Model Grant Agreement

FINANCIAL ISSUES
The Framework Programmes timeline

2007  2014  2021

Horizon Europe

Each Framework Programme has its own rules!
Horizon 2020 Model Grant Agreements

Specific models

General Model Grant Agreement

- ERC MGAs
- Marie-Sklodowska Curie MGAs
- Co-fund MGAs
- SME instrument MGAs
Horizon 2020 Model Grant Agreements

Reference Documents

This page includes reference documents of the programmes managed on the EU Funding & Tenders portal starting with legal documents and the Commission work programmes up to model grant agreements and guides for specific actions.

- Legislation
- Work Programmes
- Grant agreements, contracts and rules of contest
- Guidance
- Templates & forms
- Export names (annual lists)

e.g. Call

Disclaimer: Information not legally binding
**Forms of costs**

- **Actual costs**
  - Costs actually incurred, identifiable and verifiable, recorded in the accounts, etc.
  - NEW: non-deductible VAT paid is also eligible

- **Unit costs**
  - A fixed amount per unit determined by the Commission
  - Example: SME owners' unit cost
  - For average personnel cost (based on the usual accounting practices – with or without Certificate)

- **Lump sum**
  - A global amount to cover one or several cost categories
  - Example: Phase 1 of the SME instrument

- **Flat rate**
  - A percentage to be calculated on the eligible costs
  - Example: 25 % flat rate for indirect costs
## Budget categories and Forms of costs

### Forms of Costs

<table>
<thead>
<tr>
<th>Forms of Costs</th>
<th>Actual costs</th>
<th>Unit costs</th>
<th>Flat-rate costs</th>
<th>Lump sum costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Costs</strong></td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
</tr>
<tr>
<td>Personnel</td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
</tr>
<tr>
<td>Subcontracting</td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
</tr>
<tr>
<td>Financial support to 3rd parties</td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
</tr>
<tr>
<td>Other (travel, equipm., etc.)</td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="crossmark.png" alt="No" /></td>
</tr>
<tr>
<td>Internal invoices</td>
<td><img src="crossmark.png" alt="No" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
<td><img src="checkmark.png" alt="Yes" /></td>
</tr>
</tbody>
</table>

### Budget Categories

**Direct Costs**
- Personnel
- Subcontracting
- Financial support to 3rd parties
- Other (travel, equipm., etc.)
- Internal invoices

**Indirect Costs**
- ![Yes](checkmark.png)

**Specific Categories of Costs**
- ![Yes if foreseen by Comm. Decision](checkmark.png)

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**Disclaimer:** Information not legally binding
# Budget categories: budget transfers

<table>
<thead>
<tr>
<th>Budget transfers and re-allocation</th>
<th>Amendment needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>From one beneficiary to another</td>
<td>NO</td>
</tr>
<tr>
<td>From one budget category to another</td>
<td>NO</td>
</tr>
<tr>
<td>Re-allocation of Annex 1 tasks</td>
<td>YES</td>
</tr>
<tr>
<td>Transfers between forms of costs (actual costs, unit costs, etc.)</td>
<td>YES if the 'form' receiving the transfer was not included in the budget (a new unit cost under column F)</td>
</tr>
<tr>
<td>Transfers within <em>personnel costs</em></td>
<td>NO</td>
</tr>
<tr>
<td>Transfers to costs of internally invoiced goods and services</td>
<td>NO</td>
</tr>
<tr>
<td>New subcontracts</td>
<td>YES (strongly advised)</td>
</tr>
</tbody>
</table>

- **NEW! (2017)**
Classifying workforce contracts

Is it an employment contract or another type of contract?

Is it the only contract with the person or are there several contracts?

Does the contract establish the working time conditions?

Is the contract concluded with a person or with a company?

And what about 'consultants'?
### Workforce costs

<table>
<thead>
<tr>
<th>A. Direct personnel costs</th>
<th>B. Direct costs of subcontracting</th>
<th>C. Direct costs of fin. support</th>
<th>D. Other direct costs</th>
<th>E. Indirect costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1 Employees (or equivalent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.2 Natural persons under direct contract</td>
<td>A.4 SME owners without salary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.3 Seconded persons</td>
<td>A.5 Beneficiaries that are natural persons without salary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[A.6 Personnel for providing access to research infrastructure]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actual</th>
<th>Unit 7</th>
<th>Unit 8</th>
<th>Actual</th>
<th>Actual</th>
<th>Actual</th>
<th>Flat-rate 9</th>
</tr>
</thead>
</table>

Disclaimer: Information not legally binding
What contract under what budget category

What can you declare under personnel costs?

Persons hired by the beneficiary via an employment contract

(qualified as such under national law; and for whom the beneficiary pays social security contributions)

Other cases:

→ Natural persons hired directly via a contract other than an employment contract if:
  
  o the person works under conditions similar to those of an employee (e.g. organisation or work, premises, etc.)
  
  o The result of the work belongs to the beneficiary (exceptions may apply)
  
  o The costs are not significantly different from those of an employee of the beneficiary doing similar tasks

→ Employees of a third party seconded to the beneficiary (must be set in Annex 1!)

Disclaimer: Information not legally binding
What can you **NOT** declare under personnel costs?

- Contracts with companies to provide staff (e.g. temporary work agencies)

- Natural persons (e.g. consultants) not fulfilling all the conditions mentioned in the previous slide.
  
  e.g. working systematically off-site while employees have to work in the premises of the beneficiary

- Natural persons (e.g. consultants) paid *for deliverables* rather than for *working time*

---

In the cases above the costs may be eligible under 'Other goods and services' or under 'Subcontracting' but not as personnel costs.
**Personnel costs: Calculation**

1. **Hours worked**
2. **Hourly rate EUR/hour**
3. **Additional remuneration**

- **Time records**
- **Formula actual costs & specific unit costs**

Applies only to beneficiaries with project-based remuneration schemes
Only the hours **actually worked** on the action can be charged.

- Think of how **you** follow different projects

You **cannot** declare:
- Budgeted time (what you indicated for the budget)
- Estimated time (e.g. person 'guessing' at the end of the year)
- Time allocation (e.g. x % of the contractual time of the person)

**Hours declared to the action must be supported by reliable records and documentation!**
**Time records: supporting documents**

- Depend if the person works exclusively on a H2020 action or not

  For this purpose, "working exclusively" refers to an uninterrupted period of at least one full calendar month during which all the hours worked by the employee for the beneficiary were dedicated to the H2020 action.

<table>
<thead>
<tr>
<th>Working exclusively</th>
<th>Records</th>
<th>Conditions (full details available in the AGA; page 160)</th>
</tr>
</thead>
</table>
| **YES**             | Declaration on exclusive work for the action | → only one per reporting period (per person)  
→ covering one uninterrupted period of exclusive dedication of at least one calendar month |
| **NO**              | Time records (i.e. timesheets) | → dated and signed at least monthly by the person and his/her supervisor  
→ **minimum conditions** and information needed are detailed in the AGA |
Attention: Time sheets

I work 100% on the action so I do not have to fill in TS, correct?

Correct, but pay attention:

- Did I spend a significant part of my time building up a network with other entities or other laboratories of my company, for future projects?
- Did I spend time in writing proposals for the next calls?
- Did I give lectures for the University?
- Did I travel for other unforeseen activities?
Do keep time records

Time records should include, as a minimum:

- title and number of the action
- beneficiary’s full name
- full name, date and signature of the person working for the action
- number of hours worked for the action
- supervisor’s full name and signature
- reference to the action tasks or work packages of Annex 1

Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.
**Personnel costs: hourly rate**

**SME owner without a salary**

- Hourly rate (unit cost) fixed in the grant by the Commission

**Average personnel costs**

- Average hourly rate (unit cost) calculated in accordance with the beneficiary's usual cost accounting practices

**Actual costs**

1. **Salary is NOT project-based**
   - Per full-financial year or per month

2. **Salary is project-based**
   - Per full-financial year or per month
Personnel costs: hourly rate

If you are a **SME owner without a salary** or a **natural person without a salary**

Costs must be declared on the basis of the unit cost (hourly rate) fixed by Commission Decision C(2013) 8197 and indicated in Annexes 2 and 2a of the grant agreement.

In practice: SYGMA calculates the hourly rate for you by using the formula:

\[
\text{Monthly living allowance for experienced researchers under the IF actions} \times \text{Country correction coefficient}
\]

The SME owner or natural person may be remunerated by dividends, service contracts between the company and the owner, etc., but:

**Still, the unit cost must be declared if there is no salary**
If you use average personnel costs

You calculate the hourly rate according to your usual cost accounting practice provided that:

- You applied it in a consistent manner, based on objective criteria, and regardless of the source of funding.

- You calculate the hourly rate using the actual personnel costs recorded in your accounts, excluding ineligible cost or costs included in other budget categories.

- You use one of the options to determine the annual productive hours provided in the Model Grant Agreement.
**Personnel costs: hourly rate**

**Actual costs**

1A - General case: the salary does not depend on specific projects

\[
\text{Hourly rate} = \frac{\text{Total personnel costs}}{\text{Total productive hours}}
\]

1B - Specific case: project-based remuneration

\[
\text{Hourly rate} = \frac{\text{Personnel costs for the H2020 action}}{\text{Hours worked for the H2020 action}}
\]

Subject to the provisions on additional remuneration
How do I know if I am in the general case 1A or in the specific case 1B?

If your remuneration for time worked in some projects is different from your remuneration for your other duties: you are in the specific case (1B)

For example:

- You get a supplementary employment contract to work in a project
- You get a bonus or premium for the time worked in a project
- Your contract fixes a specific hourly rate for work in specific projects

Otherwise, you are in the general case (1A)
Hourly rate: **CASE 1A** *(remuneration is not project-based)*

**Hourly rate** = \( \frac{\text{Personnel costs}}{\text{Productive hours}} \)

**Annual** hourly rate

*Hourly rates calculated per full financial year*

\[
\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}
\]

**Monthly** hourly rate

*Hourly rates calculated per month*

\[
\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}
\]

**NEW! (2016)**
**Hourly rate: CASE 1A** *(remuneration is not project-based)*

**Eligible personnel costs**

- **Include:**
  - Salaries
  - Social security contributions (employers' and employees')
  - Taxes and other costs included in the remuneration if they arise from national law or the employment contract

- **Do not include:**
  - Any ineligible item (article 6.5)
  - Any costs included in other budget categories (e.g. indirect costs)
Annual productive hours

1720 hours

Advice

you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

Individual annual productive hours

• Formula: annual workable hours + overtime - absences

Standard annual productive hours

• According to the beneficiary’s usual accounting practices. Minimum threshold: annual productive hours ≥ 90 % of the standard annual workable hours

Hourly rate: CASE 1A (remuneration is not project-based)

Hourly rate = \frac{\text{Personnel costs}}{\text{Productive hours}}
Annual productive hours options: principles

- Same option applied to all personnel working in H2020 actions; although... different options for different types of personnel are possible, if:
  - the same option is applied at least per group of personnel employed under similar conditions (e.g. same staff category, same type of contract, cost center, etc.); and
  - the options are applied consistently (e.g. the choice of the option is not changed ad-hoc for specific employees)

- keep the same option(s) for the full financial year
  - Options may be changed for the next financial year
The annual hourly rate must be calculated per full financial year.

If the financial year is not closed at the end of the reporting period, the beneficiary must use the hourly rate of the last closed financial year available.

### Reporting period (example)

- **01/10/2014**
- **31/03/2016**

- **Hourly rate of 2014**
- **Hourly rate of 2015**
- **Hourly rate of 2015 also for these months**
Monthly hourly rate specificities

One hourly rate per each month the person works in the action

- **Monthly productive hours** = 1/12 of the annual productive hours

- Only options 1 (1720) and 3 (standard) are allowed. Option 2 (individual) is NOT allowed for monthly hourly rates.

- **Thirteen salary** (and similar) included in each month "pro-rata"; not in full in the month when they are paid.

- **Time spent in parental leave** cannot be deducted from the monthly productive hours. However, personnel costs incurred during parental leave may be charged in proportion to the time the person worked for the action.
Beneficiaries must ensure that:

- the **total number of hours declared** in EU and Euratom grants for a person for a year is **NOT higher** than the number of **annual productive hours** used for the calculation of the hourly rate.

  \[ \sum \text{hours declared} \leq \text{total annual productive hours} \]

- the **total amount of personnel costs declared** (for reimbursement as actual costs) in EU and Euratom grants for a person for a year is **NOT higher** than the total personnel costs recorded in the **beneficiary’s accounts** (for that person for that year).

  \[ \sum \text{cost declared} \leq \text{total personnel costs for the person} \]
**Hourly rate: CASE 1B (project-based remuneration)**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Additional remuneration?</td>
</tr>
<tr>
<td>2</td>
<td>Hourly rate</td>
</tr>
<tr>
<td>3</td>
<td>Personnel costs: 'basic'</td>
</tr>
<tr>
<td>4</td>
<td>+ Additional remuneration</td>
</tr>
</tbody>
</table>

1. **Additional remuneration?**
   - Identify what part of the remuneration of the employee is 'basic' and what part is 'additional'.

2. **Hourly rate**
   - Calculate the hourly rate of the employee using only the 'basic remuneration'.

3. **Personnel costs: 'basic'**
   - Multiply that hourly rate by the number of hours worked in the action.

4. **+ Additional remuneration**
   - Calculate what part of the additional remuneration identified in Step 1 is eligible & add it to the result of Step 3.

**CASE 1B: FOUR STEPS TO CALCULATE THE PERSONNEL COSTS**
Personnel costs: bonuses

Ineligible

• Arbitrary bonuses
• Bonus based on commercial targets (e.g. sales target), fund raising targets or representing profit distribution (dividends)
• Bonus applied only to EU actions

Additional Remuneration

• Triggered by specific projects and resulting in a level of remuneration higher than under national projects
• Paid for additional work or expertise
• Part of the usual remuneration practices of the entity
• Based on objective criteria established in the internal rules
• Eligible only for non-profit legal entities

(Also) Basic Remuneration

• If not triggered by specific projects OR if triggered by projects, up to the level of remuneration paid in national projects
• Scheme authorised by law, collective agreement of contract
• Determined using objective criteria established in the internal rules

Disclaimer: Information not legally binding
Example: Calculation of personnel costs (not project-based)

Ms R. has worked in 2015 and 2016 for an H2020 action whose reporting period runs from 01/10/14 to 31/03/16.

How do we calculate the personnel costs to be charged to the action?

1. Calculate the hourly rate
2. Identify the hours worked for the action
3. Multiply the hours worked for the action by the hourly rate
Example: Calculation of personnel costs (not project-based)

\[
\text{Cost} = \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \\
\times \text{Hours worked for the action}
\]

1.a Calculate the hourly rate: annual personnel costs

As 2016 is on-going at the end of the reporting period, the 2015 hourly rate will apply also for the 2016 months of the reporting period.

Ms R. has a gross monthly salary of 2 500 EUR and the employer pays 30 % on top as social security.

Annual personnel costs = \[ (2 500 \times 12) + 30 \% = 30 000 + 9 000 = 39 000 \]
Out of the three options offered by the H2020 grant agreement:

i. Fixed hours
ii. Individual annual productive hours
iii. Standard annual productive hours

The beneficiary applies option 1 for all its staff

Annual productive hours of Ms R. = 1720

Calculate the hourly rate: annual productive hours

Cost = Hours worked for the action × \( \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \)

What if Ms R. would be a part time employee?
Example: Calculation of personnel costs (not project-based)

Cost = Hours worked for the action × \( \frac{\text{Annual personnel costs}}{\text{Annual productive hours}} \)

Identify the hours worked for the action

Ms R. worked some hours in December 2015 (registered in a timesheet):

| DAY | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | Total |
|-----|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|     |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| WP 2| 8 | 8 | 8 | 4 | 8 | 8 | 8 | 8 | 8 | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 8  | 84  |

And in 2016 she signed a declaration of exclusive work in the action covering the period:

\[ \text{from 01/01/2016} \quad \text{until 15/02/2016} \quad (\text{This period must cover at least one full natural month}) \]

Hours worked for the action in 2016 = \((1720 / 12 \text{ months}) \times 1.5 \text{ months} = 215\)
Example: Calculation of personnel costs (not project-based)

Cost = Hours worked for the action \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}

3

Multiply the hours worked for the action by the hourly rate

Cost 2015 = \frac{84 \times 39000}{1720} = 84 \times 22.67 = 1904.28 EUR

As 2016 is on-going, the 2015 hourly rate will apply also for the 2016 months of the reporting period

Cost 2016 = 215 \times 22.67 = 4874.05 EUR
Personnel costs: finding your way

Personnel costs

SME owners

Actual costs

Average costs

1B Project-based remuneration

Additional remuneration?

Not eligible

Eligible?

Above the cap

Within the cap

1A Non project-based remuneration

Basic remuneration

Monthly

Hourly rates

1720

Individual

Standard

Disclaimer: Information not legally binding
STILL PUZZLED?

Why don’t you try the Personnel Cost Wizard?
Direct costs are costs that are directly linked to the action's implementation and can be attributed to it directly. They must not include any indirect costs.

Direct costs are:

- costs that have been caused in full by the action
- or costs that have been caused in full by several actions and the attribution to a single action can, and has been, directly measured (e.g. not allocated via cost drivers)
Direct costs for the action

- Must be justified by sufficient persuasive evidence showing the direct link to the action
- Must be properly recorded in order to allow direct measurement of the use for the action and to ensure auditability
- The measurement system used by the beneficiary must accurately quantify the cost
- Direct measurement of costs does not mean fair apportionment of costs through proxies, cost drivers or allocation keys. Once you use them, it's indirect cost!

- In principle, what was considered direct/indirect in FP7 remains the same in H2020. Now, it is even more important because Indirect Cost is calculated at 25% flat rate
A beneficiary uses a x-ray machine for the action for few hours and for the rest of the time the x-ray machine is used for other activities. The beneficiary charges the full depreciation costs for the period in the cost statement of the action.

**NOT ALLOWED!**

The allocation of the part of the annual depreciation to the H2020 action must be calculated based on the number of hours/days/months of actual use of equipment for the action. The actual use should be directly measured (logbook, etc.).
The total consumables costs are charged as direct costs on the H2020 action as proportion of the action hours to total worked hours in the laboratory.

NOT ALLOWED!

Even if the usual accounting practice of a beneficiary is to consider laboratory consumables as direct costs.

The costs of other goods and services should be declared as actual costs e.g. direct consumption for the action should be measured.
In FP7, energy and power supply was an indirect cost: can I charge it as direct in H2020?

Yes, if I can measure it...

Administrative staff members doing accounting for the action: can I charge them to the action?

Yes, with time sheets and provided it is your usual practice...

Multi-purpose equipment used for several activities/actions: can I charge its depreciation to an EU action as a % of total capacity based on my experience?

No. I have to measure its use.

Attention: direct measurement
**Internal invoices** refer to costs of goods or services produced by the same beneficiary who use them directly for the H2020 action and calculated in accordance with its usual cost accounting practices.
### Internal invoices unit cost

#### EXAMPLES

<table>
<thead>
<tr>
<th>Category</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-produced consumables</td>
<td>e.g. electronic wafers, chemicals, etc.</td>
</tr>
<tr>
<td>Use of devices or facilities</td>
<td>e.g. clean room, wind tunnel, supercomputer, etc.</td>
</tr>
<tr>
<td>Specialized premises</td>
<td>e.g. animal house, aquarium, etc.</td>
</tr>
<tr>
<td>Standardised processes</td>
<td>e.g. genomic test, mass spectrometry analysis, etc.</td>
</tr>
<tr>
<td>Hosting services for researchers</td>
<td>e.g. housing and canteen costs for visiting researchers</td>
</tr>
</tbody>
</table>
**Internal invoices unit cost**

**Internal invoices** must be calculated in accordance with the usual cost accounting practice of the beneficiary, but adjusted if needed to comply with the cost eligibility conditions.

- **OK**
  - Direct staff
  - Consumables
  - Depreciation of the item
  - Maintenance and supplies if their costs are directly identifiable

- **NOT OK**
  - Indirect staff
  - Costs of central services
  - Shared costs for which the part used for the item is not directly identifiable
  - Ineligible cost (e.g. bank interests)
Third parties: basics

What is a third party?

A legal entity which carries out work of the action, supplies goods or provide services for the action, but which did not sign the grant agreement.

What types of third parties?

1. Third parties directly carrying out part of the work described in Annex 1

2. Other third parties: providing resources, goods or services to the beneficiaries for them to carry out the work described in Annex 1

3. Third parties receiving financial support (money) from the beneficiary as part of the action. Only when authorised in the call.
1. Third parties carrying out work in the action

**Beneficiary**

**Linked third parties**

- **Affiliated entities**
- **Third parties with a legal link**

**Affiliated entity**

- Under the direct or indirect control of the beneficiary
- Under the same direct or indirect control as the beneficiary
- Directly or indirectly controlling the beneficiary

'control' = >50 % shares or majority voting rights or decision-making powers
1. Third parties carrying out work in the action

Linked third parties

- Affiliated entities
- Third parties with a legal link

- Similar to FP7 Special Clause 10
- Must be identified in the GA
- Same cost eligibility criteria than for beneficiaries
- **NEW**: COM or Agency may request them to accept joint and several liability for their EU contribution

Legal link

A legally established relationship **not** specifically created for the Grant Agreement.

It may be in the framework of a legal structure (e.g. the relationship between an association and its members) or through an agreement or contract (not limited to the action).
1. Third parties carrying out work in the action

- Ensure best value for money 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
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
  - E.g.: Testing described in Annex 1 as action task

**Beneficiary**

- Linked third parties
  - Affiliated entities
  - Third parties with a legal link
- Subcontractors
"INTERNATIONAL PARTNERS"

- Signatories of the GA
- May receive EU funding
- **Partner B** has one **International Partner**

International Partner:
- Linked to Partner B
- Participant Identification Code (PIC number)
- Not Signatory of the GA
- No EU funding
- Own (non EU) Budget
- Action Tasks in the Project
- No financial reporting
2. Other third parties

Beneficiary

- Contracts necessary for the implementation

In-kind contributions

- For the purchase of goods, works or services
- Ensure **best value for money** and avoid any **conflict of interests**
- E.g.: CFS, supply of consumables, etc.

- Free of charge or against payment
- ! Only the actual eligible costs of the third party may be charged
- Must be set out in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: seconded staff, use of equipment
3. Financial support to third parties

- **'Cascading grants'**: Equivalent to FP7 Special Clause 42
- **Prizes**: awarded by the beneficiary as part of the action
- Option to be used **ONLY** if foreseen in the Work Programme
- Conditions set out in Annex 1
- E.g.: users, experimenters and suppliers for which financial support is granted (call: H2020-ICT-2015)
## Types of third parties

<table>
<thead>
<tr>
<th>Types of third parties</th>
<th>Does work of the action</th>
<th>Provides resources or services</th>
<th>What is eligible?</th>
<th>Must be indicated in Annex 1</th>
<th>Indirect costs</th>
<th>Selecting the third party</th>
<th>Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linked third party</td>
<td>YES</td>
<td>NO</td>
<td>Costs</td>
<td>YES</td>
<td>YES</td>
<td>Must be affiliated or have a legal link</td>
<td>Article 14</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>YES</td>
<td>NO</td>
<td>Price</td>
<td>YES</td>
<td>NO</td>
<td>Best value for money, avoid conflict of interest</td>
<td>Article 13</td>
</tr>
<tr>
<td>International partners</td>
<td>YES</td>
<td>NO</td>
<td>No EU funding</td>
<td>YES</td>
<td>No EU funding</td>
<td>Partner to one beneficiary</td>
<td>Article 14a</td>
</tr>
<tr>
<td>In-kind contributions by third parties</td>
<td>NO</td>
<td>YES</td>
<td>Costs</td>
<td>YES</td>
<td>YES</td>
<td>Not used to circumvent the rules</td>
<td>Articles 11 and 12</td>
</tr>
<tr>
<td>Contractors</td>
<td>NO</td>
<td>YES</td>
<td>Price</td>
<td>NO</td>
<td>YES</td>
<td>Best value for money, avoid conflict of interest</td>
<td>Article 10</td>
</tr>
<tr>
<td>Financial support to third parties</td>
<td>Only if allowed in the call</td>
<td>The beneficiaries’ activity consists in providing financial support to the target population</td>
<td>YES</td>
<td>NO</td>
<td>According to the conditions in Annex 1</td>
<td>Article 15</td>
<td></td>
</tr>
</tbody>
</table>
Third parties: Warnings!

The beneficiary retains the sole responsibility for the work and the costs declared!

If something goes wrong with the third party, the beneficiary will be responsible.

The beneficiary must ensure that Commission, OLAF and European Court of Auditors can audit its third parties including subcontractors and providers.

In case of an audit to a 3rd party, the beneficiary is also in copy of all relevant communications (announcement of the audit, audit report, etc.)

Third party providing in-kind contributions

Linked third party

Subcontractor

Goods
Services
Works

Third parties:

Warnings!
## Subcontracts vs. Contracts

<table>
<thead>
<tr>
<th>Article 10</th>
<th>Article 13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracts to purchase goods, works or services</strong></td>
<td><strong>Subcontracts</strong></td>
</tr>
<tr>
<td>These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.</td>
<td>Subcontracts concern the implementation of action tasks; they imply the implementation of specific tasks which are part of the action and are described in Annex 1.</td>
</tr>
<tr>
<td>Do not have to be indicated in Annex 1.</td>
<td>Must be indicated in Annex 1.</td>
</tr>
<tr>
<td>The price for these contracts will be declared as ‘other direct costs’ — column D in Annex 2 — in the financial statement; they will be taken into account for the application of the flat-rate for indirect costs.</td>
<td>The price for the subcontracts will be declared as ‘direct costs of subcontracting’ — column B in Annex 2 — in the financial statement; they will not be taken into account for the application of the flat-rate for indirect costs.</td>
</tr>
</tbody>
</table>
Subcontracting: characteristics

- Based on business conditions (includes profit)
- No hierarchical subordination, no direct supervision
- Responsibilities lie with the beneficiary
- No rights and obligations vs. the Commission/Agency or the other beneficiaries
- **BUT** the beneficiary must ensure that its subcontractors can be audited by the Commission/Agency, OLAF and the ECA
- Beneficiaries that are 'contracting authorities' must comply with applicable national law on public procurement
Subcontracting: additional eligibility conditions

- Tasks and estimated costs should be set in Annex 1 for each subcontract
- Total costs per beneficiary should be set in Annex 2
- The need for a subcontract should be clearly justified in Annex 1
- Existing framework subcontracts are acceptable: in such cases the name of the subcontractor may be indicated in Annex 1

⚠️ These conditions do not lift the obligation to ensure best value for money!
Do not wait for an audit!

At grant signature: Foresee and justify all subcontracts in Annexes 1 & 2

During the grant execution:
- Ask for amendment to include subcontracts
- Justify subcontracts in the technical reports
- Communicate clearly and in writing with the project officers
Avoid conflict of interests
(Art.35 of the MGA)

'The beneficiaries must take all measures to prevent any situation where the impartial and objective implementation of the action is compromised for reasons involving economic interest, political or national affinity, family or emotional ties or any other shared interest (‘conflict of interests’).'}
Conflict of interests

Avoid conflict of interests
(Art.35 of the MGA)

The beneficiaries must formally notify the EC/Agency without delay any situation constituting or likely to lead to a conflict of interests and immediately take all the necessary steps to rectify this situation.

Non-compliance may have consequences (reduction of grant, termination).
Best Practice

You must demonstrate *best value for money* both, in sub-contracting and in purchases of goods

- Some level of tendering to demonstrate 'best value' – e.g. tender, three offers, market survey, etc.

- Naming the supplier in the grant does not mean that you do not have to demonstrate best value

- We will normally accept your standard practices, when properly used

**But**

Your accounting practices are not panacea!
(e.g. cash basis depreciation is not automatically accepted even if it is in line with your accounting practices)
Additional info

Participant Portal
At: http://ec.europa.eu/research/participants/portal/desktop/en/home.html

- Horizon 2020 Annotated Grant Agreement

- Horizon 2020 On-line Manual
  http://ec.europa.eu/research/participants/docs/h2020-funding-guide/index_en.htm

- Questions? Research Enquiry Service
  http://ec.europa.eu/research/enquiries
Thank you for your attention!

Find out more:
http://ec.europa.eu/programmes/horizon2020/