

Turkey in Horizon 2020 II European Innovation Ecosystems

Financial Management

Understanding the Financial and administrative requirements of your proposal

FGT EIE, Ankara

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Meet the instructor

Odysseas Spyroglou
Key Expert 2. Legal, Financial & IPR



- **Innovation consultant** with **engineering, ICT and financial** background.
- Over **20 years of working experience** in EU funded projects: preparing proposals, building consortia and managing projects under FP7, CIP, COSME, INTERREG, MED, H2020 and more.
- Specialise in **Project Management & Quality, Intellectual Property** and reengineering **business processes**.
- Designed and delivered more than **300 training sessions on Innovation** Management, IPR, Entrepreneurship, Proposal Writing, Project Management, financial administration.

20+
Years

60+
Projects

90m+
Funds



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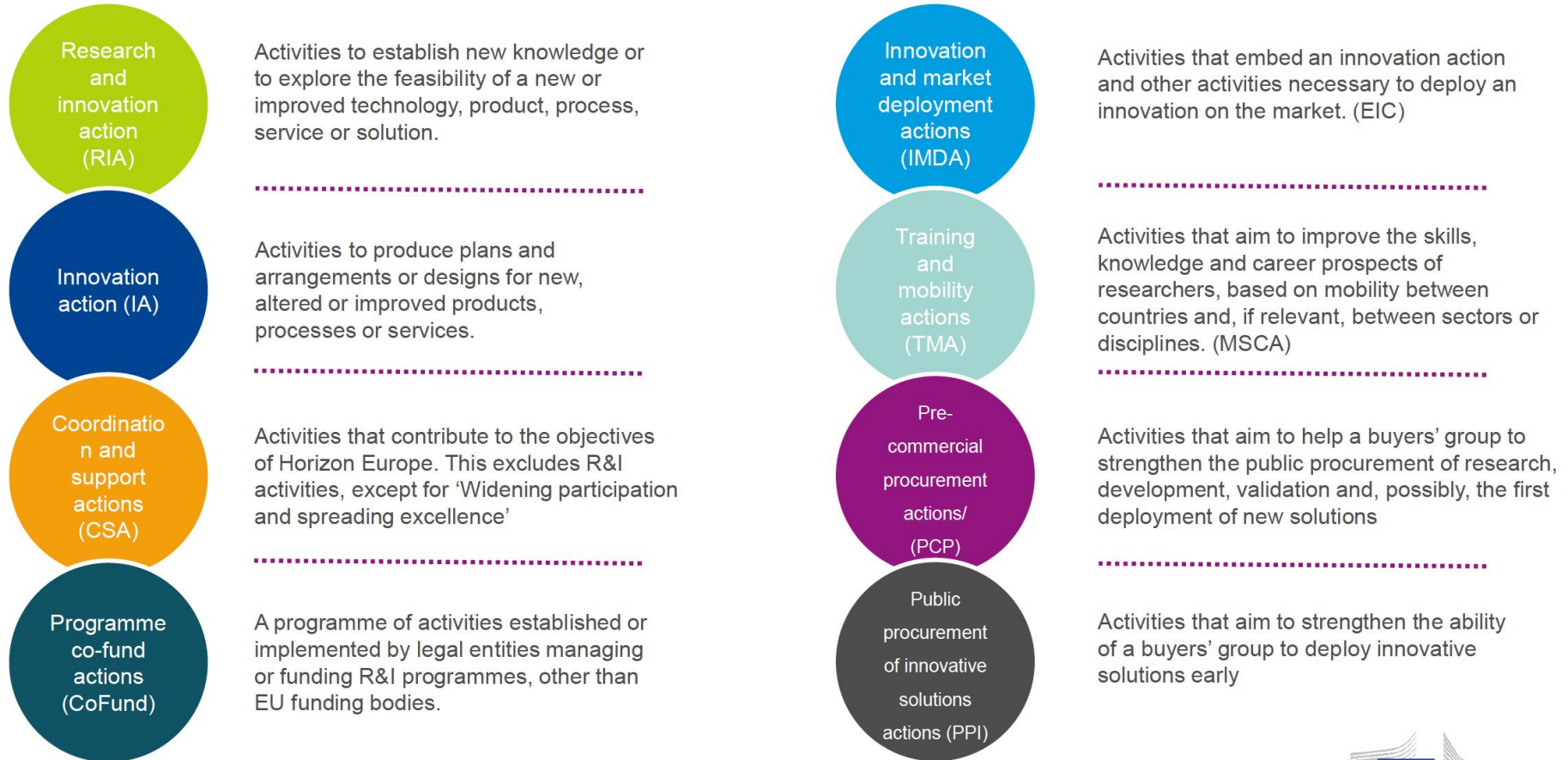
COMPETITIVE
SECTORS
PROGRAMME



TÜBİTAK

Eligibility

Annex B: Types of Actions



Types of Action in EIE

Type of Action	Funding rate
Research and innovation action (RIA)	100%
Coordination and support action (CSA)	100%
Programme co-fund action (COFUND)	Between 30% and 70%

RIA

establish **new knowledge** and/or to **explore the feasibility** of a new or improved technology, product, process, service or solution.

Basic and applied research, technology development and integration, testing and validation on a small-scale prototype in a laboratory or simulated environment.

CSA

Action **contributing towards the objectives of the Programme, excluding research and innovation activities.**

Standardisation, dissemination, awareness-raising and communication, networking, coordination or support services, policy dialogues and mutual learning exercises and studies.

COFUND

provide co-funding to a programme established and/or implemented by entities managing and/or funding research and innovation programmes, other than Union funding bodies.

Actions directly implemented by entities **or by third parties to whom they may provide any relevant financial support** such as grants, prizes, procurement, as well as Horizon Europe blended finance.



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)
 - Fall under one of **budget categories**
 - During project duration
 - Estimated in the budget
 - identifiable and verifiable
 - Compliant with national laws on taxes, labour and social security
 - Reasonable & justified



Understanding the Costs

ELIGIBLE COSTS	INELIGIBLE COSTS
<p>DIRECT (Actual)</p> <ul style="list-style-type: none">• Personnel costs (incl. employer's costs)• Travel• Equipment (depreciation rules apply)• Goods, works and services• Subcontracting <p>INDIRECT (25% on all Direct Exp. Subcontracting)</p> <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

Direct Personnel Costs Categories

- Employee costs (or equivalent) - ACTUAL
 - 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 - ACTUAL
- 'beneficiaries that are SMEs for their owners (or natural persons) not receiving a salary' - UNIT

ACTUAL vs. UNIT: See P. 13 of Annex G: Legal and financial set-up of the GA, in General Annexes



What is person time? (PDays / Pmonths)

One Person working for 3 months (Full time)

=

3 Persons working for 1 month (Full time)

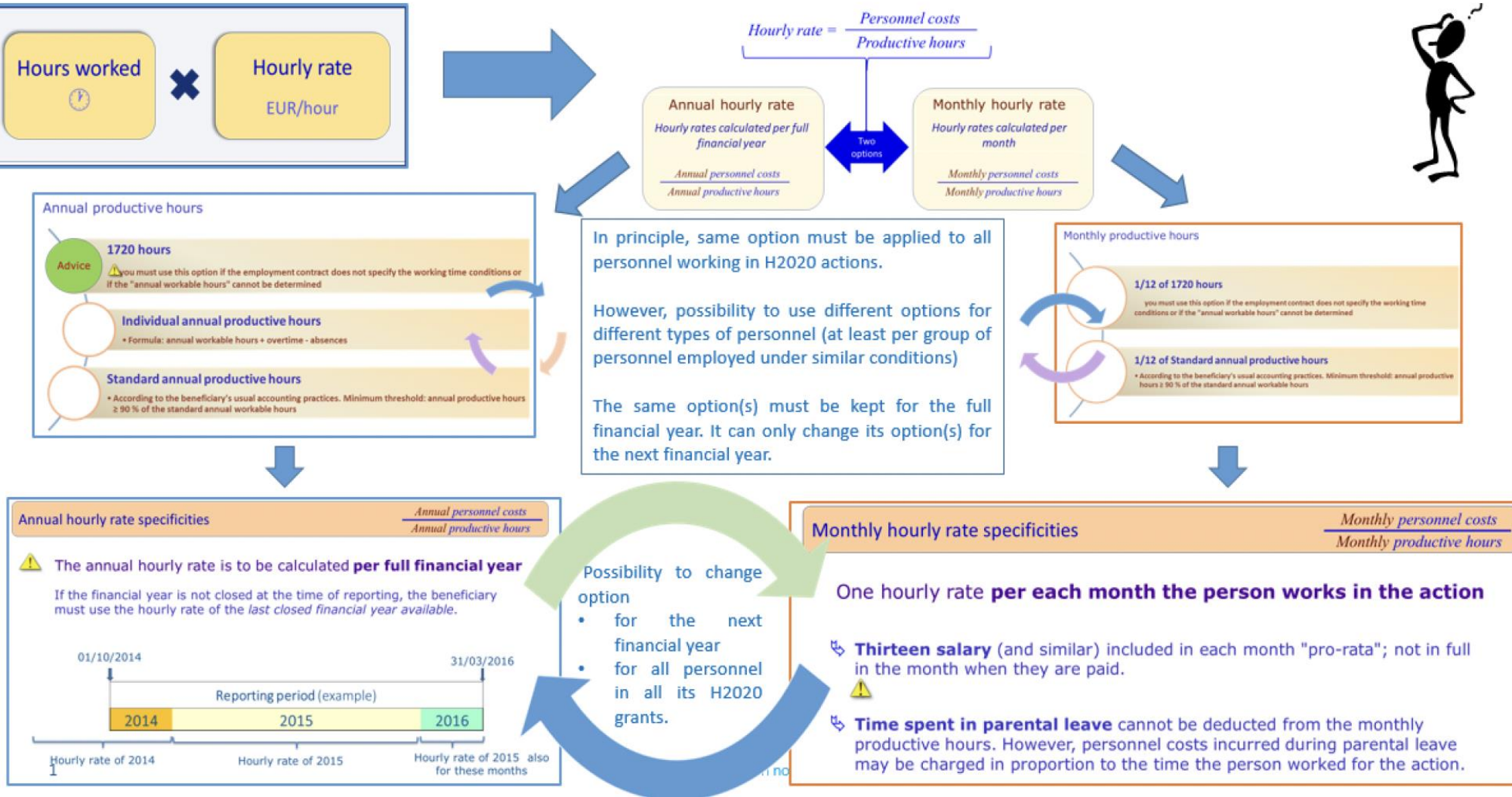
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6 Persons working for ½ month

ANY DURATION



Horizon 2020 estimation of rates



Horizon Europe

- 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 :

Personnel costs



Daily rate



Days worked
in the project

Example:

Hourly Rate = 40 €

1.600 Annual Prod. Hours: 800 h for this project

$40 * 800 \text{ h} = 32.000 + 2000 \text{ € (Additional Rem. as PM)} = 34.000 \text{ €}$



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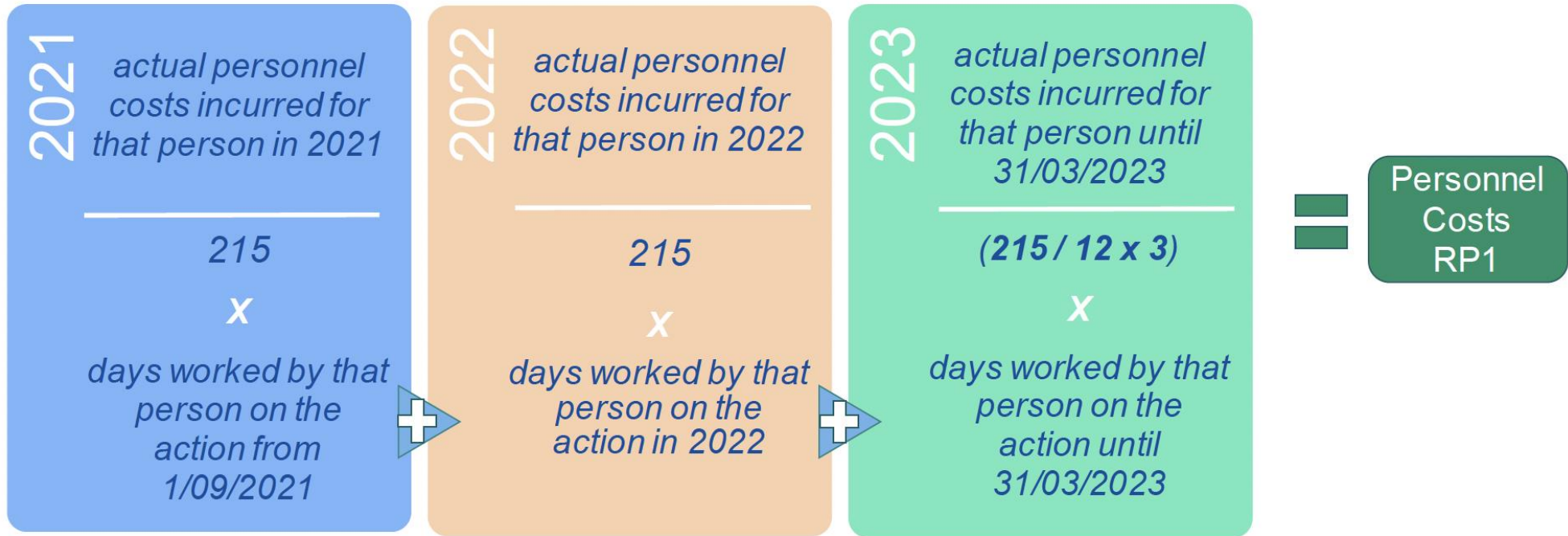


Horizon Europe: from now on

$$\begin{array}{ccccc} \text{Personnel costs} & = & \text{Daily rate} & \times & \text{Days worked in the project} \\ & & \text{Daily rate} & = & \frac{\text{actual annual personnel costs for the person}}{215^*} \end{array}$$

- Daily rate estimated per calendar year.
- Timesheets (Paper or Digital) OR monthly declaration on days worked on action.

Daily Rate Calculations



- NO NEED FOR THIS DURING PROPOSAL PHASE.

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%

Can be found in Annex 2a of Grant Agreement.



Other Direct Costs

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



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: http://ec.europa.eu/research/participants/data/ref/fp7/89566/flat-rates-subsistence_en.pdf



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

Other Costs

- Short Consultancies
- Catering
- Printing services
- Etc.

Some times these can go to subcontracting

ALL MUST BE DETAILED AND JUSTIFIED



Subcontracting

- Always check specific rules
- Business Conditions
- Only small amount
($<15\text{-}20\%$ 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



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

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



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



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



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



Horizon Europe 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.



Why is it important ?

- Wrong assumptions lead to problems
- Poor planning creates uncertainty
- TEMPLATE for budget in our helppage
<https://th2020.zendesk.com/hc/en-us/articles/4402400291218-FGT-15-Focus-Group-Training-on-HE-EIE-Work-Programme>



Completing the Budget table

			Estimated expenditure						Estimated income								
									Requested EU contribution			Revenues	Other sources of financing		Total estimated income		
			Estimated eligible costs						EU contribution to eligible costs			Income generated by the action	Financial contributions	Own resources			
									A. Personnel costs/€ (a1)	B. Subcontracting costs/€ (b)	C. Purchase costs					D. Other cost categories D.X [specific cost category] /€ (dx)	E. Indirect costs/€ (e) = 25% * [(a1) + (c1) + (c2) + (c3) + (d7)]
No	Participant name	Country			C.1 Travel and subsistence/€ (c1)	C.2 Equipment/€ (c2)	C.3 Other goods, works and services /€ (c3)							(e)	(q)	(r)	(s)=(n) + (o)+(p)+ (q) + (r)
1	Participant 1	NL															
2	Participant 2	LB															
	Affiliated Entity	LB															
3	Participant 3	DE															
	Associated Partner	AR															
Total																	



How to use the template

	(A) Direct Personnel Costs	(B) Subcontracting Costs	(C.1) Travel and Subsistence	(C.2) Equipment	(C.3) Other Goods & Services	(C) Purchase Costs	(D) Other Costs	(E) Indirect costs 0.25*(A+C+D7)	(H) Total estimated eligible A+B+C+D+F+G	(I) Reimburse- ment rate	Max grant H*I	Requested Grant
COO1	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR2	176,000.00 €					0.00 €	0.00 €	44,000.00 €	220,000.00 €	100.00%	220,000.00 €	220,000.00 €
PAR3	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR4	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR5	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR6	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR7	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR8	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
PAR9	0.00 €					0.00 €	0.00 €	0.00 €	0.00 €	100.00%	0.00 €	0.00 €
Total	€ 176,000.00		€ 0.00	€ 0.00	€ 0.00	€ 0.00		€ 44,000.00	€ 220,000.00		TOTAL	€ 220,000.00





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Teşekkür ederim!

Thank you!



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COMPETITIVE
SECTORS
PROGRAMME



TÜBİTAK

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