



#HorizonEU

# THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

**COSTS ELIGIBILITY ASPECTS**

Bridge2HE – March 23, 2022

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# SUBCONTRACTING COSTS



# Subcontracting (Art. 6.2.B HE MGA)



- Ensure best value for money (or lowest price) and avoid conflict of interests
- Subcontracting between beneficiaries is not allowed. Subcontracting to affiliates is generally not allowed either
- Estimated costs and tasks must be identified in the budget and in Annex 1
- Simplified approval procedure allowed (i.e. beneficiary flags the subcontracting at reporting stage). However, beneficiary bears the risk of rejection

*E.g.: Testing described in Annex 1 as action task*



The beneficiaries are responsible for the proper implementation of the action tasks subcontracted (*proper quality, timely delivery, etc*).

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# PURCHASE COSTS



# Purchase costs (Art. 6.2.C HE MGA)

## common eligibility rules for purchase costs

- must fulfil the general eligibility conditions and
- must be bought using the beneficiary's usual purchasing practices, provided the following is ensured:
  - ✓ best value for money (or if appropriate the lowest price) and
  - ✓ no conflict of interests

*Specific case: Beneficiaries that are 'contracting authorities/entities' must also comply with the applicable national law on public procurement*



### C.1 travel and subsistence

- Travel costs
- Accommodation costs
- Subsistence costs



### C.2 Equipment

- Depreciation costs (by default)
- Full costs for all or some equipment (3 options)



### C.3 Other goods, works and services

- e.g. consumables and supplies

# C.1 travel and subsistence



## What costs?

- Travel
- Accommodation
- Subsistence

## Specific eligibility conditions

Travel, accommodation and subsistence costs must be declared:

- on the basis of the costs actually incurred and
- in line with the beneficiary's usual practices



**Combined travel** (e.g. where the end point of travel is different from the start)

- Eligible ONLY up to the cost that **would have been incurred if the travel would have been made exclusively for the action** (i.e. up to the theoretical cost of travelling directly back to the start point)
- must be the usual practice of the beneficiary to pay for such travels (e.g. travels combining professional and personal reasons)

# C.2 Equipment



- **By default**, depreciation costs are eligible
  - ⚠ *Only the portion of the costs that corresponds to the rate of actual use for the action during the action duration can be taken into account*
- **By exception**, full costs may be eligible.



**Optional provisions in the HE MGA** addressing the specific case of **assets under construction (e.g. prototype)** and their related **capitalised costs**, like:

- the costs of the personnel involved in the construction of the prototype
- component, pieces of equipment bought for the prototype

# Equipment costs – Options available in the HE MGA



## Four options:

[OPTION 1 **by default**: depreciation only]

[OPTION 2 if selected for the call: full cost only]

[OPTION 3 if selected for the call: depreciation and full cost for listed equipment]

[OPTION 4 if selected for the call: full cost and depreciation for listed equipment]

- Options 2, 3 and 4 are **exceptions**, if justified by the nature of the actions and the context of the use of the equipment or assets (i.e. for a limited number of calls, notably for calls for which the purpose is for instance to have beneficiaries developing prototypes)
- Option 2, 3 and 4 can only be activated in a specific grant if **it was selected for the call by the granting authority**



In practice, applicants must check **if the call and topic includes any particular conditions for equipment costs eligibility**



## C.3 Other goods, works and services



### What?

*e.g. consumables and supplies, promotion, dissemination, protection of results, translations, publications, certificates and financial guarantees, if required under the Agreement.*



#### **Purchases between beneficiaries:**

- **in principle not accepted** (*If a beneficiary needs supplies from another beneficiary, it is the latter beneficiary that should charge them to the action*)
- exceptionally accepted for properly justified cases (*e.g. beneficiary A is the usual supplier of beneficiary B for a generic consumable that beneficiary B needs for the action*)

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## OTHER DIRECT COSTS



# Other direct costs (Art.6.2.D)



D.1 Financial support to third parties

D.2 Internally invoiced goods and services

D.3 Transnational access to research infrastructure unit costs

D.4 Virtual access to research infrastructure unit costs

D.5 PCP/PPI procurement costs

D.6 Euratom Cofund staff mobility costs

D.7 ERC additional funding

D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services)

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## FINANCIAL SUPPORT TO THIRD PARTIES



a.k.a 'FSTP'

a.k.a 'cascade funding'

# What is FSTP (or cascade funding) ?



**Financial support** from beneficiaries (or affiliated entities) **to** (one or more) **final recipients that are not party to the EU Grant Agreement** (third party).

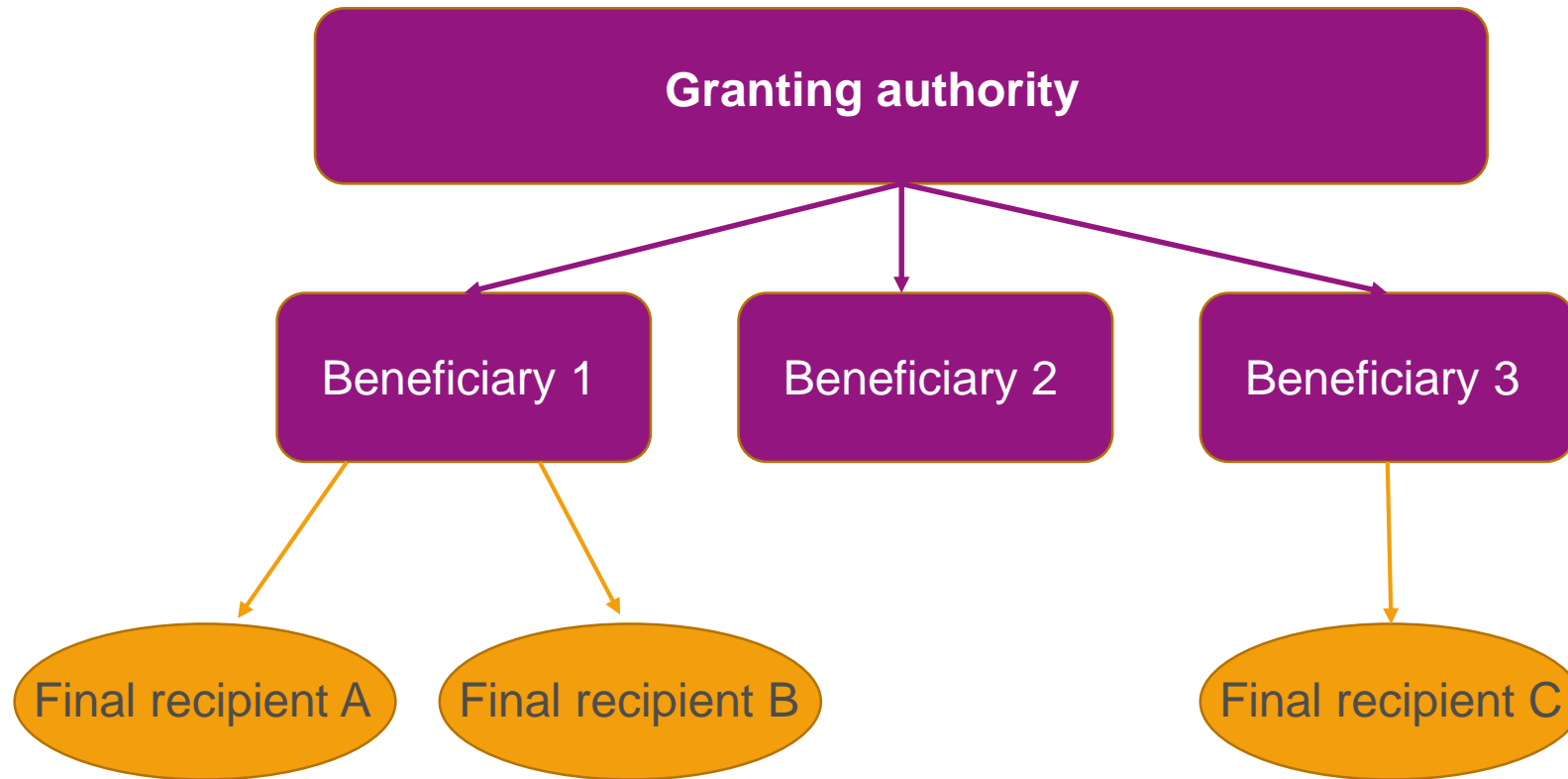
As a figure of speech, beneficiaries '**cascade down**' the EU contribution they receive via their EU Grant agreement to these third parties.



Financial support may be given via a financial donation to **natural persons** (e.g. allowance, scholarship, fellowship) **or legal persons** (e.g. non-repayable financial assistance to local NGOs)

Prizes are given on the basis of a contest organised by the beneficiary.

# Theoretical example of financial support to third parties (FSTP)



# Rules and conditions – HE MGA

## (Art 6.2.D.1 – specific cost eligibility conditions)

Costs for providing financial support to third parties (in the form of grants, prizes or similar forms of support; if any) are eligible, if and as declared eligible in the call conditions, if they fulfil the general eligibility conditions, are calculated on the basis of the costs actually incurred and the support is implemented in accordance with the conditions set out in Annex 1. These conditions must ensure objective and transparent selection procedures and include at least the following:

(a) for grants (or similar):

- (i) the maximum amount of financial support for each third party ('recipient'); this amount may not exceed the amount set out in the Data Sheet (see Point 3) or otherwise agreed with the granting authority
- (ii) the criteria for calculating the exact amount of the financial support
- (iii) the different types of activity that qualify for financial support, on the basis of a closed list
- (iv) the persons or categories of persons that will be supported and
- (v) the criteria and procedures for giving financial support

(b) for prizes (or similar):

- (i) the eligibility and award criteria
- (ii) the amount of the prize and
- (iii) the payment arrangements.

This cost will not be taken into account for the indirect cost flat-rate.

# Rules and conditions – HE MGA (Art 9.4)



The beneficiaries are responsible for the proper use of the funding by the recipients and must ensure that they comply with certain obligations:

- ✓ Avoiding conflict of interest (see Article 12)
- ✓ Confidentiality and security obligations (see Article 13)
- ✓ Ethics (see Article 14)
- ✓ Give visibility to the EU funding (see Article 17.2)
- ✓ Respect specific rules for the action implementation (see Article 18)
- ✓ Information obligations (see Article 19)
- ✓ Record-keeping (see Article 20).

It is the beneficiaries' responsibility to ensure that these obligations are accepted by the recipients (e.g. via call conditions or contractual arrangements, scholarship agreement, rules of contest, etc).



The beneficiaries must also ensure that the bodies mentioned in Article 25 (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) can exercise **their rights also towards the recipients**.



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INTERNALLY INVOICED GOODS & SERVICES

Horizon Europe specific provisions





# What?

This budget category covers the costs for goods and services which are:

- produced or provided within the beneficiary's organisation directly for the action and
- the beneficiary values on the basis of its usual cost accounting practices.

## **Examples:**

- *self-produced consumables (e.g. electronic wafers, chemicals)*
- *specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)*
- *standardised testing or research processes (e.g. genomic test, mass spectrometry analysis)*
- *use of specific research devices or research facilities (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope)*



# Pool of costs – some examples (non-exhaustive)

## Energy Supplies

*Electricity, Gas, Oxygen,  
Other fluids, Air-  
conditioning system...*

## Consumables

*Chemicals, Wafers, Micro-  
chips, Raw materials, Animal  
food, gloves, masks,  
syringes, glasses...*

## IT-related resources

*Servers & Data storage,  
Software license,  
maintenance...*

## Operating costs

*Cleaning,  
Facility maintenance,  
calibration, insurance,  
technicians/operators...*

## Depreciation costs

*Building facility,  
equipment*



# Pool of costs – Key specifics

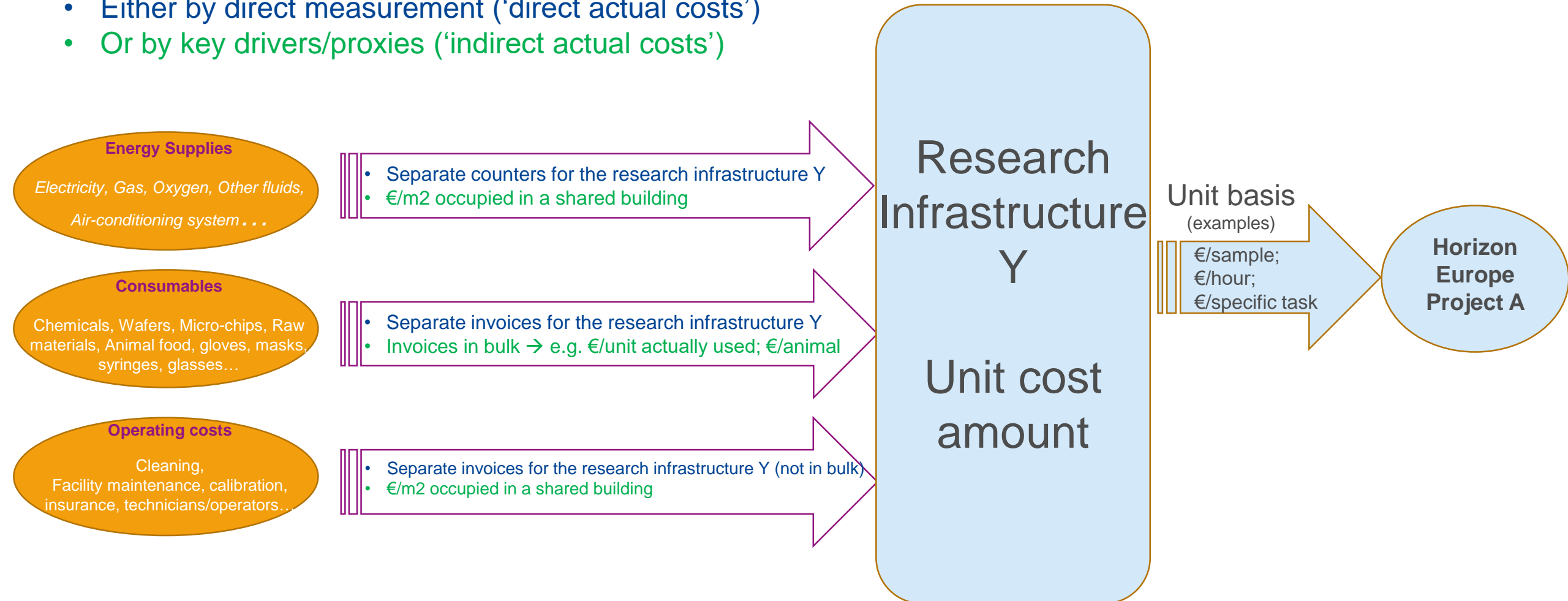
- cost elements that are **ineligible** under the Grant Agreement must be **removed** (even if part of the beneficiary's usual methodology related to its unit cost for its internal invoices) – See Art.6.3 HE MGA

↳ A beneficiary can NOT simply apply an estimated percentage or a lump sum to remove ineligible costs.

- **Co-owned resources:** As an exception, if some resources in the pool of costs are co-owned by the beneficiary and a third party, the costs registered in the accounts of the third party for the co-owned resources do not need to be removed from the pool of costs, if:
  - The third party is mentioned in the grant (e.g. as third party providing in-kind contributions in Annex 1) and
  - The costs fulfil the other eligibility conditions for internal invoicing
- **Generally**, the pool of costs used to determine the cost per unit include **costs of items used for the production of the internally invoiced goods or services** (e.g. staff, equipment – depreciation and maintenance -, raw materials, electricity, etc.).

# Pool of costs allocation – some examples (non-exhaustive)

- Either by direct measurement ('direct actual costs')
- Or by key drivers/proxies ('indirect actual costs')





# Examples of facilities subject to internal invoicing

## Wind tunnel facility

Examples of costs generally eligible as part of the unit cost	Examples of costs ineligible as part of the unit cost
<ul style="list-style-type: none"><li>– staff working for the facility (e.g. technicians, engineers and other persons directly assigned to the functioning of the wind tunnel)</li><li>– depreciation of the equipment, including specific software and hardware necessary for the functioning of the wind tunnel</li><li>– generic supplies like electricity used for the wind tunnel</li><li>– insurance of the wind tunnel (or the premises in which it is located)</li><li>– specific maintenance and cleaning of the wind tunnel equipment (e.g. air cooling system)</li><li>– calibration/metrology tests of the wind tunnel</li><li>– costs of shared infrastructures where the wind tunnel is located, allocated via usual key driver (e.g. central heating, air-conditioning system) and their related shared maintenance costs</li><li>– depreciation costs of shared buildings allocated via usual key driver (e.g. if the building where the wind tunnel is located is part of a main building of the beneficiary)</li></ul>	<ul style="list-style-type: none"><li>– bank interests</li><li>– provisions for future expenses</li><li>– cost declared under other cost categories (e.g. personnel cost, equipment depreciation cost) and indirect cost</li><li>– any other ineligible costs (see Article 6.3)</li></ul>



# Key features – summary

- Documented methodology
- Supporting evidence of the use of the good or service for the action showing the number of units used
- **Share of cost** item used for the production of the good or service must be calculated either by direct measurement ('actual direct costs') or by using the **allocation keys defined in the beneficiary's usual costs accounting practices ('actual indirect costs')**

**example:** power supply costs allocated to a clean room on the basis of the square meters it occupies.



Allocation keys resulting in a higher unit cost for the internally invoiced good or service when used in EU projects compared with other projects will not be accepted.



# Key differences with Horizon Europe

- **Wider reliance on beneficiary's usual cost accounting practices for the unit cost calculation:**
  - No application of the 25% flat-rate on top of the unit cost (H2020 rules) but instead
  - Possibility to accept actual indirect costs allocated via beneficiary's usual key drivers in the unit cost calculation
    - ↳
      - only actual indirect costs based on the beneficiary's usual costs accounting practices and allocation keys – if any – may be included within internal invoicing costs.
      - It is NOT possible to include indirect costs on the basis of a general flat-rate



# In-kind contributions – both still eligible under HE



## FORMER H2020 CONCEPT 'IN-KIND CONTRIBUTIONS AGAINST PAYMENT'

- **No more special Article** (corporate approach)
- But **they can still be declared** as:
  - **Secoded persons** under **Personnel costs provisions**
  - **Or as renting costs for equipment** (if the in-kind contribution relates to an equipment provided by a third party against payment)
  - **Other types** as purchase of goods, works or services
- Indirect costs calculated on top via the 25% flat-rate



## IN-KIND CONTRIBUTIONS FREE OF CHARGE

- **Specific provisions (Art 6(1) & Art 9(2)) HE MGA** (stemming from Horizon Europe specific legal base)
- They must be declared under the relevant cost category (i.e. as if they were costs incurred by the beneficiary)
- Only **up to the direct costs incurred by the third party can** be reported
- Indirect costs calculated on top via the 25% flat-rate (with exceptions, like for internal invoicing)

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# INDIRECT COSTS



# Indirect costs

## *What?*

Costs that are only indirectly linked to the action implementation  
(Art. 6(1) General eligibility conditions of the Horizon Europe MGA)

Continuity  
(with H2020)

**Flat-rate of 25% of the eligible direct costs**, except subcontracting costs, financial support to third parties and exempted specific cost categories, if any.  
(Art. 6(2)(E) Indirect costs of the Horizon Europe MGA)

NEW

**Possibility to accept actual indirect costs** allocated via beneficiary's usual key drivers in the unit cost calculation for **internally invoiced goods and services**



# Thank you!

## # HorizonEU

<http://ec.europa.eu/horizon-europe>



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