



TRAININGS



Europa Media Trainings

Introduction to Finances in Horizon Europe

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Basic financial principles

in the context of EU R&I projects (1)

Rule #1:

**We are spending the “Taxpayers’ money”:
Horizon 2020 / Horizon Europe is a
public grant!**

As a minimum, all parties must respect the principles of good accounting and “housekeeping” as set by their own national legislation.



Basic financial principles

in the context of EU R&I projects (2)

Rule #2:

Cost vs Price: What is the difference?

- It is called **COST reimbursement** for a good reason...
- No commercial “rates”
- No “profit”
- No “overheads”



Basic financial principles

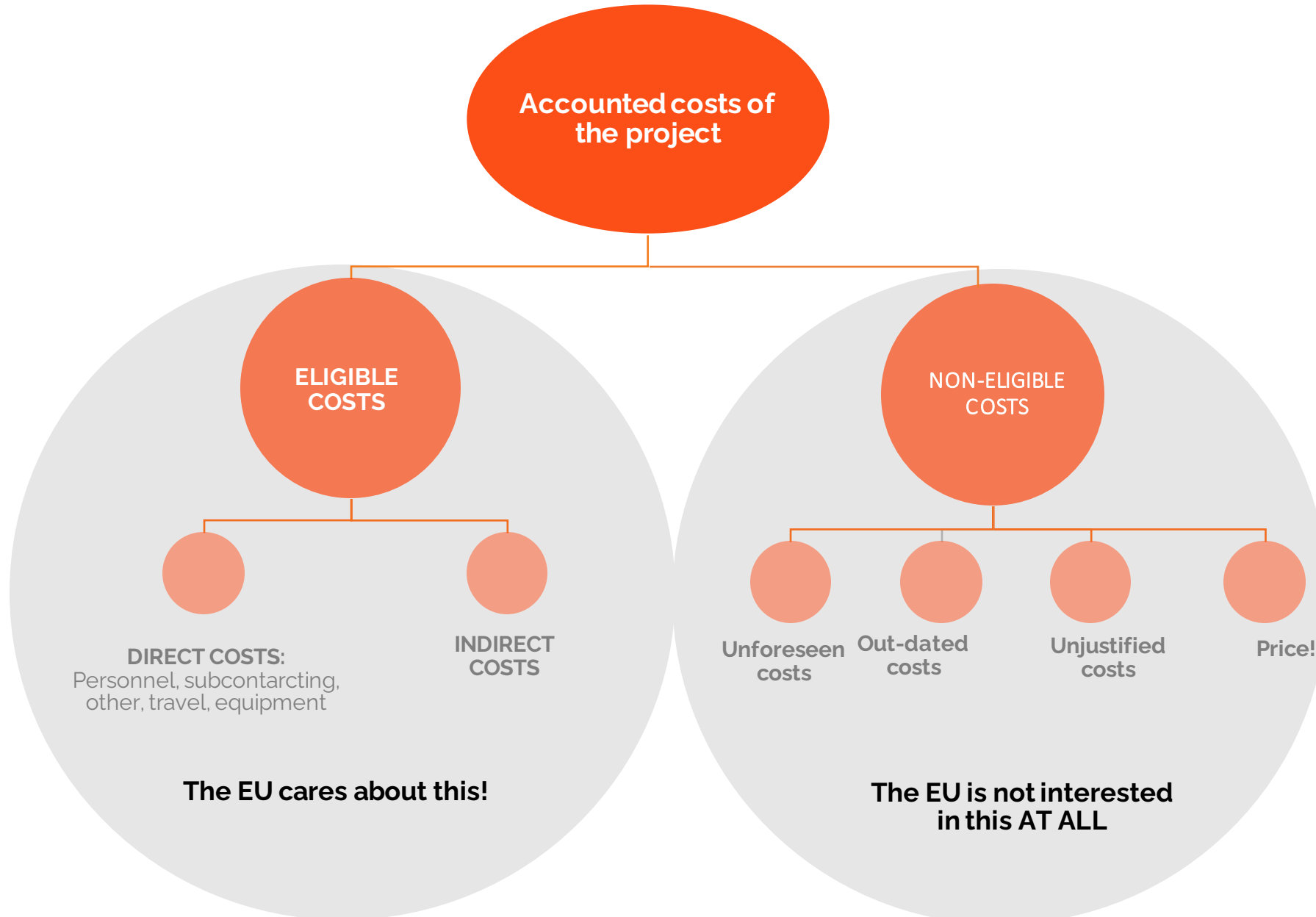
in the context of EU R&I projects (3)

Rule #3:

All costs to be reported to the project must be:
ELIGIBLE



Project costs vs. Eligible costs



What makes ANY
cost **ELIGIBLE**?

- It is duly accounted in the Beneficiary's Profit & Loss Accounts

 Exceptions?

- Incurred during the implementation of the project

 Exceptions?

- In accordance with the Beneficiary's usual accounting and management principles

 Exceptions?

- In compliance with the relevant applicable national laws
- Foreseen in the project's budget
- Needed for and linked to the implementation of the project
- Reasonable, justifiable – cost efficiency

What makes a cost **NON-ELIGIBLE?**

- **Not foreseen** in the proposal/GA (particularly subcontracting!)
- Related to return on capital, debt and debt-service charges, future losses or debts
- Interest owed, future liabilities
- **Currency exchange losses**
- Bank costs charged by the Beneficiary's bank for receiving the transfers of grants from the EC
- **Excessive or reckless expenditure**
- Deductible VAT
- Cost incurred during suspension of the action
- **Double funding** – no costs shall be reported to 2 different projects!



Did you know? One cost could be split to 2 different actions!

What makes any cost
a **DIRECT** cost:

Can be **directly linked** to the project

- The Beneficiary must **prove the link** between the project and the cost
- Example: travel costs to Brussels - link: project meeting in Brussels, reported in the (periodic) reports

Can be **proportionated to the project**

- The Beneficiary must provide evidence on the “usage-rate”
- Example: salary cost of a staff member - timesheets show the link and help identify the involvement level

What makes any cost
an **INDIRECT** cost:

Cannot be measured directly due to practical or administrative reasons:

- Overheads or running costs
- Equipment or staff costs, if cannot be proportionated or linked to the project
- Any other costs with no link to the project (e.g. travel “forgotten” to be reported, equipment fully depreciated, etc.)

Direct Cost Categories

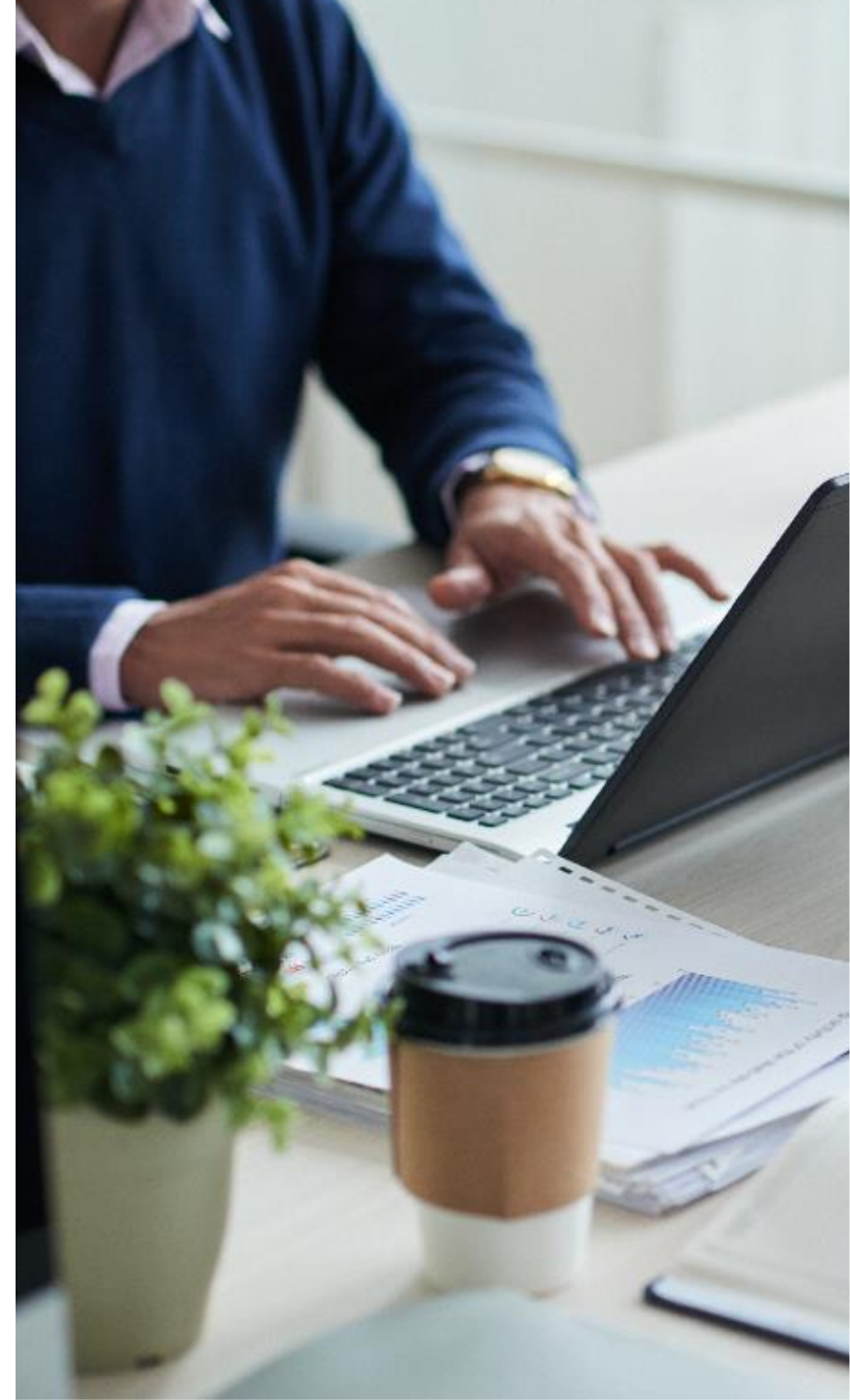
- **Personnel costs (A)**
 - as actual costs
 - as unit costs
- **Subcontracting (B)**
 - as actual costs only!
- **Purchase costs (C)**
 - Travel costs – as actual costs only! (C1)
 - Equipment and infrastructure costs- as actual costs only! (C2)
 - Other goods and services – as actual costs only! (C3)
- **Other costs (D)**
 - Financial support to Third Parties (FSTP) (D1)
 - Internally invoiced goods and services (D2)
 - Transnational access cost to Research Infrastructure (D3)
 - Virtual access cost to Research Infrastructure (D4)
 - PCP/PPI (D5)
 - Euratom Cofund staff mobility costs (D6)
 - ERC Additional funding (D7)
 - ERC Additional funding – SC, FSTP, IIGS (D8)



Personnel costs – Employees

Who and what can be included?

- **WHO?** - Project personnel working at the Beneficiary and ASSIGNED to the Grant
- **WHAT?** - Basic salary plus all mandatory charges and taxes
- but excluding any other costs (e.g. "internal overheads"!)
paid for his/her USUAL work/duties



Personnel Costs – In house consultants

In-house consultant (IHC) is a natural person working for the Beneficiary under a direct contract

- For self-employed or natural persons only!
- Direct contract between the Beneficiary and the IHC
- Works under the Beneficiary's instructions and at its premises (unless otherwise agreed)
- Results of the IHC's work belong to the Beneficiary (e.g. IPR)
- The hourly rate/cost of the IHC must not differ significantly from the hourly rate of a similar employee of the Beneficiary!



What is "significantly"?

- Verified time-records are available



An expert fee invoiced by a company is not eligible as personnel cost!

Purchase and other costs

Everything other than personnel or subcontracting comes here:

- Travel costs
- Equipment and assets
- Other goods and services

Other cost categories :

- Financial support to third parties (D1)
- Internally invoiced goods or services (D2)
- *Transnational access to research infrastructures (D3)*
- *Virtual access to research infrastructures (D4)*
- *PCP/PPI procurement costs (D5)*
- *Euratom Cofund staff mobility costs (D6)*
- *ERC additional funding (D7)*
- *ERC Additional funding – SC, FSTP, IIGS (D8)*



Subcontracting

Only for limited parts of the project!

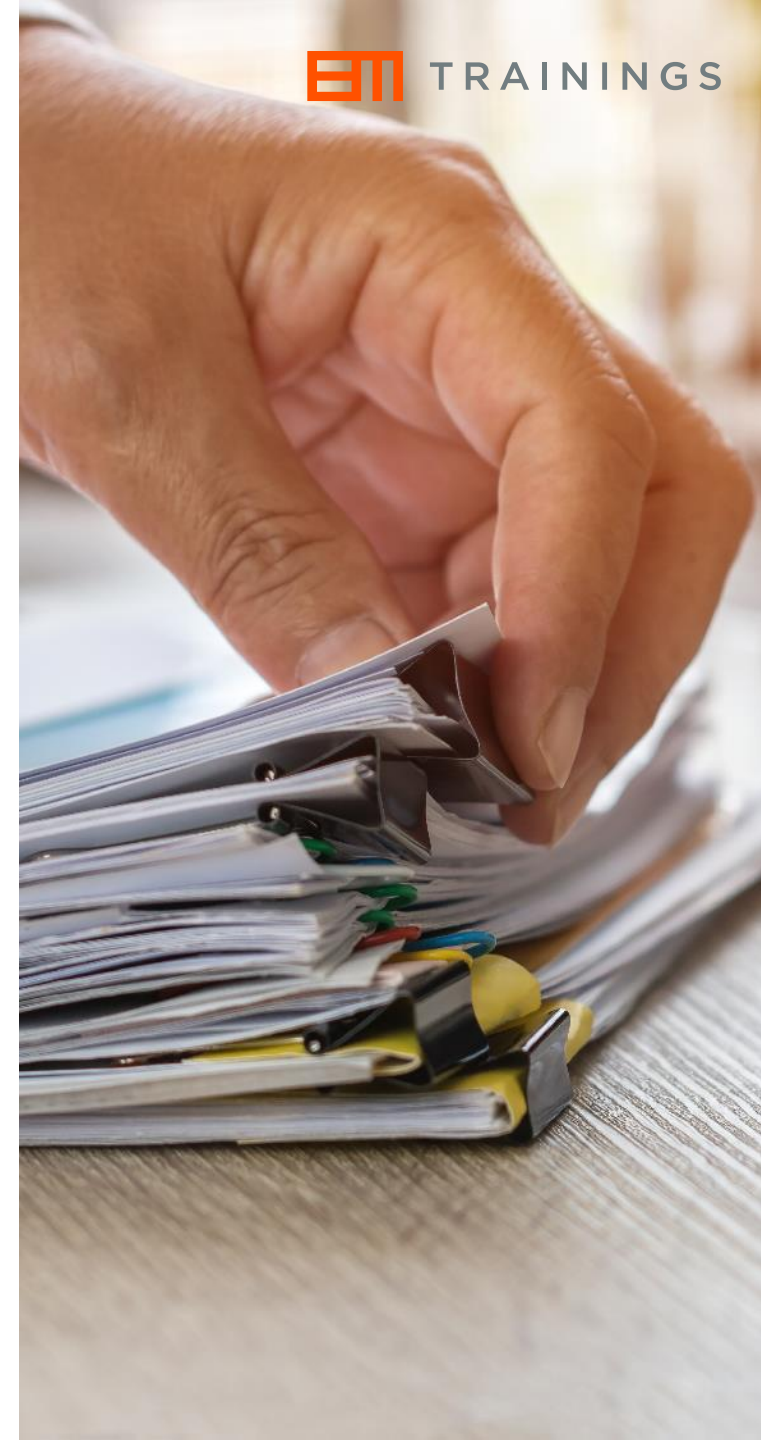
- The contract is based on business conditions, subcontractors are not directly supervised by the beneficiary, no access to IPR
- Subcontracting must be mentioned, estimated and justified already in the **DoA** (Annex 1: use of resources). If not, the cost can be rejected.
- Only from a third party: Invoicing between Beneficiaries **is not eligible!**
- **The costs** - the price of the service/s provided - **is paid and reported by the Beneficiary**
- Subcontractors must be bound by certain requirements of the EC (e.g. subcontractor may also be audited!)
- Not included for indirect cost calculation



Third party involvement

What are the preconditions?

- Any third-party assistance **must be foreseen in the proposal**. Your last resort is during Grant Agreement Preparation (**GAP**) so it can be inserted into Annex 1 (Description of Action (**DoA**))
- It must be declared as **actual costs**. **No unit cost** is accepted here.
- The tasks that are subcontracted should be described in the DoA. The subcontractor itself does not have to be identified, except when using the resources of linked third parties (affiliated entities).



Indirect Costs

FLAT-RATE overheads

For all beneficiaries: **25%** on the top of the **total direct eligible costs**, excluding:

- Subcontracting
- Costs of in-kind contribution to third parties which are not used on the beneficiary's premises
- Costs of providing financial support to third parties
- Lump-sums or unit costs including indirect costs
- Specific cost categories (including internally invoiced goods and services)

It's automatically added to the direct costs.



Funding rates

“One project – One Rate” principle

- **100%** reimbursement for all in **Research and Innovation Actions (RIA)** and in **Coordination and Support Actions (CSA)**
- **70%** reimbursement in **Innovation Actions (IA)** with the exception of:
 - ⚠️ 100% funding for **non-profit** entities in IA



Summary

- Only eligible direct costs can be reported
- Costs before/after GA dates are not to be reported
- Internal rates, pricelist are typically not eligible
- Even if foreseen, all costs must be justified
- Actual cost by default, unit-based reporting are optional
- Flat-rate indirect cost contribution
- No joint financial responsibility



Thank
you

for your attention

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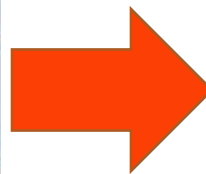
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GRANT AGREEMENT IN HORIZON EUROPE

FROM THIS



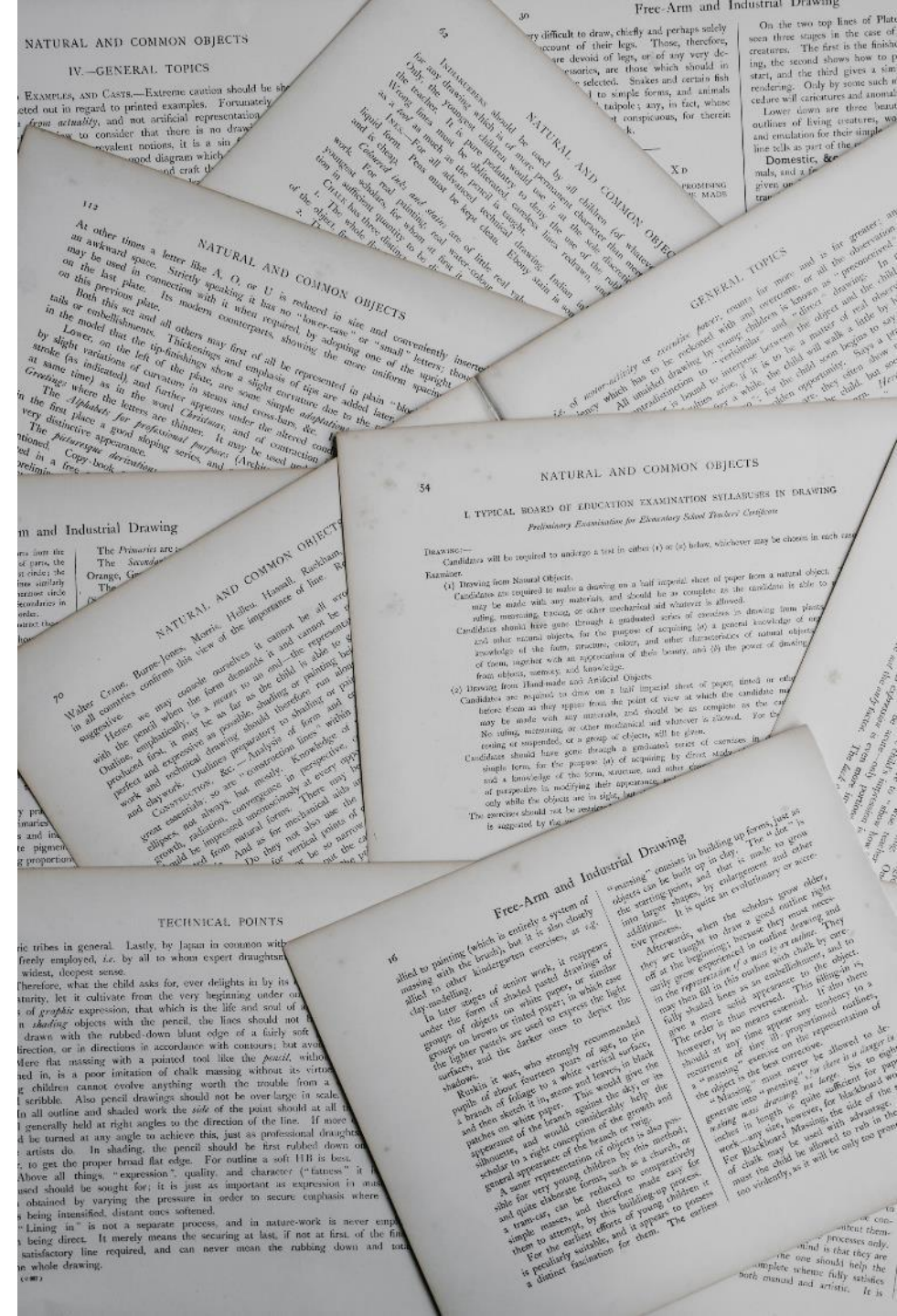
TO THIS



Model Grant Agreement

Horizon Europe

- eGrants for several programmes
- Only three types of MGAs will be used:
 - a general model and two derived models based on
 - unit costs and
 - lump-sum
- A **new data sheet** with information about payments, reporting and participants
- **Clearer rules on types of participants and their roles**
- **Specific options**
- **Specific annex for 'special rules' (Annex 5)**



Remuneration

Personnel costs in Horizon Europe

- Provisions on personnel costs are further simplified. The concept of **productive hours and the various prescriptive methods to determine and report eligible personnel costs are discontinued**. Instead, a corporate and simpler formula is to be applied allowing for reducing errors and administrative burden for beneficiaries.

“Daily rate - one size fits all”

- **Daily rate approach** for personnel costs is a fixed provision across all programmes



Daily rate calculation (HE)

Eligible salary costs are limited to:

- include net payments during parental leave, social security contributions, taxes and other costs linked to the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

How to calculate the daily rate?

$$\text{Daily Rate} = \frac{\text{Total eligible personnel costs of the employee over the reporting period}}{\text{Maximum declarable day-equivalent over the reporting period over the reporting period}}$$

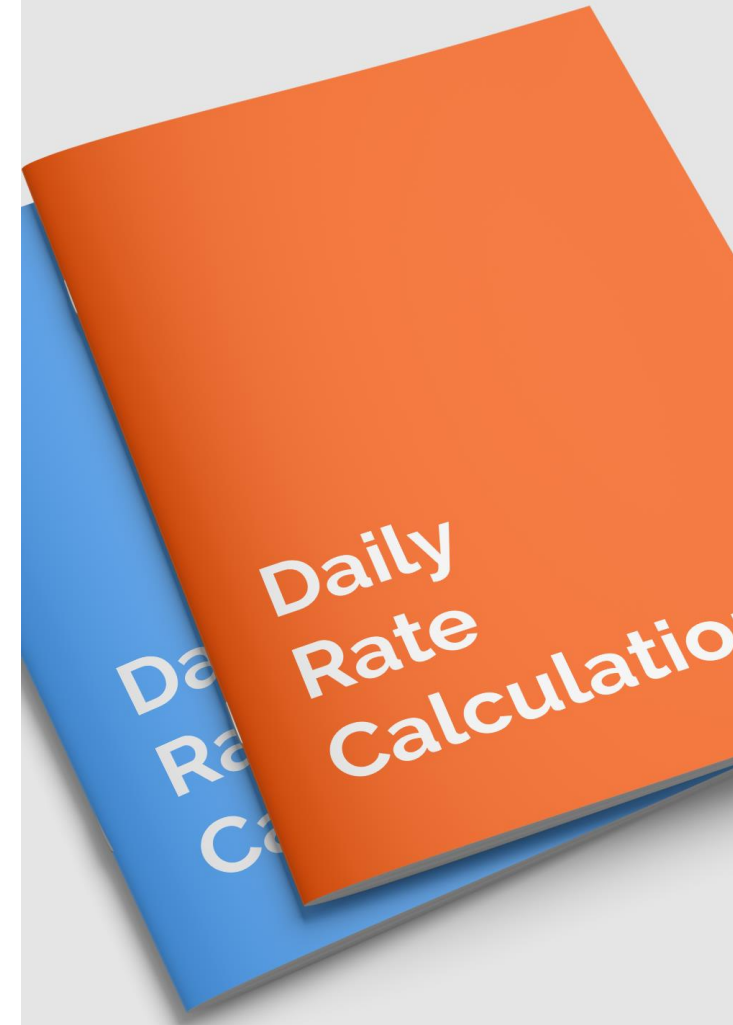
How to calculate eligible personnel costs?

Daily rate for the RP



Days worked during RP

{daily rate for the person multiplied by number of actual days worked on the action (rounded up or down to the nearest half-day)}



Time recording system in hours

Day equivalent – 3 conversion rules at hand

1. A conversion based on a fixed number of hours (e.g. for beneficiaries with no reference in their contracts nor standard annual productive hours): 1 day-equivalent= 8 hours

2. A conversion based on the average number of hours that the person must work per working day according to her/his contract.

EXAMPLE: If the contract says that the person must work 37,5 hours per week distributed in 5 working days, a day-equivalent for the person is 7,5 hours (37,5/5). In the same example if the person works 50%, part time, the day-equivalent would be 3,75 hours (18,75/5)

3. A conversion based on the usual standard annual productive hours of the Beneficiary, if it is at least 90% of the annual workable hours of the beneficiary

EXAMPLE: Standard annual productive hours of the beneficiary=1558,75. Standard annual workable hours of the beneficiary=1700.

$1700 \times 90\% = 1530 < 1558,75$ $1558,75 / 215 = 7,25 \text{ hours} = 1 \text{ day-equivalent}$