



## **SME Related L&F Aspects in Horizon 2020**

Webinar

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DLR Project Management Agency

# NCP Academy will help NCPs ...

- By create and implement a new and integrated training of Horizon 2020 advisors
- By create and implement training courses on cross-cutting issues in Horizon 2020 relevant for all NCPs
- By bringing together NCP Coordinators and NCPs for Legal and Financial aspects of Horizon 2020 and thereby make it easier to share knowledge and best practice
- By improving the professionalisation of NCP service across Europe and simplify access to Horizon 2020 calls
- Training will be on-site and via webinars and streaming
- For more info please see: <http://ncpacademy.eu/>

# National Contact Point Legal & Financial Issues



- Located in the EU-Bureau of the BMBF in Bonn and Berlin
- Advice on legal and financial issues in FP7 and H2020 projects
- Seminar series „Legal and financial issues in Horizon 2020“
- Workshops and presentations about legal, financial and administrative issues throughout Germany (on demand)
- Supporting the BMBF’s European Research policy strategy

# Legal and administrative issues for SME

1. Keep in mind!
2. General eligibility for participation
3. Third Party Contributions  
    Subcontracts vs. Services
4. The Participant Portal
5. Consortium Agreement
6. Intellectual Property Rights
7. Miscellaneous

## Keep in mind!

- Financial structure of the SME's
- Need for finance (no seed capital, no credit, no constant cash-flow – max. 85%)
- If needed: 30% own contribution
- No or just limited experience with H2020
- Issues with the PP (PIC, validation, sme-self check, financial capacity check)

# General eligibility for participation (Art. 7 and 9 RoP)

- Open to all legal entities in the EU, in associated states and in third countries
- Limitations only possible for specific reasons or security concerns in the respective work programme
- Consortium includes at least **three independent legal entities** from three different **Member States or Associated Countries**
  - Exceptions for individual applicants e.g. ERC, CSA, SME-Instrument...

# Third Parties in the project (Art. 10-14 GA)

- Third parties are all institutions that have not acceded to the grant agreement
- Contribute to the project
- Several possibilities to include third parties if their participation is necessary for the project's success
- **Attention: Different conditions for their participation and for the accounting of their costs!**

# Overview: different options for the participation of third parties

A.1 subcontracts , Art. 13 GA with additional options

A.2 OPTION: Linked Third Party, Art. 14 GA (ex. Special clause 10)

## B. Other contributions of third parties

B.1 provision of goods, works and services; Art. 10 GA

B.2 In-kind Contributions against payment, Art. 11 GA

B.3 In-kind Contributions without payment, Art. 12 GA

## C. FINANCIAL SUPPORT TO THIRD PARTIES

C.1 Art. 15 GA, Cascading Grants, Prices etc.



# Subcontracts - Art. 13

## A. Third party executes project tasks

### A.1 subcontracts, Art. 13 GA with additional options

A.2

## B. Other contributions of third parties

B.1

B.2

B.3

## C. Financial support to third parties

C.1

- Necessary for project implementation (do not concern core tasks of a project)
- Contribute to the project's content (do not only assist with project implementation (Art. 10))
- Selected according to best value for money (13.1), any conflict of interests avoided
- According to national public procurement law!
- Subcontractor issues invoice, charges market prices, includes profit

# Subcontracts - Art. 13

## A. Third party executes project tasks

### A.1 subcontracts, Art. 13 GA with additional options

A.2

## B. Other contributions of third parties

B.1

B.2

B.3

## C. Financial support to third parties

C.1

- Tasks need to be mentioned in Annex I of the GA
- New in H2020: ex post recognition of costs possible if costs are not mentioned in Annex 1, but recognition is at the Commission's discretion
- No subcontract amongst beneficiaries!  
Prohibited!
- No subcontracts to subsidiary companies (Art. 14)

# Providing goods, works and services (Art. 10)

## A. Third party executes project tasks

A.1

A.2

## B. Other contributions of third parties

### B.1 Providing goods and services, Art. 10 GA

B.2

B.3

## C. Financial support to third parties

C.1

- Third parties can provide goods, works and services possible, if these are needed for the project
- Services must not contribute to the content of the project
- Are only supportive actions
- In FP 7: minor services
- examples: audits, translations, publications, creating webpages etc.

# The Participant Portal in H2020



# Legal Entity Appointed Representative

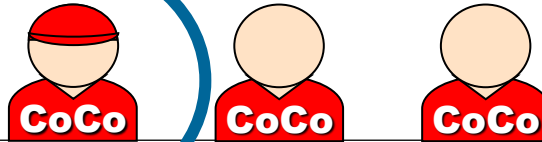
- LEAR: part of the organisation's administration, represents the organisation
- maintains and amends the organisation's data, appoints FSIG and LSIGN
- Necessary to renominate FP 7 LEARS in H2020
- Valididation is carried out in parallel to grant application
- Information about LEAR appointment and necessary documents at:
  - [http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/register-an-organisation/lear-appointment\\_en.htm](http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/register-an-organisation/lear-appointment_en.htm)

Project

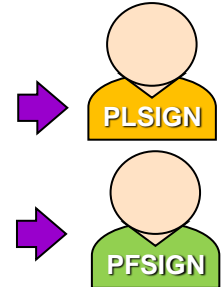
Coordinating Organisation

Partner organisation A

Coordinator  
Contacts



Participant  
Contacts



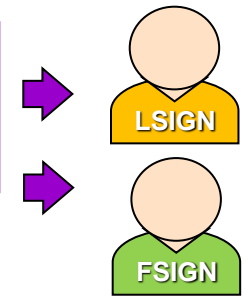
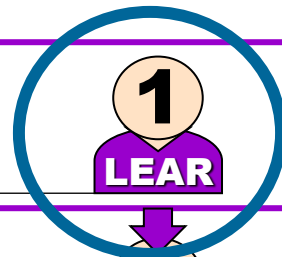
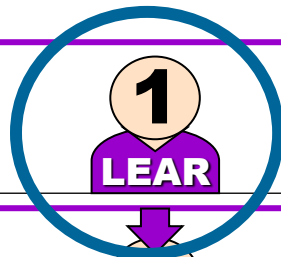
Task  
Manager

Only the roles of the **LEAR** and the **Primary Coordinator Contact** have to be confirmed by the COM and can only be changed by the COM.

Team  
Member

Organisation

LEAR



Account  
Administrator



# Consortium Agreement, Article 41.3 GA

- Consortium Agreement obligatory
- Exception: if work programme explicitly asks for other arrangements
- Has to be signed **before** GA is signed (according to work programme)
- Private-law agreement between partners of the consortium
- Content agreed upon by the partners, not controlled by the COM
- PO might ask to see Consortium Agreement
- Regulates relations between consortium partners



# Provisions for the Consortium Agreement (Artikel 41.3 GA)

- Internal arrangement of the consortium
- Management and access to the Participant Portal
- Distribution of EU contribution
- Additional regulations regarding rights and obligations regarding background and results
- settlement of internal disputes
- liability, indemnification and confidentiality arrangements between the beneficiaries



# Intellectual Property Rights in H2020

**Background:** any data, know-how or information including any rights such as intellectual property rights that are

- held by the beneficiaries before they acceded to the Agreement
- needed to implement the action or exploit the results
- identified and agreed upon in writing between the beneficiaries

**‘Results’** are any (tangible or intangible) output of the action such as data, knowledge or information — whatever its form or nature, whether it can be protected or not — that is generated in the action, as well as any rights attached to it, including intellectual property rights.

# Miscellaneous

- Data protection; can be a very complex topic. Better be prepared
- Ethical issues. No general rules; mostly not even on national level

# Financial management

- Use documents throughout the entire process
- Consult your (research) support offices early about your planned budget
- Check the eligibility of all your costs in good time
  - Calculate the personnel costs
  - Find out about your institution's depreciation rules
- Budgets of all beneficiaries and modes of redistribution of funds have to be regulated in the Consortium agreement.
- **In general the usual cost accounting practices of the beneficiary apply**

# Financial management

## Dealing with the European Commission

- Take the rules seriously!
- Contact your project officer / financial officer in case of doubt
- Not all cases are clearly regulated
  - COM has broad discretion
- Accounting errors may lead to recovery of funds
- Audits of the COM are possible at any time

# Payment method

*PRE-FINANCING*

*INTERIM PAYMENTS*

*PAYMENT OF THE BALANCE*

**Pre- financing**

**Interim  
payments**

**Payment of  
the balance**

## **Art. 21.2 GA**

### **When:**

- either 30 days after coming into force of the grant agreement (Art. 58 GA)
  - or 10 days before the project start (Art. 3 GA)
  - The later date is decisive

### **How much:**

- 100% of an average interim payment
- = grant amount  $\div$  number of reporting periods
- 5% of the grant amount is deducted from the pre- financing sum and transferred to the guarantee fund

**Pre-  
Financing**

**Interim  
Payments**

**Payment of  
the balance**

## **Art. 21.3 GA**

### **When:**

- 90 days after receiving the periodic report
  - Periodic reports have to be filed 60 days after the end of a reporting period
  - Reporting periods end every 18 months on average (Art. 20.2 GA)

### **How much:**

- Eligible costs\* funding rate
- Up to 90% of the total grant amount

## Art. 21.4 GA

### When:

- 90 days after receiving the final report
- Final report has to be filed 60 days after the last reporting period ended (Art. 20.4 GA)

### How much:

- Payment of the balance
- 10% of retained grant amount from Art. 21.3 GA
- 5% from the guarantee fund

Pre-  
financing

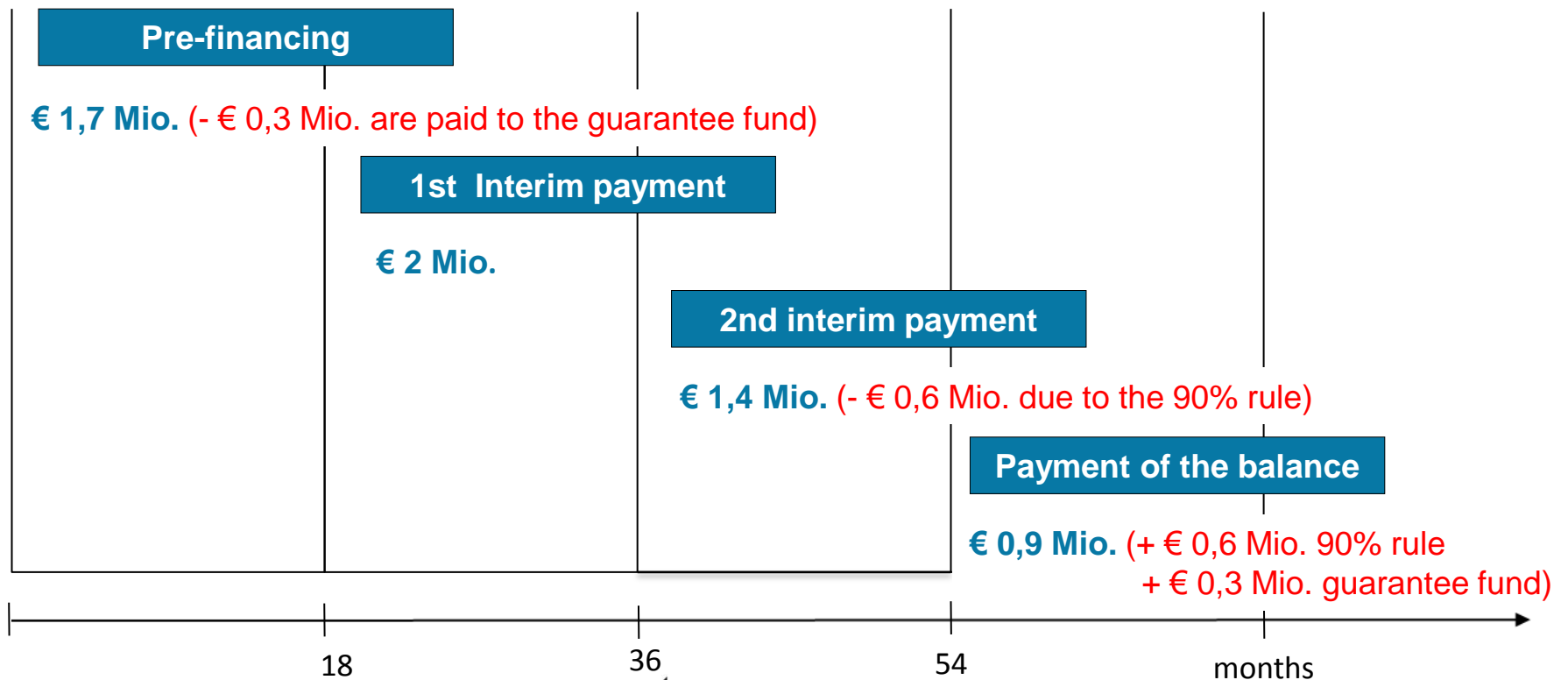
Interim  
payment

Payment of  
the balance



# Payment method

Example: Project budget 6 Mio. €, Project duration 4,5 years



## *Eligible Costs (Art. 6.1 GA)*

- **Actual costs**
- Incurred **during the project action** (exception: final reports and audit certificates)
- must be indicated in the estimated budget set out in Annex 2;
- they must be incurred in connection with the action as described in Annex 1 and necessary for its implementation
- Identifiable and verifiable
- Accounted for according to the beneficiary's usual accounting principles and cost accounting practices
- According to **national law**
- they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding efficiency and effectiveness
- Non-deductible VAT (= institution not entitled to reclaim VAT)

## *Ineligible Costs (Art. 6.5 GA)*

- costs related to return on capital or return generated by an investment
- debt and debt service charges
- provisions for future losses or debts
- doubtful debts
- currency exchange losses
- bank costs charged by the beneficiary's bank for transfers from the Commission/Agency
- excessive or reckless expenditure
- costs declared under another EU or Euratom grant (double funding)
- costs incurred during the suspension of the implementation of the action
- deductible VAT (= institution eligible to reclaim VAT)

# Calculation of Personnel Costs

## Hourly Rate

$$= \frac{\text{annual personnel costs}}{\text{number of annual productive hours}}$$



## Personnel Costs

$$= \text{hourly rate} * \text{hours worked on the project}$$

# Annual Productive Hours

1720 Hours	Individual	Standard
<ul style="list-style-type: none"> <li>- can be used by every beneficiary</li> <li>- pro-rata adjustment for time contracts</li> </ul> <p><u>Example:</u></p> <ul style="list-style-type: none"> <li>- 40-hour-week</li> <li>- contract over 32 hours corresponds to 80% of the 40-hour-week</li> <li>- <math>100 \cdot 32 : 40 = 80\%</math></li> <li>- annual productive hours: 1376 (=80% of 1720)</li> </ul>	<ul style="list-style-type: none"> <li>- annual working hours according to employment contract, labour agreement or national law</li> <li>- plus overtime</li> <li>- minus sick leave and special leave</li> </ul> <p>365 days – weekends – annual leave – public holidays + overtime – sick and special leave</p>	<ul style="list-style-type: none"> <li>- calculated in accordance with beneficiary's usual cost accounting practice</li> <li>- consistently applied per group of personnel under similar conditions</li> <li>- number of standard annual productive hours is at least 90% of the standard workable hours</li> <li>- standard hours are defined in employment contract, labour agreement or national law on working time legislation</li> </ul>

# Personnel costs: Unit Costs

- **SME owners and natural persons not receiving a salary**
- Marie Skłodowska-Curie „Monthly Living Allowance“ for „Individual Fellowship“: 4.650 EUR
- Annual productive hours max. 1 720

<b>Calculation of hourly rate*</b>	$\frac{\text{Monthly Living Allowance}}{143 \text{ hours}} * \frac{\text{Country Correction Coefficient}}{100}$
<b>Hourly rate Germany</b>	$\frac{4.650 \text{ EUR}}{143} * \frac{98,8}{100} = \underline{\underline{32,13 \text{ EUR}}}$

\*Art. 6.2.A.4 and A.5 GA, MSC Work Programme 2016-2017, COM Decision C(2013) 8297

# Travel costs

- Art. 6.2.D.1 GA (subsistence allowances, travel costs, accommodation costs)
- Are eligible costs according to Articles 6.1 (a) (i) – (vii) GA
- The travel for which costs are claimed must be necessary for the action
- Costs must be incurred during the project duration
- be in line with the beneficiary's usual accounting practices
- Travels by staff working on the project
- Travels by external experts whose participation in the project is set out in Annex 1

# Depreciation costs

- Art. 6.2.D.2 GA,
- Is an eligible cost according to article 6.1 (a) (i) – (vii) GA
- Additional conditions (Artikel 6.2.D.3 und 10.1 GA):
  - Best value for money
  - Purchased especially for the project
  - exception: possible to continue depreciation of (previously owned) equipment if depreciation time is not completed at project start
- Depreciation according to usual accounting practices and in accordance with international standards (e.g. IAS, IFRS)
- Exception: reimbursement of full purchase price if provided for in the work programme



# Depreciation costs

- Depreciation costs can never be higher than the purchase price
- Depreciation period can never be longer than the equipment's useful life
- If equipment is not exclusively used in the project: need to record degree of usage and time (e.g. through lab books or other documentaion)
- In certain cases initial costs(e.g. installation, delivery, site preparation) can be eligible costs (e.g. large research infrastructures)
- Renting or leasing equipment is possible:
  - Renting or leasing rates are eligible
  - Rates must not exceed depreciation costs of purchased equipment

# Works, goods & services

- Art. 6.2.D.3
- According to general rules for eligible costs acc to Article 6.1 (a) (i) – (vii) GA
- Additional requirements (Article 6.2.D.3 and 10.1 GA):
  - Purchase **specifically** for the project
  - Best value for money (framework contracts possible)
- Costs in this budget category are amongst others:
  - consumables
  - Dissemination activities including Open Access
  - IPR (e.g. patent rights or licencing fees)
  - Certificates on the financial statements and certification on the methodology
  - translations

# Certificate on the Financial Statements

- Article 20.4. GA and Annex 5
- Confirmation that all declared costs and earnings fulfil the requirements in the GA
- **One off certificate at the end of the project**, if grant amount equals or exceeds **325.000 €** (without indirect costs)
- If grant amount is below 325.000 €, no certificate is necessary
- Interim audits possible, but beneficiaries are certainly audited at the end of the project
- Only costs claimed in Annex 4 are relevant
- **Flat rate costs are not included**

# Audits

## First-Level-Audit – Art. 20.4 (b) (ii) GA

- Certificate on the financial statements issued through an internal audit of the beneficiary

## Second-Level-Audit – Art. 22.1.3 GA

- External audits by the COM
- Audits by COM staff or external certified accountants
- Possible up to 2 years after the final payment

## Third-Level-Audit – Art. 22.2, 22.3 GA

- Review of the work of the COM by the European Court of Auditors, OLAF etc.

This project has received funding from the European Union's Horizon 2020 research and innovation programme