

TURKEY in HORIZON 2020

**Turkey in Horizon 2020 II
Information Multipliers**

Financial Management

Understanding the Financial and administrative requirements of your project

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Costs and eligibility

- A grant is not the lottery.
You may need to contribute to the budget.
- All costs by partners.
- Only "Eligible" Costs.
- Costs have to be:
 - Actual
 - Real (not estimated)
 - Borne by beneficiary
 - During project duration
 - Estimated in the budget
 - identifiable and verifiable
 - Compliant with national laws on taxes, labour and social security
 - Reasonable & justified

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Understanding the Costs

ELIGIBLE COSTS	INELIGIBLE COSTS
DIRECT (Actual) <ul style="list-style-type: none"> • Personnel costs (incl. employer's costs) • Travel • Equipment (depreciation rules apply) • Goods, works and services • Subcontracting INDIRECT (25% on all Direct Exp. Subcontracting) <ul style="list-style-type: none"> • Overhead 	<ul style="list-style-type: none"> • Deductible VAT (Note: non deductible/non identifiable VAT is eligible) • Losses due to fluctuation of exchange rates • Interest owed • Provisions for future losses or debts

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Direct Personnel Costs Categories

- Employee costs (or equivalent)
 - basic remuneration = basic salary (*incl. Salary, social Security, Taxes, other*) + complements (*13th Salary, night shifts, hazardous work complement, variable*)
 - for non-profit legal entities: additional remuneration ('bonus payments')
- natural persons working under a direct contract
- personnel seconded by a third party
- 'beneficiaries that are SMEs for their owners (or natural persons) not receiving a salary'

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What is person time? (PDays / Pmonths)

One Person working for 3 months (Full time)

=

3 Persons working for 1 month (Full time)

=

6 Persons working for ½ month

ANY DURATION

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Working Time Remuneration

- Only hours worked on the project can be charged.
- **Timesheets**: Working time recorded till the end.
- Real **productive** hours not estimations.
- Some activities **not** productive hours :
 - Training (*not project related*)
 - Internal meetings (*not project related*)
- Some activities not productive

{hourly rate * number of actual hours worked on the project}

Example:

Hourly Rate = 40 €

1.600 Annual Prod. Hours: 800 h for this project

40 * 800 h = 32.000 + 2000 € (Additional Rem. as PM) = 34.000 €

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Annual Productive Hours Calculation

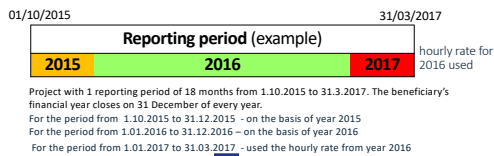
1. **Fixed 1.720 hours** for persons working full time
2. **Individual Annual Productive hours:** total hours worked by the person in the year for the beneficiary
 $\{ \text{annual workable hours (empl. contract, labour, national law)} + \text{overtime} - \text{absences (sick leave /special leave)} \}$
3. **Standard Annual Productive hours:** Annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices

• Explained in detail in *Annotated Grant Agreement (p.55)*

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Hourly Rate Calculation

- $\{ \text{Hourly Rate} = \text{Annual personnel costs} / \text{Annual productive hours} \}$
- Calculated by **financial year** and has to be made always **on the basis of full financial years**
If at end of reporting period financial year not closed yet, figures of the last closed financial year available must be used to declare the costs for those months.



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Persons Working Exclusively for the Project

regardless if full-time or part-time employees:

- **DECLARATION** (AGA, art.18) on exclusive work for the action, to confirm that the person worked exclusively for the action, either:
 - during whole reporting period or
 - during uninterrupted time-period, covering at least a full natural month within the reporting period.

Sporadic or random periods of 'exclusive' dedication can NOT be subject of a declaration.

If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time records are needed for the period of random work.

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SME Owners NOT receiving a salary

SME owners / natural persons / no salary

YES: owners compensated by other means than a salary
(e.g. dividends, service contracts between the company and the owner, etc.)

NO: owners receiving a salary (registered as such in the accounts of the SME)

HOW:

- Hourly Rate = [EUR 4,650 / 143 hours] X (country-specific correction coefficient)

In TR = 86,6%

• [SFE Annex 2a \(Additional information on the estimated budget\): V5 \(25.5.2018\)](#)

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Other Direct Costs

- Travel and Subsistence
- Equipment (only Depreciation)
- Purchase of Goods and Services

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Travel

- **Transportation**
 - Number of Trips
 - Destinations
 - Duration of travels
 - Number of people traveling
- **Flat Subsistence Allowance**
 - eligible if in line with beneficiary's usual practices on travel

See: https://ec.europa.eu/research/participants/data/ref/jp/89566/flat-rates-subsistence_en.pdf

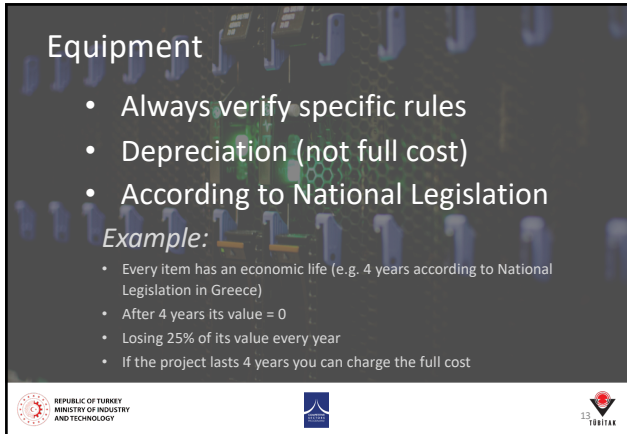
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Equipment

- Always verify specific rules
- Depreciation (not full cost)
- According to National Legislation

Example:

- Every item has an economic life (e.g. 4 years according to National Legislation in Greece)
- After 4 years its value = 0
- Losing 25% of its value every year
- If the project lasts 4 years you can charge the full cost



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Other Costs

- Short Consultancies
- Catering
- Printing services
- Etc.

Some times these can go to subcontracting

ALL MUST BE DETAILED AND JUSTIFIED



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Subcontracting

- Always check specific rules
- Business Conditions
- Only small amount
(<15-20% of the partner's budget)
- Avoid it if you can

ANNEX 1:
Description of Tasks, Costs Estimation, Need justification

ANNEX 2: Estimated Costs

EXAMPLES: *Contract for part of the research*
Contract for Test and analysis of a new product



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Indirect Costs (Overheads)

- Necessary for every functioning organisation
- Connected to productive personnel
 - Utilities
 - Office costs
 - Communications
- How to determine the % ?
FLAT 25% of ALL Direct costs *(except Subcontracting)*
- They do NOT have to be justified








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Budget Flexibility




- At reporting costs may differ from estimated eligible costs.
- Budget Transfer between Beneficiaries or between budget categories without Amendment
If incurred costs < estimated, difference to another partner or budget category.
If significant change in planned work, amendment is needed

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Funding Limits

- One project = one rate for all activities
- 100% of the eligible costs for **Research Actions (RIA)**
- Maximum of 70% for **Innovation actions (IA)**
(non-profit organisations – maximum of 100%)
- 100% for **Coordination and Support (CIA)**
- Defined in the Work Programme

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Phases of Budget Building

1. Define the total cost
2. Partner distribution draft
3. Prepare WBS and PM / WP
4. Determine Personnel Costs
5. Define Other Costs
6. Circulate budget to partners
7. Negotiate and finalise

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Define the Final Budget

- Make a rough evaluation
- Based on restrictions
 - Call budget
 - Previous Projects
 - Ask your NCP about competition
- Must be realistic
- Start moderate so you can increase it during preparation
- Negotiate early with partners
 - Distribute your proposal in the beginning
 - Even if you have not all the partners, you know the roles

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Horizon 2020 Personnel Cost Model

Average Person Month Cost = weighted mean value of the different profiles

Profile	PM Cost	PM	Total
Director	8.000,00 €	2	16.000,00 €
Senior Researcher	5.000,00 €	8	40.000,00 €
Junior Researcher	2.500,00 €	10	25.000,00 €
		20	81.000,00 €
AVERAGE COST:			4.050,00 €

Taken into account only for Proposal Phase. During Project Implementation you need actual costs.

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Why is it important ?

- Wrong assumptions lead to problems
- Poor planning creates uncertainty
- Practical Example
- <https://th2020.zendesk.com/hc/en-us/articles/209317309-H2020-Budget-Preparation>



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Completing the Budget table

[illegible]

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How to use the template (Columns A, B)

		(A)				(B)	
	PM Rating	Direct Personnel Costs	Travel costs	Equipment	Other	Other Direct Costs	(B)/(A) %
1/COORD	4.500,00 €	261.000,00 €	21.600,00 €	1.500,00 €	5.000,00 €	28.100,00 €	10,77%
NOVI	7.872,00 €	362.112,00 €	28.800,00 €	1.500,00 €	5.000,00 €	35.300,00 €	9,75%
PAR3	3.500,00 €	147.000,00 €	19.200,00 €	1.200,00 €	1.500,00 €	21.900,00 €	14,90%
PAR4	4.000,00 €	168.000,00 €	16.000,00 €	1.500,00 €	4.500,00 €	22.000,00 €	13,10%
PAR5	4.500,00 €	153.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	14,05%
PAR6	4.516,00 €	176.124,00 €	19.575,00 €	3.400,00 €	2.000,00 €	24.975,00 €	14,18%
PAR7	4.060,91 €	60.913,61 €	18.000,00 €	2.900,00 €	3.400,00 €	24.300,00 €	39,89%
PAR8	4.500,00 €	90.000,00 €	18.000,00 €	2.000,00 €	1.500,00 €	21.500,00 €	23,89%
PAR9	7.500,00 €	240.000,00 €	20.000,00 €	2.000,00 €	1.500,00 €	23.500,00 €	9,79%
Total		€ 1.658.149,61	€ 179.175,00	€ 18.000,00	€ 25.900,00	€ 223.075,00	

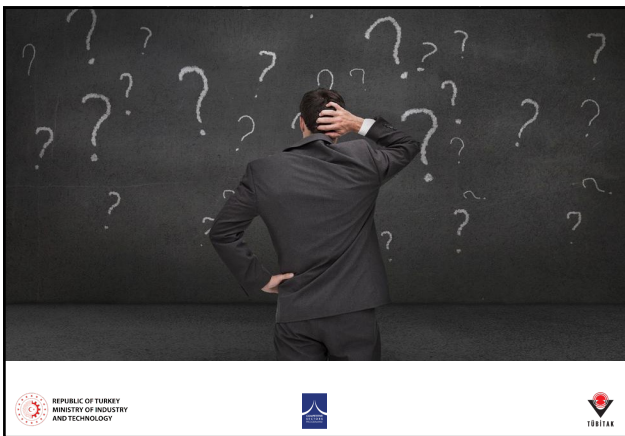
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How to use the template (Columns C – I)

(C) Direct Costs of Subcontracting	(D) Direct costs of providing financial support to 3rd parties	(E) Costs of in-kind contributions not used on the beneficiary's premises	(F) Indirect costs 0.25*(A+B-E)	(G) Special unit covering direct & indirect costs	(H) Total estimated eligible A+B+C+D+F+G	(I) Reimbursement rate	Max grant H*I	Requested Grant
0,00 €	0,00 €	0,00 €	72.275,00 €	0,00 €	361.375,00 €	100,00%	361.375,00 €	361.375,00 €
0,00 €	0,00 €	0,00 €	99.353,00 €	0,00 €	496.765,00 €	100,00%	496.765,00 €	496.765,00 €
0,00 €	0,00 €	0,00 €	42.225,00 €	0,00 €	211.125,00 €	100,00%	211.125,00 €	211.125,00 €
0,00 €	0,00 €	0,00 €	47.500,00 €	0,00 €	237.500,00 €	100,00%	237.500,00 €	237.500,00 €
0,00 €	0,00 €	0,00 €	43.625,00 €	0,00 €	218.125,00 €	100,00%	218.125,00 €	218.125,00 €
0,00 €	0,00 €	0,00 €	50.274,75 €	0,00 €	251.373,75 €	100,00%	251.373,75 €	251.373,75 €
0,00 €	0,00 €	0,00 €	21.309,40 €	0,00 €	106.517,02 €	100,00%	106.517,02 €	106.517,02 €
0,00 €	0,00 €	0,00 €	27.875,00 €	0,00 €	139.375,00 €	100,00%	139.375,00 €	139.375,00 €
0,00 €	0,00 €	0,00 €	65.875,00 €	0,00 €	329.375,00 €	100,00%	329.375,00 €	329.375,00 €
€ 0,00	€ 0,00	€ 0,00	€ 470.306,15	€ 0,00	€ 2.351.530,77		TOTAL	€ 2.351.530,77

Certificate on the Financial statements (Audit): Requested Grant > 325.000 €

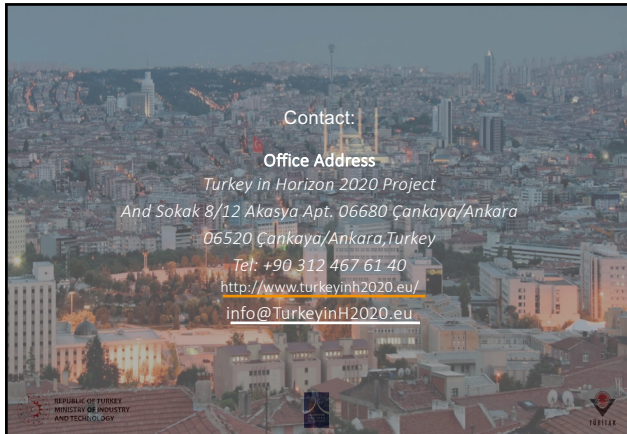
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