, for **personnel costs** (only for persons who don't work exclusively on the action), the beneficiaries must keep **time records** (writing and approved by the persons working on the action) for the number of hours declared (at least monthly).



5. Reporting and payment requests

Report and Payment Requests

- The coordinator must submit a periodic report within 60 days following the end of each reporting period.

-Periodic financial report:

Payment accordance of the work package accomplishment

An individual financial statement

A periodic summary financial statement

-Final financial report:

It is also necessary to include a certificate on the financial statements if the beneficiary requests a total contribution of **325.000 € or more**.

-Financial Statements **must be drafted in euro**. (For non-euro members, Official Journal of the European Union)

Report and Payment Requests

-Prima Foundation will do the following payments:

1- **Pre-financing payment**: 60% (max 30 days)

2- **Interim payment/s**: 30% (max 90 days)

The amount due as interim payment is calculated by the PRIMA Foundation in the following steps:

Step 1: Application of the reimbursement rates

Step 2: Limit to 90% of the maximum grant amount.

3- **Payment of the balance**: 10% (max 90 days)

- Payments **will be made to the coordinator.**



6. Checks, Reviews, Audits and Investigations

Checks, reviews, audits and investigations

- The **Prima Foundation or the Commission** will check the proper implementation of the action and compliance with the obligations under the Agreement. **30% of Beneficiaries**
- **Reviews** may be started up to 2 years after the payment if the balance. These reviews can be carried out directly (own staff) or indirectly (using external persons or bodies).
- The Prima Foundation or the Commission may carry out **audits** on the proper implementation of the action.
- European Anti-Fraud office (OLAF) and European Court of Auditors (ECA) can carry out at any moment during the implementation of the action investigations or audits.



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NOT TO FORGET

*END OF SESSION SEVEN
THANK YOU FOR YOUR ATTENTION*

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