FUNDING RATES
In Horizon 2020, two funding rates are used:

- Research Activities: 100% of eligible costs
- Innovation Activities: 70% of eligible costs

For public non-profit research organisations, Innovation activities are funded at 100%.

BUDGET AND BUDGET CATEGORIES
Total Eligible Costs = Direct Costs + Indirect Costs
Horizon 2020 Contribution to the project = % of Total Eligible Costs
The EC financial contribution depends on type of organisation and the activity, as mentioned above.

DIRECT COSTS:
These costs are directly related to the project:

- Personnel costs in Horizon 2020, both permanent and additional, can be charged to the project. Staff paid from Framework projects must keep “Time sheets” to verify the costs charged against the project. Staff who is 100% working on a project does not need to keep timesheets;
- Equipment – equipment is allowed to depreciate over the life of the project;
- Subcontracting;
- Travel and subsistence;
- Consumables.

SUBCONTRACTING:
The rules for subcontractors are very specific in Horizon 2020:

- Subcontractors can be paid 100% of their costs;
- Subcontractors are not partners in Horizon 2020 projects;
- A competitive tendering process must be used (best price/quality);
- Core elements of the work cannot be subcontracted (for example the management);
- Partners may not subcontract to other partners (except in exceptional circumstances);
- Conditions of the EC grant agreement are applicable to the subcontractor (confidentiality, communication of data, payments and audits). This must be clearly specified in the subcontract.

Subcontracts should be kept for non-core elements of the projects such as conference organisation and some training courses.

INDIRECT COSTS:
In Horizon 2020, a flat rate of 25% is used to calculate overheads (indirect costs). These are costs that are not directly related to the project.

There is no strict definition of overheads. It generally refers to incurred costs that are not directly related to a project. The most common overhead elements are:

- Non-productive personnel costs (personnel that do not generate income);
- Rent;
- Heating, lighting;
- Communications (websites, phone, IT system), etc.

NON-ELIGIBLE COSTS:
The following list is provided by the EC:

- Profit (“The Community financial contribution to reimburse eligible costs shall not give rise to a profit”);
- Interest owed;
- Provision for future losses or charges;
- Cost declared, incurred or reimbursed from another Community project;
- Return of capital;
- Dept and dept service charges;
- Excessive or reckless expenditure.

TIP
How direct costs are calculated:
The direct costs are based on the “actual” costs in each country. For example, if a researcher working in a UK organisation and another researcher in a Croatian organisation are both carrying out exactly the same work, then costs charged by the UK partner will be based on UK salaries and the costs charged by Croatian partner will be based on Croatian salaries.
FINANCING
Funding for H2020 projects is based on reimbursement of costs. However, in order to provide beneficiaries with a float, certain amounts are granted at the beginning of the project.
There are three main payment types:
  • Pre-financing payment
  • Interim payment
  • Payment of the balance

PRE-FINANCING PAYMENT
The pre-financing payment is transferred from the European Commission (COM) to the coordinator. The coordinator then dispatches it to the beneficiaries in accordance with their share of the project budget without unjustified delay. However, the coordinator may distribute this pre-financing only once the minimum number of participants (mentioned in the call text) have signed the Grant Agreement (via an electronic accession form), and only to those who have signed the accession form.
Sum of pre-financing and interim payments shall not exceed 90% of EC contribution.
5% of pre-financing directly transferred to Guarantee Fund. These 5% are considered paid to beneficiaries as they are part of the pre-financing. Pre-financing has to be paid by COM within 30 days (whichever is the latest date). After grant agreement enters into force (art 58 GA) or project start (Art 3 GA).

PAYMENT OF THE BALANCE (FINAL PAYMENT)
Final payment has two components: 10% retention and 5% contribution to guarantee fund.
Important: only 85% cash flow during project

INTERIM PAYMENT
Interim payments to be paid within 90 days after receipt of reports. Consortium has autonomy in budget administration.
Consortium can shift budget between beneficiaries/activities (Art. 4.2. GA) amendments where applicable

REPORTING (ART 20 GA)
All reports and deliverables shall be delivered by the coordinator. Periodic Reports and final report must be submitted within 60 days after the end of a reporting period respectively at the end of the project.

GENERAL PRINCIPLES
  • Scientific-technical reporting - checking project progress against work plan, checking adequacy of resources used
  • Financial reporting - checking eligibility of costs, data gathering for key indicators for fulfilling programme reporting obligations and for policy analysis (publications, patents, innovation, gender, socio-economic impact...)

PERIODIC REPORT
  • Periodic technical report - explanation of the work, overview of the progress, summary for publication and questionnaire
  • Periodic financial report contains:
    • Individual financial statement (Annex 4) - explanation on the use of resources and
    • Periodic summary financial statement

FINAL REPORT:
  • Final technical report
  • Final financial report incl. a final summary report and a certificate on the financial statements, (Annex 5) from each beneficiary, if it requests a total EU-contribution of 325 000 EUR or more

AUDITS
FIRST-LEVEL-AUDIT:
  • Must be issued by an external auditor or an independant public officer (if applicable for public bodies)

SECOND-LEVEL-AUDITS:
  • External audits of the COM
  • COM can carry out audits using own staff or using external persons or bodies appointed to do so

THIRD-LEVEL-AUDITS:
  • European Court of Auditors audits the EU-institutions and as such audits carries out audits on recipients of EU funds, investigations by OLAF (EU anti-fraud office)