

# Financial framework: general aspects on eligible and ineligible costs, funding instruments

**RICH training 26/10/2015 in Brussels**

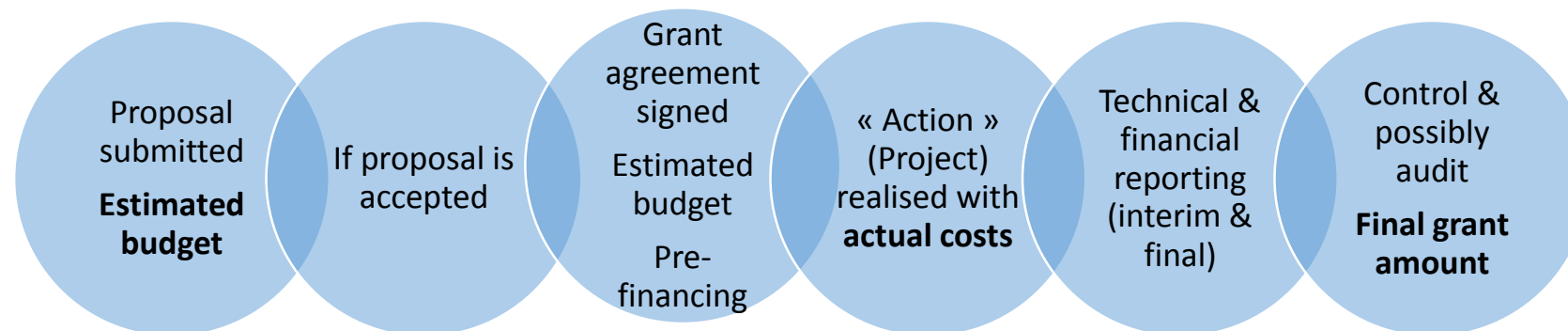
**The Brussels Enterprise Agency  
NCP Academy – Partner**

# Why is this so important?

Estimated budget defines clearly the budget / beneficiary & tasks

**BUT actual grant is based on the actual eligible costs**

**Pre-payments do not guarantee final grant amount**



of grant reduction

→ involve top & financial mngt (proposal) & involve financial dept during execution

# Funding instruments

**One set of rules** with small number of exceptions

Multi-beneficiaries (Collaborative) or Mono-beneficiaries

General Model Grant Agreement

[http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference\\_docs.html](http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html)

- Model grant agreement
  - General Grant Agreement
  - European Research Council (ERC)
  - Marie-Sklodowska-Curie (MSC)
  - SME Instrument
  - ERANET Cofund



[http://ec.europa.eu/research/participants/data/ref/h2020/other/gm/h2020-grant-factsheet\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/other/gm/h2020-grant-factsheet_en.pdf)

# Funding rate : rule 1

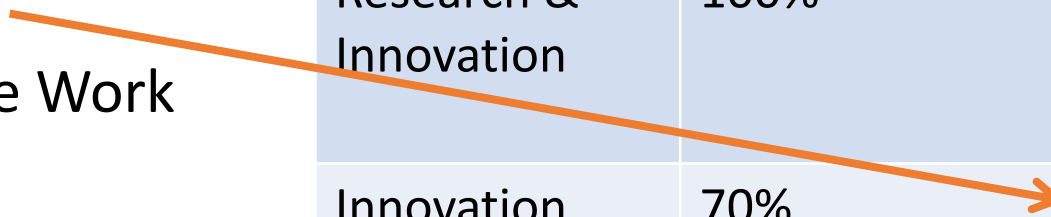
## Grant = x % of project budget

A SINGLE FUNDING RATE / PROJECT

Same rate for all beneficiaries & all activities in the grant (1 exception)

The applicable rate is defined in the Work Programme

Max reimbursement rate	All types of legal entities	Non-profit organisations
Research & Innovation	100%	100%
Innovation	70%	100%



Find co-funding sources (possibly own funding)

**No** double funding (Art. 6)

**No** profit at the level of the project (NOT for each beneficiary) ≠ FP7 -> « receipts » (Art. 5.3.3)

**‘Non-profit’**: by its legal form or with a legal or statutory obligation not to distribute profits to its shareholders or individual members

# Rule 2: eligible costs MUST be...

## Cumulatively

- **Actually incurred** (REAL, not estimated, budgeted, imputed)
- Incurred **during the project duration**  
Except costs for drafting and submitting final report
- Entered as eligible costs **in the estimated budget** under the relevant budget category (request for amendment)
- **Connected and essential to the project**
- **Identifiable and verifiable**  
Except indirect costs
- According to the national accounting rules and beneficiary's **usual accounting practice**
- Comply with national laws on taxes, labour and social security
- Sound financial management, economy and efficiency

# Ineligible costs include...

- Costs related to drafting the consortium agreement
- Costs for equipment bought before the project start and already fully depreciated
- Costs related to preparing, submitting and negotiating the proposal
- Currency exchange losses, bank costs for transfers from the EC to the beneficiary's bank, interest owed, provisions for future losses, debt service charge...
- Deductible VAT (i.e. beneficiary can recover it)

**If the VAT is not deductible it is an eligible cost ≠ FP7**

# A little bit of flexibility

- Transfer of amounts between beneficiaries or between budget categories is possible without Amendment IF the action is implemented as defined in Annex 1 (unless significant change)

## EXCEPT

- Lump sums
- Additional sub-contracting
- Changes affecting the technical work (« tasks ») require **Amendment to the Grant Agreement** (via Coordinator to the Project Officer of the EC)



« **Sound financial management** » for the whole project

# Up to 6 categories of cost

Most common

- Direct personnel costs
- Sub-contracting costs
- Other direct costs
- Indirect costs



**EACH cost can only be claimed ONCE**

Ex: durable equipment costs considered as indirect costs by beneficiary's usual practice can not be claimed as other direct cost

Only if option applies (see work programme)

- Costs for providing financial support to third parties (cascade grants)
- Specific categories of costs
  - **Additional options for trans-national / virtual access to RI, including UNIT COST (Art. 16)**
  - **Capitalised and operating costs of LARGE RI (Art. 6 Other direct costs D.4 if applicable)**



# Direct personnel costs

- Employees : salaries, social security, taxes, other remuneration from national law/employment contract  
Non-profit legal entities: « bonus » up to 8.000 € IF beneficiary's usual practice
- In-house consultants: natural persons working under a direct contract with the beneficiary IF under beneficiary's instructions, in its premises, costs not significantly different than employees
- Personnel temporary transferred from third party IF the beneficiary reimburses the costs (« seconded personnel »)
- SME owners not receiving a salary : fixed unit cost defined by EC (/ country)



**Attention:** Persons provided by temporary work agency = other direct costs

# Direct personnel costs calculation

**Cost / person** = hourly rate \* nb hours worked by that person on the action

*Ex 32,50 €/h \* 600 h = 23.100,- €*

**Hourly rate** = actual annual personnel cost ÷ nb annual productive hours **BY LAST CLOSED FINANCIAL YEAR ≠ FP7**

*Ex 55.900 €/year ÷ 1.720 hours = 32,50 €/h*

## Annual productive hours

- Option 1: **1.720 fixed hours full time** (pro rata for part time)
- Option 2: **individual annual productive hours**  
workable + overtime – absences for that person
- Option 3: **standard annual productive hours per category of personnel**  
workable + overtime – non-productive for all employees in a specific category of personnel

# Direct costs of Subcontracting

Subcontracts **concern the implementation of the action tasks** and must be indicated in Annex 1

i.e. contract for part of the research or innovation tasks

≠ contracts to purchase goods, works or services -> other direct costs

Include and limited to price paid and related duties, taxes and charges such as non-deductible VAT

**Selection by fair, transparent and efficient process**

**Purchase should ensure « best value for money » or if appropriate « lowest price »**



**NO subcontracting or invoicing between Partners**  
**Limited amounts**

# Other direct costs

- Travel costs and related subsistence allowances  
Follow beneficiary's usual practices
- Depreciation costs of equipment, cost for renting or leasing equipment  
Pro rata % and time used for project
- Consumables and supplies, dissemination material, protection of results, translations & publications, catering, renting of meeting rooms...
- (Cost of purchasing equipment ONLY if in work programme)

**Selection by fair, transparent and efficient process  
« best value for money » or « lowest price »**

# Indirect costs

- Flat rate 25% of eligible direct costs excluding direct costs of subcontracting

## One unique method for calculating indirect costs ≠ FP7

### *Project example*

- ❑ *Direct personnel costs: 1.800.000 €*
- ❑ *Subcontracting costs: 125.000 €*
- ❑ *Other direct costs (travel, translation,...): 55.000 €*

→ *Indirect costs = (1.800.000 + 55.000) \* 0,25 = 463.750 €*

# Essential free-of-charge resources

- Participant Portal H2020 On-line Manual
- Annotated Grant Agreement

Text of Article in grey box →

## Concept

Examples and best practices

Lists and procedures

Specific cases and exceptions

### CHAPTER 1 GENERAL

#### ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the rights and obligations and the terms and conditions applicable to the grant awarded to the beneficiaries for implementing the action set out in Chapter 2.

[http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference\\_docs.html#h2020-grants-manual-amga](http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html#h2020-grants-manual-amga)

- NCP network including Legal & Financial NCP  
[http://ec.europa.eu/research/participants/portal/desktop/en/support/national\\_contact\\_points.html](http://ec.europa.eu/research/participants/portal/desktop/en/support/national_contact_points.html)

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Q/A



**Ready for the Quiz...**



This project has received funding from the European Union's Horizon 2020 research & innovation programme under grant agreement n° 633563