TURKEY in
HORIZON 2020
COOPERATION, INNOVATION, COMPETITIVENESS

# A LEGAL & FINANCIAL GUIDE FOR HORIZON 2020 TURKISH BENEFICIARIES

CFCU
CENTRAL FINANCE & CONTRACTS UNIT

IDI

TÜBİTAK

## ACRONYMS

| | |
|---|---|
| AMGA | Annotated Model Grant Agreement |
| CA | Confidentiality Agreement or Consortium Agreement |
| DESCA | Development of a Simplified Consortium Agreement |
| EU | European Union |
| EC | European Commission |
| GA | Grant Agreement |
| DoA | Description of Action |
| DoW | Description of Work |
| IPR | Intellectual Property Rights |
| NDA | Non-Disclosure Agreement |
| OA | Open Access |
| OD | Open Data |
| LEIT | Leadership in Enabling and Industrial Technologies |
| PEDR | Plan for Exploitation and Dissemination of Results |
| PRO | Public Research Organisation |
| SME | Small and Medium Enterprise |
| TM | Trade Mark |

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# 1. INTRODUCTION
# TO HORIZON 2020

# 1. INTRODUCTION TO HORIZON 2020

## 1.1 Thematic Areas, Work Programmes and Actions

**The purpose of this guide** is to provide the participant with a good explanation of the Legal and Financial issues potential participants in **Horizon 2020** projects may face. This guide is neither exhaustive nor conclusive. We have tried to provide a good starting point offering as much detail as possible and plenty of links to sources where you can get further information.

According to the EC (European Commission) Horizon 2020 is *"the biggest EU Research and Innovation programme ever with nearly €80 billions of funding available over 7 years (2014 to 2020) – in addition to the private investment that this money will attract. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market. Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness."*

Horizon 2020 is an excellent tool for all kinds of organisations (public and private) and especially SMEs to realise their research and innovation ideas and access grants otherwise unreachable by them. H2020 is structured under 3 pillars and several priorities offering different funding schemes.

| I<br>**Excellent Science** | II<br>**Industrial Leadership** | III<br>**Societal Challenges** | |
|---|---|---|---|
| European Research Council (ERC) | Leadership in Enabling and Industrial Technologies:<br><br>Information and Communication Technologies | Health, Demographic Change and Wellbeing | Spreading Excellence and Widening Participation |
| Future and Emerging Technologies (FET) | Nanotechnologies, Advanced Materials, Advanced Manufacturing and Processing. Biotechnology | Food Security, Sustainable Agriculture and Forestry, Marine, Maritime and Inland Water Research and the Bioeconomy | Science with and for Society |
| Marie Sklodowska-Curie Actions (MSCA) | Space<br><br>Access to Risk Finance | Secure, Clean and Efficient Energy<br><br>Smart, Green and Integrated Transport | European Institute of Innovation and Technology (EIT) |
| European Research Infrastucture) | Innovation in SME | Climate Action, Environment, Resource Efficiency and Raw Materials<br><br>Europe in a Changing World-Inclusive, Innovative and Reflective Societies<br><br>Secure Societies-Protecting Freedom and Security of Europe and its Citizens | Joint Research Centre (JRC) |

*Image 1: Horizon 2020 Pillars and sections*

Horizon 2020 is the eighth framework support programme funded by the EC. Compared to previous schemes it has some important features that differentiate it:

- It has simplified participation which offers a single set of rules for all participants
- It focuses more on societal challenges (by incorporating the concept to all three of the above pillars).
- It introduces a more active market driven approach to innovation by trying to bridge the gap between research and markets

We have also tried to go a little bit beyond the Horizon 2020 and discuss the impact of your results and exploitation potentials. Throughout this guide, we offer links to many more sources of information and documentation on IPR. Nevertheless, this document is neither exhaustive nor "all inclusive". It is not intended to be used as a guide for H2020 proposal writing or as a sole source of information for Legal and Financial Issues. We have sought as much as possible to avoid duplication with existing documents produced either by our or other relevant projects and initiatives. Wherever possible additional available resources are referenced.

*You do not have to become an expert in all sections to benefit from the programme, but you need to have a good understanding on where you should focus your efforts. You can explore the programme's sections here: http://ec.europa.eu/programmes/horizon2020/en/h2020-sections*

It is important to understand how Horizon 2020 is structured. Detailed documents outline the EC's priorities under the above sections and describe the funding opportunities that are available. These documents are multiannual and are called work programmes. Each work programme comprises of a general introduction into H2020 priorities, detailed Thematic Sections (18 for the 2016-17 Work Programme) and annexes describing general rules and admissibility criteria.

H2020 → Pillar → Thematic Priority → Call → Action
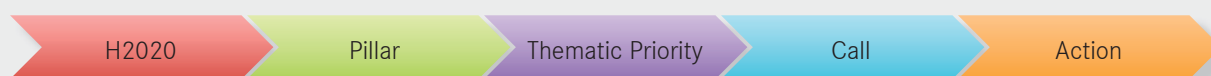
All available funding opportunities for a specific Thematic Area, can be found under its respective work programme as Calls for Proposals. Every call, is made under a specific topic. A detailed description is offered, along with the scope of the actions, the expected impact and the available types of action. All calls are also available under the funding opportunities section of the Participant Portal Horizon 2020 offers several types of actions. Actions are designed according to the target they have and vary on their characteristics. The following table summarizes them.

## TOPIC: Science education outside the classroom

| | |
|---|---|
| Topic identifier | : Swafs-11-2017 |
| Publication date | : 14 October 2015 |
| Types of action | : RIA Research and Innovation Action |
| Deadline Model | : single-stage |
| Opening date | : 12 April 2017 |

| | |
|---|---|
| Deadline | : 30 August 2017  17:00:00 |
| Time Zone | : (Brussel time) |

*Image 2: An extract from a specific call in Participant Portal*

| H2020 Actions | Target / Aim | Minimum Conditions | Funding Rate |
|---|---|---|---|
| RIA: Research & Innovation | Research projects / clearly defined challenges<br>*// new knowledge or new technology* | ≥ 3<br>legal entities from 3 MS/AC | 100% |
| IA: Innovation | Closer-to-the-market activities: e.g. prototyping, testing, demonstrating, piloting, scaling-up etc.<br>*// new or improved products or services* | ≥ 3<br>legal entities from 3 MS/AC | 70%<br>(100%)[1] |
| CSA: Coordination and Support | Coordination and networking of research and innovation projects, programmes and policies<br>*// Consolidate, organise knowledge* | 1<br>legal entity | 100% |
| MSCA: Marie SkÝodowska-Curie Actions | Individual Fellowships (IF), Innovative Training Networks (ITN), Research and Innovation Staff Exchange (RISE), Co-funding of regional, national and international programmes (COFUND)<br>*// Funding for researcher's mobility* | 1 – 3<br>legal entity (Depending on Type) | 100%<br>(Specific Costs) |
| SME Instrument | Highly innovative SMEs growth potential.<br>*// Lump sums for feasibility studies,*<br>*// Realisation: demonstration, prototyping, testing, application development.* | 1<br>SME in MS/AC | 70% |
| FTI: Fast Track to Innovation | New, altered or improved products, processes or services into market<br>*// Large Scale Pilot (FTI) for ready to market* | ≤ 5<br>legal entities from 5 MS/AC | 70% |

*Table 1: Different type of actions in Horizon 2020*



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[1] *Only for non-profit organisations.*

Let's summarise the characteristics of Horizon 2020 in the following table.

| | |
|---|---|
| **Partnerships** | Transnational Collaboration (partners from different countries: EU Member States and Accession Countries) <br><br> *Notable exceptions: ERC grants, MSCA, SME Instrument* <br><br> *What does it mean? With the notable exception of SME Instrument, you cannot apply on your own (just one organisation). You need to be part of a Research Consortium.* |
| **Open to All** | Industry, Academia, SMEs <br><br> *What does it mean? Any kind of organisation can be part of a consortium. Even an International Organisation can be part. In SME Instrument only SMEs can apply.* |
| **Selection Process** | Consortia selected via Calls for Proposals (published on an annual basis) and evaluation procedures through independent experts. <br><br> *What does it mean? Independent experts will evaluate your proposal NOT EC officials.* |
| **Programme Oriented** | Strategic objectives are programme oriented. Innovative, based on science & technology excellence. <br><br> *What does it mean? EC sets the guidelines and strategic objectives. They specify what they expect from your proposals. You will need to address these needs through innovation, science and technology excellence beyond the State of the Art.* |
| **Competitive** | Competitive – competition from the best teams in EU <br><br> *What does it mean? The process is extremely competitive with success rates of 5-10%. The best teams from all over Europe compete for these funds.* |
| **Project Results** | Project results are the property of the participants <br><br> *What does it mean? Whatever is developed in the project belongs to the partner or partners that developed it. Intellectual Property Rights are therefore very important.* |

*Table 2: Characteristics of Horizon 2020*

It is also important to mention here the shift in Horizon 2020 towards innovation and the market oriented exploitation of project results. This is even reflected in the name of Horizon 2020 since it is called 'the Framework Programme for Research and Innovation' in contrast with the previous Programme (FP7) which was called 'the Framework Programme for Research and Development'. Horizon 2020 covers almost the full innovation cycle through the various actions it contains.
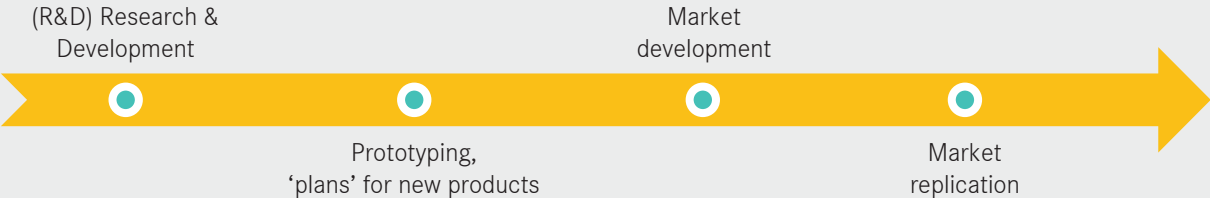
Moreover, to ensure that innovation is happening in H2020, SME participation became obligatory in most projects. **Around 20% of the total budget for Societal Challenges and LEITs (Leadership in Enabling and Industrial Technologies) must go to SMEs.** This means that all consortia must include SMEs and demonstrate a clear path to the commercialisation of the project results.

## 1.2 Legal Ground of the Programme

Horizon 2020 is based on a number of European Commission decisions. All of these legal documents provide the necessary legal ground for Horizon 2020 to operate.

*Official Documents of Horizon 2020 can be found here: https://ec.europa.eu/programmes/horizon2020/en/official-documents*

Turkey became an Associated Member of Horizon 2020 on June 2014, gaining full access to the grants and opportunities the programme has to offer. Under this agreement, Turkish organisations can participate to Horizon 2020 calls under the same rules as their European counterparts.

Although you do not need to study all of the legal background on H2020, you will need to have a basic understanding of the process and the two legal documents that are necessary to almost every Horizon 2020 project. These are the Consortium Agreement & the Grant Agreement.

### 1.2.1 Consortium Agreement

**The Consortium Agreement (CA)** is a compulsory legal document for all multi-beneficiary organisations. So, if you are not alone in the project (as you would be in SME Instrument for example) then you will need a Consortium Agreement. This document describes how you are going to collaborate with the rest of the partners in the consortium and sets the framework for a successful and trouble-free collaboration throughout the project.

The Consortium Agreement regulates the rights and obligations each participant has according to the management structure of the project, the financial management as well as issues like confidentiality, liability and Intellectual Property.

All project participants are signatories of the Consortium Agreement. The European Commission does not participate in the CA. It is important to remember though that the Grant Agreement (see 1.2.2) has precedence over the Consortium Agreement.

There are a number of model Consortium Agreements which have been prepared by different organisations and bodies. The most popular (and recommended) is the DESCA Model Consortium Agreement, developed by a group of National and European Research and Technology Organisations.

*The DESCA Model Consortium Agreement can be found here: http://www.desca-2020.eu*

### 1.2.2 Model Grant Agreement

This is the standard contract signed between the EC and the project beneficiaries. It defines the basic conditions for the project financing. The Grant Agreement consists of the following Annexes:
- Annex I: "Description of the action", composed of the originally submitted Proposal, including the individual Work Packages and Deliverables and the Milestones of the individual Project.

- Annex II: "Estimated Budget for the action".
- Annex III: "Accession Forms", primarily a form to be signed by those Project Participants acceding to the Grant Agreement. (Annex IIIa is an adapted version for Project Participants who are not Beneficiaries of the Grant Agreement, such as Linked Third Parties, etc.)
- Annex IV: "Model financial statements".
- Annex V: "Model of the certificate of the financial statement".
- Annex VI: "Model for the certificate on the methodology".

Signatories of the Grant Agreement are the European Commission (as the EU's representative) and the Coordinator. Under Horizon 2020, the Grant Agreement is signed only electronically. Additional Project Participants accede to the treaty by signing the "Accession Form" (Annex III) and are thereby liable to the same rights and duties as described in the Grant Agreement. This equally applies for parties from a third country, which receive no project funding from the EU and are subject to the Grant Agreement as "beneficiaries not receiving EU funding".

*The EC offers different Model Grant Agreements for the different grant schemes. All can be found in the relevant section in the Participant Portal.*
*https://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html*

## 1.3 Rules for Participation

The rules for participation in Horizon 2020 are laid down in Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013. (Rules for participation and dissemination in Horizon 2020 - the Framework Programme for Research and Innovation (2014-20) and repealing Regulation (EC) No 1906/2006).

The regulation covers two areas:
- participation in indirect research and innovation activity: actions to which the EU provides financial support and which are undertaken by participants. (Regulation (EU) No 1291/2013)[2].
- The use and dissemination of the results of the project.

Horizon 2020 offers different forms of funding that can be summarised in the following table.

| Funding | |
|---|---|
| **Grants** | Direct financial contributions from the EU budget to participants selected by means of calls for proposals |
| **Prizes** | Funding given as a reward following a contest |
| **Procurement** | e.g. procurement by public authorities of R&D, allowing them to direct the research to specific public sector needs |
| **Financial Instruments** | e.g. equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, which may be combined with grants |

*Table 3: Different Funding Schemes under Horizon 2020*

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[2] Direct Research is done by the EC's Joint Research Centre.

### 1.3.1 Who Can Apply?

In general, any entity, whether an individual or a legal person (private or public), regardless of place of establishment, or an international organisation, can apply for the Horizon 2020 funds according to the specific conditions laid down in the relevant work programme and call.

*As a minimum, the EC requires (in most multilateral schemes):*
*at least three separate entities, established in different EU countries or associated countries[3]*

Although this is a generic minimum requirement for participation in Horizon 2020 for Research and Innovation (RIA) and Innovation Actions (IA) others may also apply. You must study the respective call thoroughly and see what other conditions apply.

A distinctive exception to this is the SME Instrument. A call introduced under Horizon 2020 and **available only to SMEs** (or Small and Medium Enterprises according to EC's definition[4]):
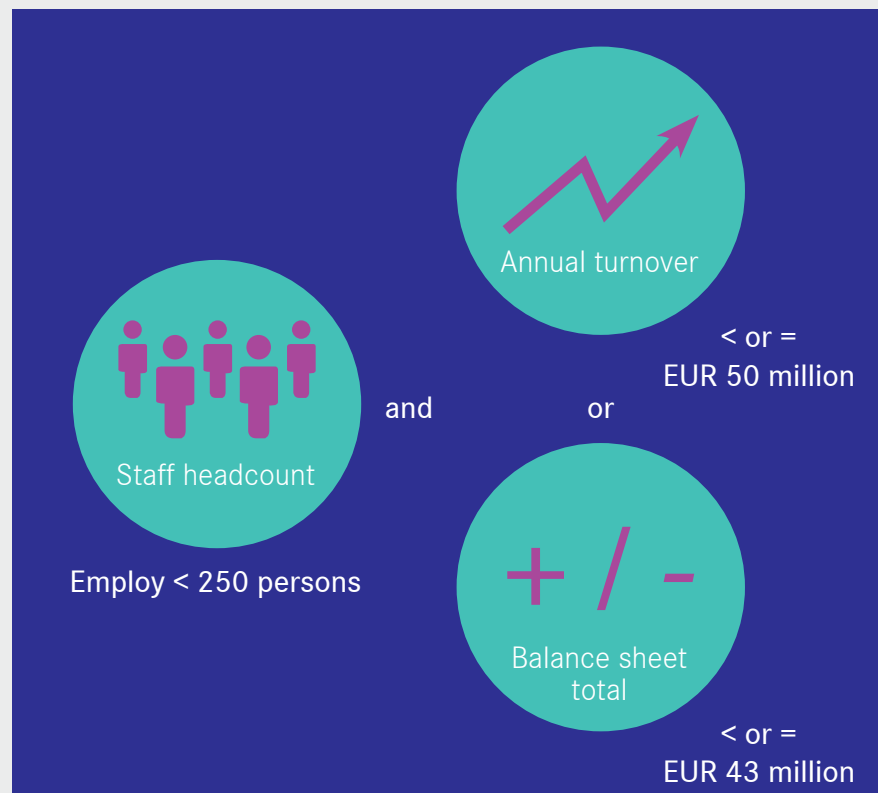http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en



*Image 3: What is an SME?*

[3] Associated countries: http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf
[4] See also SME Definition Guide: http://ec.europa.eu/DocsRoom/documents/15582/attachments/1/translations

The SME Instrument has several other unique features like the fact that it offers year-round open submission with 4 cut-off dates per year. According to the maturity of the company, SME Instrument allows you to submit a proposal in Phase 1 for a lump sum of €50.000 or to immediately pursue a more ambitious funding opportunity in Phase 2.

| | Phase 1 | Phase 2 | Phase 3 |
|---|---|---|---|
| **Maturity** | Idea to concept | Concept to Market-Maturity | Prepare for Market Launch |
| **Duration** | 6 Months | 12 – 24 Months | |
| **Tasks** | Concept & Feasibility Assessment | Demonstration, Market Replication, R&D | Business acceleration and support services |
| **Funding** | € 50.000 Lump Sum | € 0,5 million - € 2,5 million (70% Funding) | No direct Funding |
| **Purpose** | Feasibility study to verify viability of proposed disruptive innovation or concept. | Further develop proposal through innovation activities: demonstration, testing, piloting, scaling up, and miniaturisation. | Extensive business acceleration support, including training, coaching and facilitating access to risk finance. Enterprise Europe Network (EEN) Support. |
| **Proposal Requirement** | Initial business proposal (~ 10 pages) | Developed business plan (~ 30 pages). | |

*Table 4: SME Instrument Phases*

## 1.4 Financial Brief Information

### 1.4.1 Funding Rates

The most important point to remember for all EU funding, is that H2020 is a grant (funds which are given for specific work or actions, as opposed to a loan which must be paid back to the funding agency). It is given to an organisation that has been selected, under a rigorous process, to implement a specific project as specified in the proposal (Description of Action).

Such a grant may not always cover the full costs of the project. The beneficiary may have to co-fund it. Each action has its own funding rate which is either 70% or 100%, usually depending on how close the subject of the proposal is to market.

*Non-profit entities (e.g. a not for profit University or an NGO) have a funding rate of 100%.*

From Idea to Market



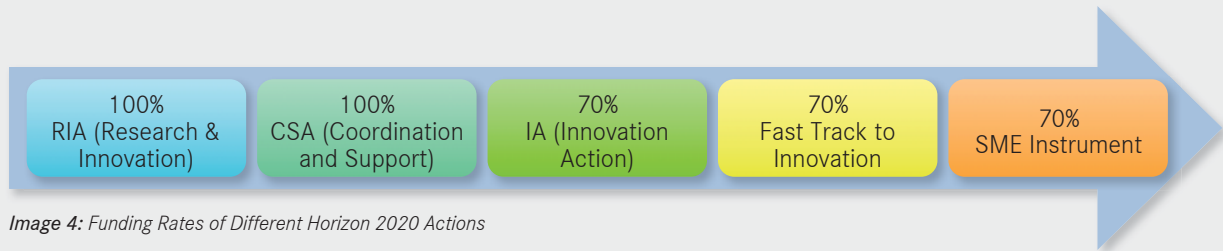| 100%<br>RIA (Research & Innovation) | 100%<br>CSA (Coordination and Support) | 70%<br>IA (Innovation Action) | 70%<br>Fast Track to Innovation | 70%<br>SME Instrument |

*Image 4: Funding Rates of Different Horizon 2020 Actions*

So, if your organisation is selected for an Innovation Action and your total budget is €100.000 then you will receive €70.000 from the EC and you must cover the rest from your own resources.

An important change over previous FP7 projects is that H2020 follows a Simplified Funding Model where **ALL beneficiaries** and **ALL activities** have the same reimbursement rate for the full action:
- Up to 100% for Research and Innovation actions
- Up to 70% for Innovation Actions (non-profit entities up to 100%), FTI and SME Instrument

### 1.4.2 Cost Categories

As we already mentioned the H2020 grants are offered under specific operational rules, so not all costs categories are eligible. The eligible cost categories of Horizon 2020 are:
1) **Personnel** costs
2) Costs of **subcontracting**
3) Other **direct** costs
   a) **Travel** costs and subsistence allowances
   b) **Depreciation** costs of equipment
   c) Costs of other **goods** and **services** (including non-deductible VAT)
   d) Specific cost categories (if option applies)

As you can see, the main expenses you can cover in Horizon 2020 are personnel costs. The programme does not cover infrastructure costs, rent or marketing expenses if they are not directly connected with the project. Furthermore, subcontracting should be avoided as it is not favoured by the EC[5].

You have obviously noticed that we are talking about direct and indirect costs. Let's clarify what each one is. **Indirect costs** or **overheads,** are all those *"eligible costs that cannot be identified and calculated by the beneficiary as being directly attributed to each project".* Such costs may include rent (rent is not covered directly but indirectly falling into the category of overheads), utilities costs (water/ gas/ electricity), maintenance, office supplies, communication and connection costs and costs for administration and financial management like hiring costs, training, legal advice[6], documentation etc.

**A participant does not have to provide any proof for these costs.** They are calculated as a **25% flat rate of the total direct eligible costs,** excluding direct eligible costs for subcontracting and financial support to third parties. The following table presents a simplified budget example for a typical project budget.

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[5] *See more in Finance Helpdesk's Subcontracting Factsheet: http://www.finance-helpdesk.org/downloads/SubcontractingInH2020.pdf*
[6] *Patent costs related to the exploitation of specific results fall under Other direct costs and can be eligible for the project.*

| Personnel Budget | Sub-contracting | Other Costs | Total Direct Costs | Indirect Costs | TOTAL BUDGET | Funding Rate | Total Grant |
|---|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G | H |
| All actual personnel costs | The need for sub-contracting must be well justified. | Travel / Equipment / Other goods and services / Costs of large research infrastructure | A+B+C | 25% * (A+C) | D+E | Depending on the specific Action Type | 70% * G |
| 90.000 € | 10.000 € | 12.000 € | 112.000 € | 25.500 € | 137.500 € | 70% | 96.250 € |

**Table 5:** *A simplified budget example*

## 1.5 What You Can Find in the Next Chapters

In the previous chapter, we introduced the main legal and financial framework of Horizon 2020 programme. In the following chapters, you will find:

- **Where to start:** from registering your organisation to signing the Grant Agreement.
- How you **implement the project:** what you need to do to make sure that you are compliant with EU rules
- **Project Closure** and beyond: what should you take care to do when the project is finished

We have tried to provide as much information and links to further sources as possible, but this guide should not be your only source of information when writing a proposal or implementing a project.

Furthermore, many legal issues related to confidentiality, Intellectual Property and selecting the right Consortium Agreement are more extensively covered in our IPR Comprehensive Guide which you can find in our helpdesk site along with many other useful documents.

*Visit our helpdesk at: http://helpdesk.turkeyinh2020.eu*

*In the example above a participant will get a grant of €96,250 from the EC. He/she will need to provide proof of expenditure for the €112,000 (all actual direct costs) to justify the EC contribution.*

# 2. PROJECT PREPARATION: FROM CALL TO PROPOSAL

# 2. PROJECT PREPARATION: FROM CALL TO PROPOSAL

## 2.1 Where Do I Start?

Once you decide to pursue a project in Horizon 2020 you must follow some steps to ensure you comply with all regulations, avoid pitfalls and maximise your success. The place to start is the Participant Portal. This is a revamped web resource under H2020 which is full of information. The site may seem intimidating to the novice user, but it is worth studying it for the valuable guidance it provides.



*Figure 1: Participant Portal. Accessible at http://ec.europa.eu/research/participants/portal/desktop/en/home.html*

Although you can access many things without registering, it is necessary to do so if you wish to make the most out of the programme and of course if you want to submit a proposal. So, the first thing to do is to **register and obtain an ECAS[7] account.** You will only need to enter your name and an email. Once you are a registered user you can access your private area where you can register and monitor organisations, manage your proposals and projects, receive notifications, search and save the calls you are interested in – and if you consider you are an expert in a subject area – register yourself as an expert. In the following sections of this chapter we will guide you in your first steps in a proposal preparation phase.

## 2.2 Administrative Formalities

### 2.2.1 Registering your Organisation in Participant Portal

To be able to participate in any Horizon 2020 activities you need to declare your organisation on the participant portal. You will need to register your entity (public or private) on the European Commission's databases and provide proof that your organisation legally exists. Upon registration, the system will assign to your organisation **a unique 9-digit number called Participant Identification Code (PIC).**

Supporting documents for registration

In order to register in the Beneficiary Register, you only need to provide some information about your organisation: i.e. address, legal form and if applicable the VAT number. Nevertheless, it is recommended to have copies of the following documents ready, to make sure you avoid any mistakes.
- Your state registration certificate (for private organisations), law/decree (for public entities) or treaty (for international organisations)
- VAT registration certificate (if applicable)
- Official Statute(s) (if entity declares non-profit status) etc.

*You do not need to send these documents to EC when you register. If your proposal is successful, EC will request them and will validate your organisation.*

*! In larger organisations like public institutions or universities there is a chance that your organisation may already be registered. Before you register your organisation make sure it does not already exist. The system will ask you about that.*

*!! In large organisations with multiple departments belonging to the same organisation (a single legal entity), units or departments cannot participate as separate entities in H2020 projects. Therefore, all departments must use the same PIC number that is assigned to the organisation being the legal entity.*

At the end of your registration the system will give you your PIC **(Participant Identification Code)**. You can use this number only 48 hours **after** the registration, so make sure you finish the process in time, otherwise you will have to register again for a PIC number.

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[7] *This is European Commission's main authentication service allowing you to connect to all its online services.*

SME Self-Assessment

In order to participate to SME Instrument calls as well as some other Horizon 2020 calls (where participation of SMEs is mandatory), you need to confirm that your organisation is indeed an SME through an online tool. This must be done through the participant portal:
*http://ec.europa.eu/research/participants/portal/desktop/en/organisations/register.html*

The SME Self-Assessment online tool requires a lot more information than the simple registration. You will be asked to provide financial data for the latest closed accounting period, staff headcount, shareholders and the % of their shares, participating bodies, subsidiaries and any other relationships.

It is recommended to visit the SME Self-Assessment Questionnaire page, download and read carefully the SME Self-Assessment manual: *http://ec.europa.eu/growth/tools-databases/SME-Wizard*

## 2.2.2 Creating an Organisation Profile

At this stage you are registered in the EC system and have a PIC number, so you are ready to participate in H2020 proposals. Although this profile is not a legal or financial requirement you should prepare a short but comprehensive profile of your organisation with all the information necessary to prospective partners. If you are new to this area of science/technology and/or funding support you should try to be included in a consortium with more experienced partners and coordinator. This will increase your chances of winning a grant and will offer you valuable experience of preparation stages, consortium building, proposal writing and consortium negotiations.

There are many resources on how to present your company and your project. You can find some in our helpdesk:

*Instruction on how to create your company profile for H2020 and how to build a consortium:*
*https://th2020.zendesk.com/hc/en-us/articles/211683909-How-to-build-your-consortium*

*Create a Pitch Deck or an organisation presentation following these simple rules and using free tools:*
*https://th2020.zendesk.com/hc/en-us/articles/115004148105-How-to-pitch-your-project*

## 2.2.3 Finding a call

Horizon 2020 may be the biggest and most popular European grant scheme but it is not the only one. The EC offers many opportunities through programmes such as COSME, HEALTH, CONSUMER and others. In this guide we focus on the Horizon 2020 calls, but many legal and financial rules and procedures also apply to the other programmes. Before you start, make sure you study the relevant call fiches and guidelines.

Available calls can be found in the Participant Portal under 'Funding Opportunities'.

*Figure 2: Participant Portal Call Search*

Calls are organised under the specific 'Pillars' of H2020 and their Topics. For every call there is a deadline by which proposals must be submitted. Topics can be either 1-stage or 2-stage.
- 1-Stage: full proposals must be submitted by the deadline.
- 2-Stage: You must submit an outline proposal in Stage 1 by the deadline and if it is evaluated positively you are invited to submit a full proposal in Stage 2.

Some calls are continuously open - which means you can submit at any time - but there are specific cut off dates at which submitted proposals are evaluated.

Each call addresses a specific problem or challenge and offers one or more available actions (RIA, IA, CSA)[8]. The call will outline the specific challenge, the scope and the expected impact of the proposal. To be successful, your proposal has to address all (often even more) of the issues and problems described.

*Find more on proposals in the H2020 Online Manual:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/find-a-call/what-you-need-to-know_en.htm*

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[8] *Action Types were explained in Chapter 1.*

### 2.2.4 Partners Eligibility & Consortium Building

Horizon 2020 is open to some applicants beyond the EU Member States. At the time of writing, 16 other countries are associated to Horizon 2020 and can participate on the exact same rules as the Member States. Turkey is an 'associated country' (as indeed are most of the Balkan countries, Israel, Georgia, Moldova, Tunisia and many others).



28 Member States
16 Associated Countries
- Iceland
- Norway
- Albania
- Bosnia and Herzegovina
- The former Yugoslav Republic of Macedonia
- Montenegro
- Serbia
- **Turkey**
- Israel
- Moldova
- Switzerland
- Faroe Islands
- Ukraine
- Tunisia
- Georgia
- Armenia

*Image 5:* A map of Member states and associated countries in H2020

Apart from these countries, many third countries are also eligible. Such a wide list of potential participants means that not only you have a long list of countries where you could establish new partnerships but you could also bring into a consortium some of your most established partners even from outside Europe.

*Extensive lists of partnering countries and countries with bilateral R&D agreements can be found here:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/international-cooperation_en.htm*

Once you know which research area you are interested in, you should start looking for a consortium or – if you feel you have enough experience – initiate your own. There are many online sources and tools to find potential partners. The Participant Portal offers a new feature for Partner Search[9] in addition to CORDIS (http://cordis.europa.eu) which

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[9] https://ec.europa.eu/research/participants/portal/desktop/en/organisations/partner_search.html

has been available for some time. Online business communities like LinkedIn can also prove invaluable, but probably your biggest asset is your current network abroad (scientific and business) which you must utilise.

Beyond these tools, you should also try to get involved and participate in H2020 related events and International Brokerage conferences where you can meet potential partners in person and start building/extending your network. The EC organises many events each year that cover every aspect of research and themes. Make sure you visit the Research and Innovation web page[10] regularly to check for news and events from all over Europe.

**Concept Note**
In most of these web tools you can publish a short summary of your idea which will then be available to thousands of potential participants. You do not have to reveal any confidential information, just explain what you are aiming to do and which call you are targeting. In the latter case, you have to create a Concept Note document for circulation.

Supporting organisations such as the Enterprise Europe Network (http://een.ec.europa.eu) or IDEAL IST (https://www.ideal-ist.eu) and the network of National Contact Points (NCPs) in each country, can support potential participants and help them find the best suitable partners, while preserving their identity and confidential information.

**A Balanced Consortium**
Why are consortia so important in Horizon 2020? Because this aspect is explicitly evaluated in proposals. There are two evaluation criteria on "Quality and efficiency of the implementation" that state:
1. Complementarity of the participants and the extent to which the consortium as a whole brings together the necessary expertise;
   This will be described in textual form in the proposal section "3.3 Consortium as a whole":
   • How will it match the project's objectives, and bring together the necessary expertise?
   • In what way does each of them contribute to the project?
   • Any international organisations?
   • What are the 70% co-funded partners getting out of the project?

2. Appropriateness of the allocation of tasks, ensuring that all participants have a valid role and adequate resources in the project to fulfil that role.
   This will become visible in the proposal section "3.4 Resources to be committed":
   • Does each partner really have the adequate resources in the project to fulfil the allocated role?
   • Does the resources allocation reflect the statements made in section 3.3?

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[10] *http://ec.europa.eu/research/*

**Optimal Partnerships**

Any type of organisation can participate in H2020. But some types of organisations are more appropriate to participate in a specific proposal than others. Depending on the action concerned, it is worth exploring the most appropriate organisation types and trying to include them into your consortium.

| Action Type | Optimal Consortium |
|---|---|
| **Innovation Actions (IA)** | No research is foreseen, so universities and research centres can come in more as 'technology providers' than as 'researchers'.<br><br>SMEs are crucial for the exploitation, i.e. turning technology into products. They invest 30%!<br><br>Stakeholder associations for pilot/demonstration activities are vital.<br><br>Regulatory and Standardisation bodies. |
| **Research and Innovation Actions (RIA)** | Research is an important aspect, so universities and research centres should come in more as 'researchers'.<br><br>SMEs are important for the exploitation: guiding the innovation/market aspects.<br><br>Stakeholder associations for pilots (even in smaller scale) activities are vital.<br><br>Regulatory and Standardisation bodies. Could be more important than in IA. |
| **Coordination and Support Actions (CSA)** | Here it depends very much on the specific CSA, which may cover:<br>• standardisation,<br>• dissemination,<br>• awareness raising and communication,<br>• networking,<br>• coordination or support services,<br>• policy dialogues |

*Table 6: Most appropriate organisation types for every action*

What you should avoid when building a consortium:
• A role of a partner that is not adequately specified within the project.
• An unbalanced consortium within the specific area of the call (e.g. strong coordinator but weak partners).
• Very few (or none) partners from the private sector or industry.
• An underestimated total budget that will probably will not achieve claimed objectives.
• An overestimated and not well justified total budget.
• Lack of evidence (in terms of experience and past projects or teams) that the consortium can carry out the proposed work.

**How many partners do you need?**

A common question for newcomers to Horizon 2020, but also for more experienced organisations, is how big the ideal consortium should be. The minimum requirements for collaborative actions from EC is *"at least three mutually independent legal entities, each established in different Member States or Associated Countries."* Nevertheless, keep in mind that usually this is not enough and you should try to build a more representative and stronger consortium with bigger geographical coverage and complementarities.

| | |
|---|---|
| **Research and Innovation Actions (RIA) Innovation Actions (IA)** | >3<br>mutually independent legal entities each established in different Member State or Associated Country |
| **Coordination and Support Actions (CSA) Training and Mobility Actions European Research Council (ERC) Actions SME Instrument** | 1<br>legal entity |

### 2.2.5 Operational Capacity of Partners

Although Horizon 2020 is open to all kinds of organisations you should evaluate carefully if you do have the operational capacity to participate in the work set out in a proposal. According to H2020 FAQ, *"Operational capacity shows whether a partner has the basic operational resources and capacity to implement the action and, in particular, the parts in the proposal for which they are responsible."* The evaluators will pay particular attention to this assessment, based on the information provided by the partner in the proposal. Such information of course includes a brief but concise organisational profile describing the partner (Partner Profile) which also includes the relevance to the specific call publications, achievements, expertise, knowledge, etc. Relevant previous projects and a brief description of any significant infrastructure or any major items of technical equipment that can also add value to the project.

*Apart from the operational capacity, the EC always check the financial viability of the coordinator and may also check financial viability of other partners as well. Financial viability is covered in the following section 2.4 on financial issues.*

## 2.3 Legal Issues during the Proposal Preparation Stage

### 2.3.1 Background IP, MoUs and NDAs

Once you start discussing an idea with potential partners that could form the basis of a proposal, you should start considering legal issues related to collaboration. Although a consortium agreement (the legal documents that binds the consortium together) is not necessary for the submission of a proposal it is important to establish a common understanding with the partners to avoid potential cooperation problems later. At this early stage, all partners are usually enthusiastic to be working together on a bid in the anticipation of a successful result and often neglect to put in writing what they have agreed. This can give rise to unnecessary misunderstandings.

Such misunderstandings derive for various reasons:
- Disagreements on the tasks involved or on the work that needs to be done (over promising on deliverables)
- Disagreements on the use of the technology a partner already owns
- Disagreements on the decision-making process in a consortium
- Disagreements on budget
- Disagreements on who owns the results

The above list is not all inclusive but it gives an idea. Most disagreements can be avoided through clear and concise communications and unambiguous documents which are mutually agreed by all partners.

One of the biggest issues to consider in this stage is your own intellectual property that will be used in the project and will therefore be used by other partners. This is referred to as **background**, as it was acquired before the start of the project. It can be in the form of patents, know-how, copyright etc. and you agree to bring it to the project to enable a new solution to evolve and develop, which you will obviously also benefit from commercially.

In this preparation stage, especially if the consortium is not yet fully formed, you can substitute a Consortium Agreement with a Memorandum of Understanding (MoU) or an NDA (Non-Disclosure Agreement). The difference between these documents is in that an MoU often covers more issues than a simple NDA, like how you are going to work, how the decisions are going to be taken, what are the roles of each partner, etc. An NDA is a more specific document which binds the signatories to non-disclosure of any information they share between them to third parties. Of course, exceptions and specific rules may further apply.

NDAs or MoUs can be signed by both you and each consortium partner, if you feel that you need extra protection through an NDA before starting discussion of your idea or need a common MoU stating all of the background information that will later be included in the Consortium Agreement signed by all partners before the submission of the proposal.

Summarising this section, we would like to point out the following:
- Before you start looking for partners for a project, think about the Intellectual Property of your organisation and decide on a **long-term IP strategy.** Don't forget that IP rights are assets and as such can be exchanged, distributed or even sold. Decide how important these assets are to your company and if you are willing to contribute them within a project and at what cost.
- Keep your communications with the other partners clear and always in writing.
- Don't forget that you are entering a business partnership with a common goal. It is the duty of all partners to create an environment of mutual understanding and collaboration in order to succeed.

*Intellectual Property is discussed in our Comprehensive IPR Guide available through our helpdesk.*
*https://th2020.zendesk.com/hc/en-us/categories/200778895-Intellectual-Property-IP-Guide*
*The EU IPR Helpdesk offers templates for NDAs and MoUs*
*https://www.iprhelpdesk.eu/news/european-ipr-helpdesk-templates-ndas-and-mous-updated*

### 2.3.2 Decision Making Process in a consortium
Every Horizon 2020 proposal has 3 sections: 'Excellence', 'Impact' and 'Implementation'. This is considered to be the 'Description of Action' (DoA)[11] of the proposal. The full DoA of a successful proposal will become a part of your

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[11] *Often the term Description of Work is also used (DoW).*

Grant Agreement and therefore it will legally bind the consortium and each partner specifically to implement what is described. Minor changes may be made with the consent of the Project Officer (the designated person from the EC who will supervise your project). More important changes in the project implementation, a partner change or a major shift in the scope of the project will have to undergo a more rigorous process and require a formal change or "amendment" of the Grant Agreement.

Therefore, you should be very clear and explicit in every action you describe and make sure you will be able to implement it into the highest quality. The Description of Action details the structure and content of the work to be undertaken, the specific tasks, the objectives, deliverables, milestones and resources. It is vital to present a viable work plan, with explicit deliverables and KPIs (Key Performance Indicators) that will help you and the project reviewers monitor and measure the progress and success of your work.

Since most Horizon 2020 projects are collaborative, requiring many partners from different countries and cultures working together, it is important to make sure that you understand what is your role in the project and what is required of you. Estimate the work that needs to be done and who in your team is going to be involved. In case you lack the expertise needed to complete the work, anticipate hiring new staff when the project starts.

The management structure of a consortium is described in detailed in *Section 3.2 Management Structure and Procedures.* In this section, the consortium describes the various operational teams and bodies necessary for successful implementation, as well as their roles. Although each consortium suggests its own management structure, there are usually standard groups in all projects; such as:

- **General Assembly:** A body comprised of all partners. Each partner is represented by one representative. Usually each partner has one vote, although the role of the partner in the consortium (based on his/her percentage of participation in the time allocation and/or budget) is also important.
- **Steering Committee/Executive Board:** this is the supervisory body responsible for the execution of the project. It reports and is accountable to the General Assembly. The Executive Board consists of the Project Coordination Team, and the Technical, Sustainability, Innovation, and Dissemination Managers, along with any other role(s) deemed necessary by the specificities of the project.
- **Project Management Office/Coordination Team:** This team is comprised of the Project Coordinator, the Deputy Project Coordinator and the Financial Manager. The Project Coordination Team is responsible for taking the final decisions towards the smooth implementation of the project. This team also acts as an intermediary between the project partners and the European Commission.
- **External Expert Advisory Board (EEAB):** Many projects create external advisory boards that bring together various stakeholders, to ensure that their work stays under the agreed scope and benefits from useful feedback from end users.
- **Work Package (WP) Working Groups:** the expert and research teams of the partners form technical groups to implement the real work of the project. Usually the relevant WP leaders or a technical expert from the Steering Committee leads each group.

Apart from defining these groups, Section 3.2 clarifies each role and its duties and describes how decisions are taken within the consortium and how they are implemented. So even if the consortium does not sign a Consortium Agreement at this stage, critical issues of management, decision making and even dealing with disputes and disagreements within the consortium are dealt with in the proposal.

## 2.4 Financial Issues in Proposal Preparation: Budget Preparation

### 2.4.1 Financial Viability

In the previous section, we discussed "Operational Capacity"; the ability of an organisation to successfully implement the project. Equally important is your financial capacity or financial viability, especially if you are the coordinator of the consortium. The EC would like to make sure that your organisation is financially capable and able to control the H2020 grant without jeopardising the funding. Before signing the Grant Agreement, the EC will check your organisation's financial capacity, depending on the type of organisation and various other criteria.

If you are a project coordinator, "The Commission always checks the financial viability of a project coordinator when the requested EU funding for the action is equal or superior to €500,000 unless the coordinator is:"
- a public body,
- a higher or secondary education establishment,
- an international organisation or body whose participation is guaranteed by the government of an EU country or associated country,
- a private individual in receipt of a scholarship.

*The detailed procedure and indicators are described in H2020's "Guide on beneficiary registration, validation and financial viability check" (v.1.1, 7.2015) http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/lev/h2020-guide-lev_en.pdf*
*In the H2020 online manual you can find a useful tool to check your financial viability:*
*http://ec.europa.eu/research/participants/portal/desktop/en/organisations/lfv.html*

### 2.4.2 Starting with the project budget

The most important financial issue to understand is that Horizon 2020 should not be regarded simply as 'free money'. You must be prepared to invest in the project, even if the funding rate is 100%. Preparing and implementing a Horizon 2020 project is challenging and time consuming and the high level of competition makes the effort even more difficult. To start with, remember that reimbursement rates for Horizon 2020 can be either 70% or 100% depending on the specific action.

| | |
|---|---|
| **Research and Innovation Actions (RIA)** **Innovation Actions (IA) for Non-Profits** **Coordination and Support Actions (CSA)** **MCSA & ERC Grants** | 100% |
| **Innovation Actions (IA) for businesses** **SME Instrument Phase I and Phase II** | 70% |

*These reimbursement rates apply to all forms for costs and budget categories.*

Preparing the budget for a proposal is a very important task for every partner and the consortium as a whole. Budget preparation starts from a solid and clear Work Plan and accurate estimations on the time you will need to implement the tasks that have been assigned to you. Calculating the budget in Horizon 2020 is a top-down approach. You start with the Work Packages that you are involved in and their objectives and by creating a detailed work break down you divide the work into tasks and meaningful deliverables. By estimating the real work that needs to be done by your team in these tasks you come up with the specific work effort in person hours (or person days/months) needed for each task.

"The coherence and effectiveness of the Work Plan, including the appropriateness of the allocation of tasks and resources" is evaluated in the quality and effectiveness of the implementation criterion. It is therefore very important to analyse it in the preparation phase. The proposal itself requires each participant to indicate the resources to be committed in detailed tables as seen below.

### 3.4 Resources to be Committed
*Please make sure the information in this section matches the costs as stated in the budget table in section 3 of the administrative proposal forms and the number of person/months, shown in the detailed work package descriptions.*

Please provide the following:
- a table showing number of person/months required (table 3.4a)
- a table showing 'other direct costs' (table 3.4b) for participants where those costs exceed 15% of the personnel costs (according to the budget table in section 3 of the administrative proposal forms)

### Table 3.4a: Summary of Staff Effort
*Please indicate the number of person/months over the whole duration of the planned work, for each work package, for each participant. Identify the work-package leader for each WP by showing the relevant person-month figure in bold.*

| | WPn | WPn+1 | WPn+2 | Total Person/ Months per Participant |
|---|---|---|---|---|
| Participant Number/Short Name | | | | |
| Participant Number/Short Name | | | | |
| Participant Number/Short Name | | | | |
| Total Person/Months | | | | |

**Table 3.4b: 'Other direct cost' items (travel, equipment, other goods and services, large research infrastructure)**

*Please complete the table below for each participant if the sum of the costs for 'travel', 'equipment' and 'goods and services' exceeds 15% of the personnel costs for that participant (according to the budget table in section 3 of the proposal administrative forms).*

| Participant Number/Short Name | Cost (€) | Justification |
|---|---|---|
| Travel | | |
| Equipment | | |
| Other goods and services | | |
| Total | | |

### 2.4.3 Understanding Costs

Before we proceed to further analysis of the budget and costs you should remember the following principles:

- Principle 1: Be prepared to put a lot of effort into the preparation.
- Principle 2: All costs for preparing a proposal must be borne by the involved partners.
- Principle 3: You can only claim costs that are "eligible" (they fall into specific categories which the EC has identified).

The most important distinction we need to make is that in Horizon 2020 (as in FP7) we have '**direct**' and '**indirect**' costs.

Direct costs are all those *"eligible costs that can be attributed directly to the project and are identified by the beneficiary as such, in accordance with its accounting principles and its usual internal rules."*

- **Personnel:** cost of people assigned to the project (temporary or permanent, full-time or part-time, directly hired or seconded).
- **Travel costs:** Including subsistence, transportation costs, accommodation, per diems (daily allowances for food, accommodation, etc.), costs for meals when on a trip related to the project (all such costs must be in line with the beneficiary's usual practices on travel).
- **Equipment:** that is used in the project but only its depreciated costs according to the accounting system of each beneficiary.
- **Consumables:** materials and supplies provided they are identifiable, necessary and specific for the implementation of the project.
- **Sub-contracting:** payment to a subcontractor for a specific task related to the project and described in Annex 1. Although permitted, the use of sub-contractors is not preferred by the EC for various reasons. Use has to be justified in detail, included in the DoA and may cover only a limited part of the action.

Indirect costs, or overheads, are all those eligible costs that cannot be identified and calculated by the beneficiary as being directly attributed to each project. Overheads are connected with the day to day operational costs of a company, such as rent, infrastructure maintenance, hiring or depreciation of buildings and plant, water/gas/electricity, maintenance, insurance, supplies and petty office equipment, communication and connection costs, postage, etc., and costs connected with horizontal services such as administrative and financial management, human resources, training, legal advice, documentation, etc.

**Actual vs. Unit Costs**

Another distinction we should make is that in Horizon 2020 we can use 2 forms of costs: **Actual** and **Unit** costs. Unit costs is an amount per unit and are used in **Personnel costs** and in **Internally invoiced goods and services.** In Personnel costs for example instead of estimating person months we give a fixed amount for specific tasks.

**Budget key points**

Remember that the budget is evaluated against its coherence and effectiveness so you should keep in mind the following:

- Allocate your resources according to the scope of the proposal (do not under- or over-estimate)
- If you need to use subcontracting, justify its use as extensively as possible
- Make sure you anticipate enough effort for the management and reporting
- Try to explain all items in as much detail as possible to avoid raising questions from the proposal reviewers

### 2.4.4 Estimate your personnel costs

As already mentioned, the first step to estimate your personnel costs is to analyse the work that needs to be done as adequately as possible for this preparation phase. This means that you should identify the persons from your team that will work on the project and estimate what effort they will need to put into every task. If you plan to hire people for the tasks you should identify their profile(s) and their cost to your organisation (gross salary + insurance + taxes + other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

At the end of this exercise and assuming the project Work break down structure (Work Packages, Tasks and Deliverables) is known, you should be able to produce the following table. Please note that position and number are merely indicative. You should use your own positions according to the project needs.

*These indirect costs are calculated on the basis of a 25% flat-rate of the total direct eligible costs, excluding subcontracting and financial support to third parties and beneficiaries do not have to provide any proof of them (invoices or receipts).*

| Position | Name | WP1 | WP2 | .. | WPn | TOTAL |
|---|---|---|---|---|---|---|
| **Team Leader** | | 2 | 0,5 | .. | 0,5 | 4 |
| **Senior Engineer** | | | 2 | .. | | 6 |
| **Senior SW Developer** | | | | .. | | 8 |
| **Dissemination Expert** | | | | | 4 | 4 |
| **TOTAL PERSON MONTHS** | | | | | | 22 |

Once you have the person months per profile then you should identify the average monthly cost of the specific persons or anticipated profiles according to your organisation practices.

When we refer to personnel costs we mean:
• Salary stated on the beneficiary's payroll.
• Social security contributions.
• Taxes and other costs included in the remuneration.
• Any complements (general contractual complements to the basic salary (e.g. a 13th month bonus payment; complement for hazardous work or night shifts; transportation allowance, etc).

*Beneficiaries that are non-profit legal entities may also declare as personnel costs additional remuneration for personnel assigned to the action. This is a special case and you can find detailed explanation for it in the Annotated Model Grant Agreement (Article 6 — Eligible and Ineligible Costs). In the current additional remuneration scheme in AMGA v4.0, additional remuneration is not applicable for any participant in Turkey because project-based employment contract scheme does not exist in Turkey.*

The practical way to come up with an average monthly cost is:
1. to calculate the annual cost of an employee to the organisation (including all the above). If more than one personnel is included in the project, the calculation should be done for all the personnel.
2. Divide all amounts by 12 for each personnel.
3. Calculate the EUR amount via using the monthly TL amount above and the EUR/TL rate of European Central Bank[12] of the day the calculation is being made.
4. Calculate weighted arithmetic mean of monthly EUR amounts of all personnel according to their estimated contribution to the project (use arithmetic mean if contributions can't be estimated in that phase).
5. Increase the amount in 4th phase %20 in order to cover any possible salary increase, promotion and positive exchange rate change for TL in following 3-4 years. This is the average person month rate which can be used for personnel cost calculation.

It must be remembered that above calculation is just a draft estimation and may lead to differences between estimated and real costs.

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[12] http://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-try.en.html

In order to reach a more precise amount, a clear estimation of costs that can be actually declared to the project, may also be prepared. Remember that **only the costs of the actual hours worked by the persons directly carrying out work under the project may be charged.** Working time is the total number of hours, excluding holidays, personal time, sick leave, or other allowances.

*The costs must be calculated as follows:*
*{hourly rate \* number of actual hours worked on the project}*

**The hourly rate** is calculated per full financial year, as follows:
*{actual annual personnel costs (excluding additional remuneration) divided by annual productive hours}*

The **Annual productive hours** are the hours per employee in a year after deduction of non-productive hours (e.g. annual and public holidays, allowance for sick leave, weekends, training, etc.).

When calculating 'annual productive hours', the beneficiaries may choose one of the following:
i.   'fixed number of hours': **1,720 hours** for persons working full time (or corresponding pro-rata for persons working part time);
ii.  'individual annual productive hours': the total number of hours worked by the person in the year for the beneficiary, calculated as follows:
{annual workable hours  plus overtime minus absences (e.g. sick leave)}.

*{annual workable hours[13] plus overtime minus absences (e.g. sick leave)}.*

iii. 'standard annual productive hours': the standard number of annual hours generally applied by the beneficiary for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the 'standard annual workable hours'.

*Beneficiaries are free to calculate their own hourly rate per month, according to the Annotated Model Grant Agreement, Chapter 3, Article 6.2.A.*

With the hourly rate at hand we have a much better estimation of our personnel costs and we can easily prepare our personnel budget.

**Summarising the steps for personnel costs estimation**
1. Analyse the work in the Work Breakdown Structure
2. Identify the Work Packages and **Tasks** in the project that you are involved in
3. Identify the **team**. Who is going to implement the tasks?
4. Will you need to hire any **new staff**?
5. Estimate their **effort** in the project (per task)
6. Identify their **annual cost and average monthly rate** of these persons according to the rules set out earlier
7. **Estimate the costs** of your personnel.

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[13] *As mentioned in AMGA, it means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.*

Finally, we should clarify here that there are various types of personnel costs that are eligible. These are:

- costs for employees (or equivalent)
- costs for natural persons (individuals like freelancers) working under a direct contract
- costs for personnel seconded by a third party
- costs for SME owners
- costs of beneficiaries that are natural persons not receiving a salary

*Time Sheets must be used as a record in all cases unless a person is working exclusively for the project. In this case he/she signs a 'Declaration on exclusive work for the action' (one per reporting period), to confirm that the person worked exclusively for the action, either during the whole reporting period or during an uninterrupted time period, covering at least a full natural month within the reporting period. Sporadic or random periods of 'exclusive' dedication can NOT be the subject of a declaration.*

### 2.4.5 Estimate Subcontracting Costs

Subcontractors are third parties from outside the consortium that do not have to follow the rules of H2020. Although subcontracting is allowed by the EC it is generally discouraged. This is because Horizon 2020 has a "no profit" rule on projects. Subcontractors will need to have a profit margin, making their use on Horizon 2020 projects problematic. Nevertheless, it is understood by the EC that in certain cases subcontracting for limited actions will be necessary. In this case the use of subcontractors has to be explained and justified in detail in the proposal.

Subcontracting has its own budget category and all money approved to be used for subcontracting is reported under it. In case subcontracting is not anticipated in the original GA or an increase in the budget is needed, then a Grant Agreement amendment is required to ensure that there are no issues with eligibility.

In order to decide if an estimated purchase of service is a subcontracting or a direct purchase which should be budgeted under "other direct cost" category, the table giving an overview of the different kinds of third parties can be analysed from Article 8 of the AMGA.

*Subcontracting costs are "Actual Costs" (actually paid to subcontractors) and there is no 25% overhead rate added to them.*
*A detailed analysis of subcontracting costs can be found in the Annotated Model Grant Agreement (Chapter 3, Article 6.2.B.1 and Article 13).*

### 2.4.6 Estimate Travel Costs

Horizon 2020 projects usually require a lot of travelling. You should estimate in your budget a reasonable travel cost allocation. Usually, experienced coordinators plan the required meetings and events from the very beginning so that accurate

estimations of travel can be provided to consortium members. You should consider the following:
- Travel costs for project meetings, General Assembly, WP technical implementation and pilots
- Travel costs for project reviews with EC officials (usually in Brussels)
- Travel costs for dissemination actions (participation in conferences, information days, events, exhibitions)

The travel cost of a participant is calculated via using (the average amount per travel per person for domestic and international meetings) X (number of person participating in project meetings) x (amount of domestic and international meetings). In order to calculate the average amount per unit, the expenses which are covered according to beneficiary's usual practices on travel and limits derived from the relevant national legislation and/or usual practices of the beneficiary, should be taken into account.

*A detailed analysis of travel costs can be found in the Annotated Model Grant Agreement (Chapter 3, Article 6.2.D.1).*

### 2.4.7 Estimate Equipment Costs
Under Horizon 2020 you can purchase equipment so long as it is used for the needs of the project. Even so, you can be reimbursed only on the basis of depreciation costs (except if something different is foreseen in a call). In this case, you are reimbursed only for the percentage of the actual use in the specific year.

To be eligible, such equipment must constitute an asset for your organisation. If it cannot be considered an asset under your national accounting standards, then the cost should be moved to 'Other Goods & Services'.

*A detailed analysis of equipment costs can be found in the Annotated Model Grant Agreement (Chapter 3, Article 6.2.D.2).*

### 2.4.8 Estimate Other Goods and Services Costs
This cost category covers anything that you cannot include elsewhere and is still eligible. Typical costs for other goods and services involve but are not limited to:
- consumables and supplies *(e.g. raw materials etc.)*
- dissemination costs (e.g. access to research data, project web site, printing costs for leaflets, conference costs etc.)
- Intellectual property rights (IPR) (e.g. IP consultants, Patent Attorneys, trademark and patent costs)
- Certificates on financial statements (CFS) and certificates on methodology (only if necessary).
- Translation costs (if translation is necessary for the action's implementation, is justified, etc.).

*A detailed analysis of other costs can be found in the Annotated Model Grant Agreement (Chapter 3, Article 6.2.D.3).*

### 2.4.9 Internally Invoiced Costs
This budget category covers the costs for goods and services which the beneficiary itself produced or provided for the action. Such costs can be:
- self-produced consumables (e.g. electronic wafers, chemicals)
- use of specific research devices or research facilities (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope)

- specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)

Costs of internally invoiced goods and services must be **declared as** unit costs.

*More details of what can be considered "Internally invoiced costs can be found in the Annotated Model Grant Agreement (Chapter 3, Article 6.2.D.5).*

### 2.4.10 Special Unit Costs
This is an optional budget category and can be used in RIA, IA and CSA GAs, if the action involves activities such as:
- costs for energy efficiency measures in buildings
- access costs for providing trans-national access to research infrastructure
- costs for clinical studies

*Such costs are very specific and you can find a more detailed description for them under Chapter 3, Article 5.2, Article 6.1 and 6.2 of the Annotated Model Grant Agreement.*

### 2.4.11 Proposal Budget
Preparing the budget for a proposal is a collaborative exercise and each participant is responsible for their own elements. The coordinator has the overall responsibility for the proposal and will work with all participants to reach a budget that is balanced and follows restrictions in the call. In the end, the budget will resemble the following table. Please note that numbers are merely indicative and this example is for demonstration purposes only.

| Participant | Country | (A) Direct Personnel Costs | (B) Other Direct Costs | (C) Direct Costs of Subcontracting | (D) Direct Costs of Providing Financial Support to Third Parties | (E) Costs of Inkind Contributions not Used on the Beneficiar's Promises | (F) Inirect Costs (=0.25*(A+B+E)) | (G) Special Unit Costs Covering Direct &Indirect Costs | (H) Total Estimated Eligible Costs (=A+B+C+D+F+G) | (I) Reimburse Ment Rate | (J) Max. Grant (=H*I) | (K) Requested Grant |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Partner 1 |  | 157,500.00 | 105,500.00 | 24,000.00 |  |  | 65,750.00 |  | 352,750.00 | 100% | 352,750.00 | 352,750.00 |
| Partner 2 |  | 31,050.00 | 14,500.00 | 0.00 |  |  | 11,387.00 |  | 56,937.50 | 100% | 56,937.50 | 56,937.50 |
| Partner 3 |  | 92,400.00 | 12,000.00 | 0.00 |  |  | 26,100.00 |  | 130,500.00 | 70% | 91,350.00 | 91,350.00 |
| Partner 4 |  | 133,300.00 | 14,000.00 | 0.00 |  |  | 36,852.00 |  | 184,125.00 | 100% | 184,125.00 | 184,125.00 |
| Partner 5 |  | 99,000.00 | 14,900.00 | 22,000.00 |  |  | 28,475.00 |  | 164,375.00 | 70% | 115,062.50 | 115,062.50 |
| Partner 6 |  | 59,450.00 | 12,500.00 | 2,000.00 |  |  | 17,907.50 |  | 92,537.50 | 100% | 92,537.50 | 92,537.50 |
| Partner 7 |  | 49,680.00 | 16,300.00 | 0.00 |  |  | 16,495.00 |  | 82,475.00 | 70% | 57,732.50 | 57,732.50 |
| Partner 8 |  | 81,900.00 | 12,200.00 | 6,000.00 |  |  | 23,525.00 |  | 123,625.00 | 100% | 123,625.00 | 123,625.00 |
| Partner 9 |  | 27,500.00 | 41,700.00 | 0.00 |  |  | 17,300.00 |  | 86,500.00 | 100% | 86,500.00 | 86,500.00 |
| Partner 10 |  | 42,900.00 | 11,400.00 | 0.00 |  |  | 13,575.00 |  | 67,875.00 | 70% | 47,512.50 | 47,512.50 |
|  |  | 774,680.00 | 255,000.00 | 54,600.00 | 0.00 | 0.00 | 257,420.00 | 0.00 | 1,341,700.00 |  | 1,208,132.50 | 1,208,132.50 |

*Table 7: A proposal's budget table*

Remember that these numbers are estimations. Based on the effort and further costs you can then estimate a **maximum grant amount.** As mentioned earlier, depending on the total estimated eligible costs (H) and the reimbursement rate of the action, your organisation is entitled to either 70% or the 100% of the amount as a grant.

This in no case means that EC will give you all of this amount. A grant is not a prize. The final grant amount *"depends on the actual extent to which the action is implemented in accordance with the Grant Agreement's terms and conditions"*. So, to receive the full amount of this grant you have to implement all the actions you have described in the DoA and make sure that all costs associated with them are actual and eligible for this action.

## 2.5 What Happens Next?

Once you have prepared your budget using a spreadsheet, you will have to transfer it to the templates provided and electronically submitted through the Participant Portal. This is a fairly simple process and usually the coordinator takes care of it.

*You can see all the details and process of the Electronic Submission System in the Horizon 2020 Online Manual:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/submit-proposals/submission-tool_en.htm*

Once you have submitted your proposal, the EC will go through an evaluation process which involves the following steps:

1. **Admissibility Check:** the agency checks if your proposal is admissible - submitted via the system - and is complete (no part is missing), is readable, includes a PEDR (Plan for the Exploitation and Dissemination of Result) and falls within the maximum page limits.
2. **Eligibility Check:** checks if your proposal is in line with the topic, the number of participants is as expected, etc.
3. **Evaluation Check:** every proposal is checked by at least three independent experts (in the specific topic field) and a result is decided as a consensus group, where the experts agree on a common position.
4. At the end of the above process the EC will have a ranked list of proposals and depending on the budget of the call a list of proposals for funding will be drawn from the list.
5. The EC will notify all proposal coordinators and send an Evaluation Summary Report (ESR) with the Evaluation Result Letter.
6. Successful proposals will receive an invitation to start preparations for the Grant Agreement

*See the detailed evaluation process here:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/from-evaluation-to-grant-signature/evaluation-of-proposals_en.htm*

# 3. PROJECT IMPLEMENTATION

# 3. PROJECT IMPLEMENTATION

## 3.1 Administrative Issues

### 3.1.1 Invitation to a Grant

Once your proposal is successful, you will be invited to sign a Grant Agreement. This is a preparation phase where all participants of the proposal must go through a number of actions. The whole process is electronic and no hard copies or any travel for signatures is required.

The aim of this preparation phase is:

- **Validate** the participants by collecting any legal, administrative and financial information required.
- Clarify any additional points in the **Description of the Action** (DoA[14]) and the budget
- Deal with any **Ethical Issues** such as human rights and protection of human beings, animal protection, data protection and privacy, environmental protection, malevolent use of research, etc.
- Allow time for the consortium to sign a **Consortium Agreement**
- Verify the **Financial Capacity** of the Coordinator

During this phase, the responsible Research Agency of the EC (REA, EASME, etc.) appoints a project officer to your project. He or she will be the single point of contact with EC services. He/she will support and help you throughout this phase.

### 3.1.2 Validating your organisation

To participate in Horizon 2020, you have to register your organisation in the Participant Portal; to simplify the process, the EC does not require you to send any further documentation. When an organisation is registered in the Participant Portal it has a DECLARED status which means that it can be found in the system and <u>may participate in proposals</u>. You do not need to send any hard copy documents at this stage to the EC.

**Once (and only after) a proposal is successful** and an organisation participates in a winning consortium which will receive a Grant, a validation process is then needed. During this process, the REA (the Research Executive Agency) will request from the organisation's main contact point several supporting documents that will prove its legal status. Usually this will be a copy of an official document in an official EU language, such as:

- official gazette record of incorporation, company registration document, etc. showing the legal name, address and national registration number

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[14] *Description of the Action (DoA) or Description of Work (DoW) is the same thing.*

- VAT registration document (required only if the organisation is VAT registered and the VAT number does not appear on the above official documents).

### 3.1.3 Assigning roles to people (LEAR & Signatories)

Along with the legal documents that prove your legal status, you also have to appoint representatives from your organisation that will be able to deal with legal and financial issues in relation to Horizon 2020 projects.

Such roles may be connected to the whole entity (the organisation) or related to a specific project. Below you can see the main roles defined in the Participant Portal. Each role has different access rights and signing privileges.

- Organisation Roles (whole entity)
  - LEAR: Legal Entity Appointed Representative (only one) – EC validates
  - AccAd: Accounts Administrator
  - LSIGN: Legal Signatory (to sign GA and any amendments)
  - FSIGN: Financial Signatory (to sign Financial Reports)
- Project Roles (project specific)
  - PCoCo: Primary Coordinator Contact (only one per project) – EC validates
  - PLSIGN: Project Legal Signatory
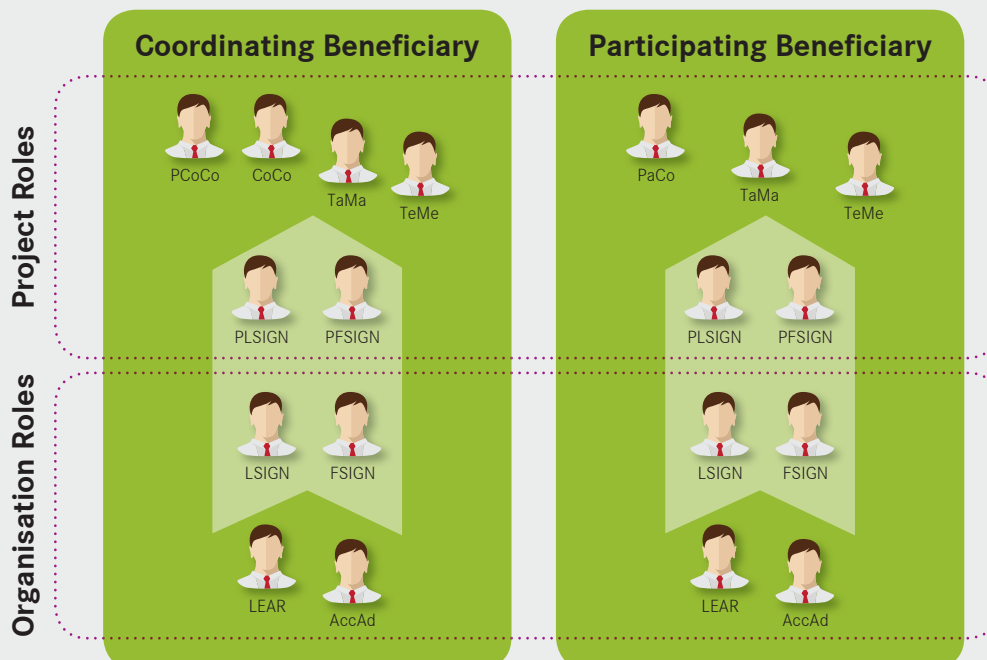  - FLSIGN: Project Financial Signatory



*Figure 3: Roles in Participant Portal*

## Legal Entity Appointed Representative (LEAR)

The most important of these roles is the Legal Entity Appointed Representative (LEAR). He/she is the only appointee that is required to send hard copies of specific documents to the Validation Services of the EC.[15] These documents are:

- the H2020 LEAR appointment letter (completed and signed, no copies – original version only)
- the LEAR role and duties document (completed and signed, no copies – original version only)
- declaration of consent to the Terms and Conditions of use of the Participant Portal electronic exchange system (completed and signed, no copies – original version only)
- copies of an official and valid proof of identity (national identity card or Passport) carrying a photograph and signature of the legal representative(s) and the appointed representative (LEAR)
- document(s) proving that the legal representative(s) appointing the LEAR is/are empowered as such, which must clearly:
- indicate the role/function within the organisation as legal representative(s) (such as Company Secretary),
- identify and appoint a specific person (by indicating his/her personal data) as the person covering that specific role/function.

*The details of the appointment process and the documents required can be found here:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/register-an-organisation/lear-appointment_en.htm*

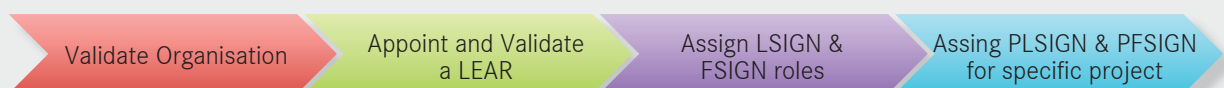### Legal and Financial Signatories and Project Signatories

Appointing and validating a LEAR is very important since he/she will perform a key role for your organisation.

The LEAR will in turn appoint the Legal and Financial Signatory of your organisation (LSIGN and FSIGN respectively). But this step is not enough since you must assign the LSIGNs and FSIGNs to specific projects. This can be done by the Coordinator of the project or the Participant Contact. So each project will have the **Project Legal Signatory** who has the right to sign the GA and any amendments, along with the **Project Financial Signatory** who can sign all the Financial Reports.

*For a full explanation of the roles detailed in the Participant Portal you can look at:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/user-account-and-roles/roles-and-access-rights_en.htm*

The whole process is summarised in the diagram below:

Validate Organisation → Appoint and Validate a LEAR → Assign LSIGN & FSIGN roles → Assing PLSIGN & PFSIGN for specific project

### 3.1.4 Financial Viability

The last step of the process is to check the financial capacity of the coordinator of the project and of any other partner the EC considers necessary.

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[15] *The need to send hard copies to the Validation Services is under review and may be abolished in the future. Please follow the updated procedures from the Online Manual in the Participant Portal: http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/applying-for-funding/register-an-organisation/lear-appointment_en.htm*

The Commission always checks the financial viability of a project coordinator when the requested EU funding for the action is equal or superior to €500,000 unless the coordinator is:

- a public body
- a higher or secondary education establishment
- an international organisation or body whose participation is guaranteed by the government of an EU country or associated country
- a private individual in receipt of a scholarship

The validation process checks to see if the organisation has sufficient liquidity, if it is financially autonomous, solvent and adequately profitable.

*The EC offers a Financial Viability Self -Check Tool to help you evaluate the financial capacity of your organisation. http://ec.europa.eu/research/participants/portal/desktop/en/organisations/lfv.html*

## 3.2 Final Preparation Steps Before GA

The whole process of Grant Agreement preparation and signing takes place online, through the EC's Participant Portal modules. No travel to Brussels or elsewhere is required unless this is explicitly stated in the call. The steps you need to take are generally the same, with minor differentiations if you are a coordinator. Required steps are outlined in the following table:

| | Coordinators (incl. sole applicants) | Beneficiaries |
|---|---|---|
| **LEAR** | Validate your LEAR | |
| **PARTICIPANT PORTAL** | Assign through the system: Primary coordinator contact (PCoCo) Legal entity appointed representative (LEAR) Project Legal signatory (PLSIGN) | Assign through the system: Participant contact (PaCo) Legal entity appointed representative (LEAR) Project Legal Signatory (PLSIGN) |
| | PLSIGN must sign the Declaration of Honour | |
| | Check PIC Number of all | Check your PIC number |
| | Update Description of Action (DoA) | Check your data & updated DoA |
| | Provide bank account details to EC | Provide bank account details to coordinator |
| **CONSORTIUM AGREEMENT** | Prepare and distribute the Consortium Agreement | |
| | Sign the Consortium Agreement | |

The Consortium Agreement must be ready and signed by all consortium members before the signing of the Grant Agreement. A signed CA is mandatory for all collaborative projects and it becomes part of the project's legal documentation.

## 3.3 Dealing with Legal Documents

Every Horizon 2020 project has two major legal documents – the CA and the GA – that describe in detail the obligations and rights of all consortium partners, what is expected of them (Description of Action), how much the work is expected to cost and how the reporting will take place. If you are the sole applicant you do not of course need a consortium agreement. The following table explains what is included in each document:

| DOCUMENT | WHAT's IN IT? |
|---|---|
| CONSORTIUM AGREEMENT (Between ALL partners of a consortium) | Responsibilities of Parties and Liability towards each other: *What rules partners should follow and what happens if they do not do so.*<br><br>Governance structure: *Organisational structure, management, meetings, decision making process.*<br><br>Financial provisions: *budget distribution, provisions for payment, approval of reports*<br><br>Results: *Ownership of results, Intellectual Property management, dissemination*<br><br>Access Rights: *Background, foreground and exploitation of results*<br><br>Non-disclosure of information: *Confidentiality clauses* |
| GRANT AGREEMENT (Between EC and the Coordinator) | Main Text: *Rights and obligations of partners related to the administration of the Grant (reporting, reviews), division of roles, eligibility of costs and other legal provisions.*<br><br>Annex I: Description of the action: *composed of the originally submitted Proposal, including the individual Work Packages and deliverables and the milestones of the individual Project.*<br><br>Annex II: Estimated Budget for the action: *the budget form as submitted in your proposal and updated (if needed).*<br><br>Annex III: Accession Forms: *primarily a form to be signed by those Project Participants acceding to the Grant Agreement*<br><br>Annex IV: Model financial statements: *The financial forms that partners should use to declare their costs.*<br><br>Annex V: Model of the certificate of the financial statement: *the template and terms of reference for an independent report of factual findings on declared costs. To be used by your Financial Auditor (only for partners where Audit is mandatory)*<br><br>Annex VI: Model for the certificate on the methodology: *the terms of reference and template for an audit engagement and procedures to be carried out by the auditor.* |

As you can see, all information related to the project and its implementation is detailed in the above documents, so every partner should make sure that it has read and understood these documents and the obligations deriving through them.

## 3.4 Understanding the Consortium Agreement

We already explained in Chapter 1 that the **Consortium Agreement** (CA) is a compulsory legal document for all multi-beneficiary projects. Although the CA is not needed before the start of the project, it is highly recommended that the document is prepared and signed even at the proposal preparation phase. This is especially the case for larger consortia; it is a good practice and such a document can serve as a good basis for progressing the project. You can always update the CA or even sign a revised version once the proposal is successful.

In any case, once you are invited to sign a Grant Agreement, you must agree and sign the CA before signing the Grant Agreement. You do not have to draft a CA from scratch; there are at least three Model CAs available that can be used as a template (see next section).

### 3.4.1 Comparing the Consortium Agreements Available

Stakeholder groups and institutions have developed several model Consortium Agreements that can be used by Horizon 2020 beneficiaries. We cover the most well-known and freely available in the table below.

| MODEL | PURPOSE & SPECIALISATION | KEY POINTS |
|---|---|---|
| **DESCA** | Appropriate for most cases. Works well with Academic Institutions.<br><br>Initiated by FP7 Stakeholders, maintained by DESCA Core Group and Coordinated by Fraunhofer (DE).<br><br>*http://www.desca-2020.eu* | • *One balanced core text*<br>• *Two modules for Governance Structure (size / complexity)*<br>• *Optional clauses* |
| **MCARD-2020** | Developed by DIGITAL EUROPE group and most appropriate for ICT Projects.<br><br>Maintained and supported by DIGITAL EUROPE Group that represents the digital technology industry.<br><br>*http://www.digitaleurope.org/Services/ H2020-Model-Consortium-Agreement* | • *IPR, liability and software sections different to DESCA*<br>• *Access rights to foreground much broader*<br>• *Access rights to side ground are granted* |
| **EUCAR** | Developed and supported by the European Council for Automotive R&D, it is more customised to projects in related sectors.<br><br>*http://www.eucar.be/category/publications/ legal-documents/* | • *IPR provisions strongly favour commercial project participants*<br>• *Customised for EUCAR Members* |

Today most projects use the DESCA Model which is also recommended and referenced in this document. Moreover, the DESCA Model Agreement offers an annotated template with clarifications and comments which may be used to modify your CA accordingly.
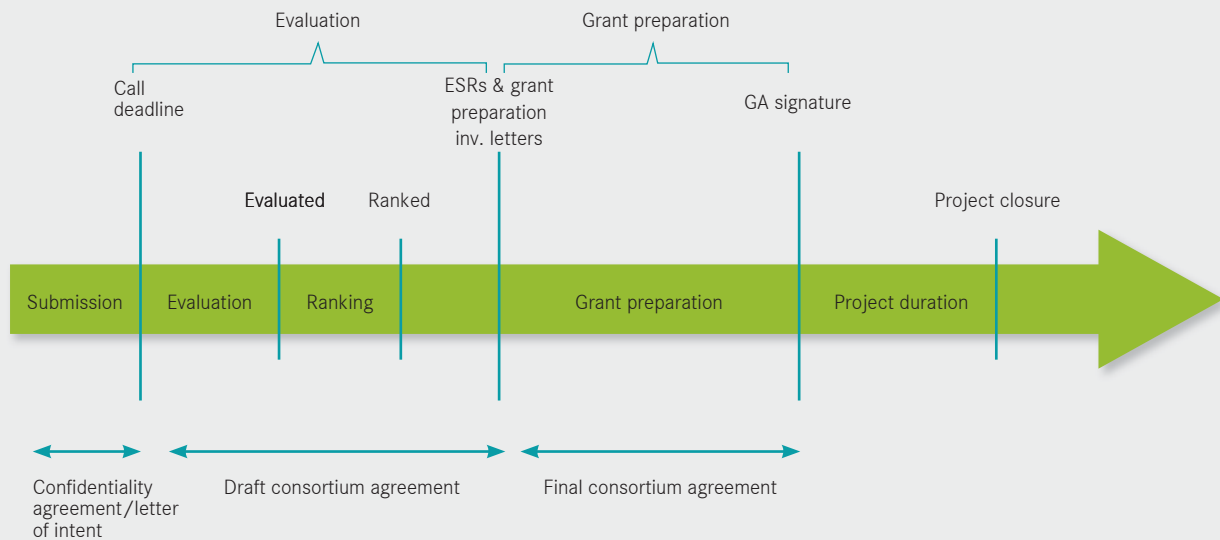
*Figure 4: The timeline for the preparation of the Consortium Agreement[16]*

**Key points to remember**

Important issues to take into consideration when you prepare your Consortium Agreement:

- The European Commission does not participate in the CA. Agreement is only among beneficiaries of the Grant.
- Your CA should be complementary to the grant agreement and NOT contradictory. It must not contain any provisions that go against the GA.
- A CA is a legally binding document for the consortium members. Make sure you include all parties' rights and obligations. Nothing should be taken for granted.

### 3.4.2 What Should be Covered in Your Consortium Agreement

**Consortium Management**

You should include in the CA the internal organisation and decision-making process of your consortium. Provisions usually cover:

- Governance:
  o Management bodies that will exist: General Assembly, Steering Group, Executive Committee, Management board, Scientific board, Advisory board, etc. You are free to define your own in accordance with what you have described in your proposal (in the Implementation Section).
  o The powers and responsibilities of these bodies and their voting rules.
- Meetings:
  o How often meetings will be held and what their purpose will be (Management, Scientific, etc).
  o How parties will communicate and correspond with each other and the management bodies.
  o How the project will be followed up and supervised.
  o Conflict resolution. What happens if problems arise. (e.g. how will a defaulting partner be removed)
- Project Implementation
  o Division of work among the partners and the role of each partner. You may refer to the Description of Action (DoA) document or your submitted proposal, but make sure it is a final version of the document, time stamped and protected from future changes (e.g. a timestamped and digitally signed PDF).

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[16] Timeline and more information on CA preparation can be found on EC's document: "Guidance How to draw up your consortium agreement", V.2, Feb 2015

**Project Budget and Contributions**

The Coordinator of the project has the responsibility for the sound financial management of the project. In this sense any provisions that can clarify budgetary and cost issues should be also included.

- Payments
  - o   When and how payments received from the Commission/Agency will be distributed by the Coordinator.
  - o   Planned 'contributions in kind' by beneficiaries
- Receipts

Sometimes income may be generated during the project. When qualified income arises, it will be considered at project-level, (and NOT at beneficiary-level). Income at beneficiary level may mean the original grant for the project could be reduced because of the EC's non-profit rule. Therefore, if such receipts are expected, the consortium agreement should set out how this will be managed.

**Intellectual Property and Exploitation of Results**

- Think carefully about **confidentiality issues** and what kind of knowledge and knowhow you bring to the project.
- The CA should contain the **background knowledge** each partner intends to contribute to the project.
- You should carefully consider **Intellectual Property Rights** associated with the exploitation and dissemination of results.
- Include **liabilities and penalties.** It should cover each party's liability for actions or omissions in the project (and possible guarantees, indemnities and penalties).

*Confidentiality issues, IP Rights and Exploitation and Dissemination of Results are covered extensively in our Comprehensive IPR Guide. You can find it at our Helpdesk.*
*https://th2020.zendesk.com/hc/en-us/articles/213635789*

*You can find a detailed guide for the preparation of your Consortium Agreement as well as the Annotated Model GA and the annotated DESCA Model CA at our helpdesk: https://th2020.zendesk.com/hc/en-us/articles/209442329*

## 3.5 Demystifying the Grant Agreement

The Grant Agreement is certainly a heavy, demanding and sometimes confusing document especially to newcomers in Horizon 2020 projects. Nevertheless, you should read it carefully and make sure you understand it since all the rights and obligations you have towards the EC are described there.

Each specific action has its own Grant Agreement, so you will find different documents for:
- European Research Council (ERC)
- Marie Sklodowska-Curie (MSCA)
- SME Instrument
- ERANET Co-fund
- Pre-Commercial Procurement (PCP) / Public Procurement of Innovative Solutions (PPI)
- European Joint Programme Co-fund
- Framework Partnerships

However, all of the above are based on the two General Model Grant agreements – for multi-beneficiary projects and for sole beneficiary – but with specific clauses. To help beneficiaries demystify these legal documents, the EC has prepared an Annotated Model Grant Agreement with extensive explanations, different use cases and examples. Although the sheer volume of it (360+ pages) can be intimidating, it is the best available source of information for project implementation under Horizon 2020. The General Purpose GA has 7 chapters and 58 articles. Depending on the action some of them do not apply.

| 1/GENERAL | 2/ACTION | 3/GRANT | 4/RIGHTS-OBLIGATIONS OF PARTIES | | | |
|---|---|---|---|---|---|---|
| | | | 1/IMPLEMENTING | 2/GRANT | 3/RESULTS | 4/OTHER |
| 1/General | 2/Action<br>3/Duration<br>4/Budget | 5/Amount, Rates<br>6/Costs | 7/ General Obligations<br>8/Resources<br>9/Beneficiaries non-EU<br>10/Purchases<br>11/In Kind (paid)<br>12/In Kind (free)<br>13/Subcontractors<br>14/3rd Parties<br>15/3rd Parties Financials<br>16/Access to Research Infrastructure | 17/Inform<br>18/Records<br>19/Deliverables<br>20/Reporting<br>21/Payments<br>22/Checks, Audits<br>23/Evaluation | 3.1/GENERAL<br>23.a/IPR<br>3.2/BACKGROUND<br>24/Agreement<br>25/Access<br>3.3/RESULTS<br>26/Ownership<br>27/Protection<br>28/Exploitation<br>29/Dissemination<br>30/Result Transfer<br>31/Access Rights | 32/Recruitment<br>33/Gender Equality<br>34/Ethics<br>35/Conflicts<br>36/Confidentiality<br>37/Security<br>38/Visibility<br>39/Personal Data<br>40/Claims |
| 5/ BENEFICIARY ROLES | 6/COST REJECTION-TERMINATION-DAMAGES | | | | 7/FINAL PROVISIONS | |
| | 1/REJECTIONS | 2/LIABILITIES | 3/SUSPENSION | 4/FORCE MAJEURE | | |
| 41/Roles & Responsibilities | 42/ Rejection Ineligible<br>43/ Grant Reduction<br>44/ Recovery of Undue<br>45/ Sanctions | 46/Damages | 47/ Payment Deadlines<br>48/ Payment Suspension<br>49/ Action Suspension<br>50/ Termination | 51/ Force Majeure | 52/ Parties Communication<br>53/ GA Interpretation<br>54/ Periods, Dates<br>55/ Amendments<br>56/ Accession<br>57/ Applicable Law<br>58/ Entry into Force | |

*Table 8: General Model Grant Agreement Structure*

In this section, we provide some clarification on the most important articles. Not all articles are covered since most of them are self-explanatory.

### 3.5.1 Articles 1 – 6: Action, Duration, Budget, Grant and Eligibility of Costs
The first four articles in the GA state the basic information on the project, who is participating in this agreement, the data of the legal entities, the start date and duration of the project and finally the budget, the awarded grant and the eligibility of costs.

Key Points
- The project **Start Day** is fixed by the EC, unless you negotiate something different. It is usually the first day of the month following the date[17] when the last party signs the Grant Agreement (EC).
- The **End Date** identifies the end of the period for implementation of tasks. Even after this date the beneficiaries must submit reports and transfer payments (**project closure**).
- **Estimated budget** is calculated based on the estimated eligible costs you submitted with your proposal budget (Annexed to the GA).
- **Maximum Grant Amount** is determined by the above costs. Total estimated costs multiplied with the funding rate (70% or 100% depending on the action).
- Your **proposal budget** is an **estimation**. This means that by the time of project implementation and reporting, many things may have changed. You can declare costs that are different from the original and even transfer budget between partners or between **some** categories.
- **Budget categories** are listed **under Article 6.2.**

*Remember that this is the maximum amount that the EC can award you. That does not necessarily mean it will be the actual amount you will receive. This will be calculated based on the eligible costs you will declare by the end of the project.*

- Although budget transfers and other minor changes are allowed mostly without an amendment of the GA, if there is significant change in the Description of Action (DoA) then an amendment is necessary. The Annotated GA provides some examples but best practice is to discuss this with your Project Officer (PO).
- The Final Grant Amount – the amount of money you will actually receive – is calculated by the agency after the end date of the project (During Closure) in 4 steps:
  - *Step 1: Total Eligible Costs multiplied by Reimbursement Rate [70% or 100%]*
  - *Step 2: Limit to Maximum Grant Amount*
  - *Step 3: Reduction of the amount if the project made any profits [no profits are allowed under EC rules]*
  - *Step 4: Reduction there have been substantial errors, irregularities, fraud, etc. [EC's Decision]*

*Eligibility of Costs is explained in the following main Section of this document.*

### 3.5.2 Articles 7 – 16: Implementation of the Action (Chapter 4, Section 1)
These articles (7–14) are all under Section 1 of Chapter 4, which deals with the rights and obligations of the parties implementing the action. It deals with compliance rules, resources, 'in kind' contributions and financial supports of third parties.

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[17] *The Date GA "enters into force".*

**Key Issues**

- Beneficiaries must comply with the laws in BOTH their country of operation and of the country the action is implemented in.
- The beneficiaries can purchase goods, works or services, use in-kind contributions from third parties, subcontract some work, or use international partners or linked third parties. [Article 8]

*Beneficiaries using third parties remain fully responsible for them under the GA.*

- Project management — Coordination and administration tasks are considered **action tasks** and cannot be transferred.
- Beneficiaries can purchase goods (e.g. a computer), works (i.e. building infrastructure) or services needed to carry out the action, including the purchase of consumables and supplies. Such contracts must be limited in scope since they are just supporting to the action.
- In principle subcontracting should be avoided in H2020. To be acceptable it must be explicitly mentioned in the DoA. If it was not mentioned in the beginning an Amendment will be necessary. Subcontractors are NOT beneficiaries and therefore have no direct obligations under the GA. Moreover, their price usually contains a profit margin which is against H2020 principles.

*More on subcontracting can be found under Article 13 in the Annotated MGA and in the special document from the EC's*
*Financial Helpdesk.*
*https://th2020.zendesk.com/hc/en-us/article_attachments/115002780874/SubcontractingInH2020.pdf*

- Third parties affiliated to a beneficiary, like a subsidiary, can participate in the project. Their obligations are the same as for beneficiaries. Articles 14 and 15 cover these cases.
- Article 16 is optional and covers the specific case that involves trans-national access to research infrastructure for scientific communities.

### 3.5.3 Articles 17-23: Grant Administration (Chapter 4, Section 2)

Section 2 of Chapter 4 deals with the administration of the grant and the rights and obligations associated with them. Obligations relating to sound record keeping, good communication with the EC, reporting periods, payment requests and audits are presented in detail.

**Key Issues**

- Rigorous record keeping is paramount for Horizon 2020. The Consortium is obliged to implement an effective system to store and exchange information and be able to present any required data to the EC.
- Records must be kept for 5 years after the payment of the balance of the project and should include: Contracts, subcontracts, invoices, accounting records, timesheets and/or declarations for working full time, certificates of methodology and any other document you believe may be relevant.
- You should always keep an open communication channel with your Project Officer from the EC (PO) and immediately inform the EC of any events that may delay implementation, or any changes in the legal, financial, technical or organisational structure of your consortium and each beneficiary.

- Reporting and Payment requests are covered in Article 20. Usually there are two kinds of reports:
  - o *periodic reports - after the end of each reporting period (including the last one)*
  - o *final report - at the end of the action.*
- Each report consists of **technical** and financial reporting parts. It is submitted within 60 days after the end of each reporting period. Reporting periods are clarified in your GA.

*All reporting costs must be in Euro using the exchange rates according to the Official Journal of EU. EBC Charts may also be used: http://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html*

- H2020 projects offer a **pre-financing payment**. This means that the Coordinator (not the individual beneficiaries) will receive a fixed amount (stated in the GA) usually **40-50%** of the total grant. At the point of the pre-financing an amount corresponding to 5% of the maximum grant amount is **deducted** from the pre-financing payment and transferred to the EC's **Guarantee Fund**.
- The amount of Interim payments will be calculated based on costs declared in the financial statement, but the total amount of **pre-financing and interim payments cannot exceed 90%** of the max grant.
- The EC has a payment deadline which is **90 days** from the day the reports are received, but time stops when the technical reports or financial reports are not complete or additional information is needed, or there is doubt about the eligibility of the costs declared in the financial statements and additional checks, reviews, audits or investigations are necessary.
- Even after the end of the project the EC may at any time up until 2 years after the payment of the balance carry out an audit. The EC will notify the beneficiary of their intention to audit if this is the case. Audits normally concentrate mainly on the financial implementation of the action by a beneficiary (i.e. financial and budgetary implementation), but may also cover technical aspects or compliance with other obligations under the GA.

### 3.5.4 Articles 23a – 31: Intellectual Property and Ownership of results

*This section deals with the Management of Intellectual Property and the Ownership of results. This is extensively covered in our IPR Comprehensive Guide (available at our Helpdesk). https://th2020.zendesk.com/hc/en-us/articles/213635789-Download-our-IPR-Guides-*

- Apart from your obligation to protect the results of your project, you need to ensure adequate visibility of the action. This is done by referencing EU funding in any communication, patent application, trademark registration, publication, etc. relating to the project and its outcome(s)

*The wording may vary according to the specific instance, but in general it usually takes this form: "This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No XXXXX".*

- Any **dissemination of results** must include a disclaimer and indicate that it *'reflects only the author's view and that the Agency is not responsible for any use that may be made of the information it contains'.*

*For the specific wording and layout when acknowledging EU funding you can refer to the H2020 online manual: http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/grant-management/acknowledge-funding_en.htm*

- This section also covers the transfer and licensing of results and access rights in Articles 30 & 31. These issues are also presented in detail in our IPR Comprehensive Guide.

### 3.5.5 Articles 32 – 39: Recruitment, Working conditions, Ethics, Confidentiality

Articles in this section cover the working conditions for researchers that beneficiaries need to comply with, such as establishing a transparent recruitment process, providing equal opportunities and aiming for gender equality.

**Ethical issues** are also an important aspect, especially for projects in health or security areas. Beneficiaries must also comply with security related obligations (Article 37), especially if they are working with classified information.

*Special attention should be paid to the Processing of Personal Data (Article 39). Find more on Data protection (including new GDRP regulation) at:*
*https://edps.europa.eu/edps-homepage_en*

### 3.5.6 Articles 40 – 58: Cost rejection and final provisions

This section is used mainly to describe in more detail some of the clauses that have been previously mentioned and to provide the necessary legal provisions to the agreement.

**Key Issues**
- Article 41 summarises the roles and distribution of responsibilities within the consortium. Most of these have already been previously discussed.
- Articles 42 – 50 describe how and when the EC may reject your costs because of ineligibility and how there may even be a reduction of the maximum grant amount due to major and/or substantial errors. Articles cover penalties and liabilities, ranging from suspension of payments to the termination of the action.
- Article 55 deals with Amendments to the GA and the procedure you must follow. Some indicative cases where an amendment is necessary:
  - *Change or removal of a beneficiary*
  - *Change of starting, end day, duration or reporting periods*
  - *Change of name of a beneficiary*

*The best and most comprehensive source for extensive and detailed information on every case, with examples and explanations, is the Annotated Model Grant Agreement. You should use this document to have an overview of the articles and structure of it, but you should study very carefully both the Annotated Model Grant Agreement and the Grant Agreement of your own project.*

## 3.6 Key Financial Issues in Implementation

One of the most important issues in financial management in Horizon 2020 is undoubtedly the eligibility of costs. What kind of expenses can a beneficiary declare in a project and how? Horizon 2020 does not offer any explicit Financial Manual. Instead, all you need to know is included in the Annotated Grant Agreement under the Article 6 – Eligible and Ineligible costs. In this section we provide an overview of the issues and a few points relevant only to participants from Turkey.

### 3.6.1 Eligibility of Costs

It goes without saying of course that the grant can only reimburse eligible costs. In order to be eligible, costs have to be:

- Actually incurred (real and not estimated or budgeted) by the beneficiary during the duration of the action.
- Included in the estimated budget of the action, under the relevant budget category
- connected to the action as described in the Description of Action (DoA)
- identifiable and verifiable (beneficiary must have included them into his/her accounts and must have sufficient proof and documentation of this action).
- in compliance with national laws on taxation, labour and social security
- reasonable, justified and must comply with the principles of sound financial management (i.e. be in line with good housekeeping practice when spending public money and not be seen as excessive)

*Accounting documentation is necessary only for direct costs. Indirect costs do not need supporting evidence because they are declared using a flat-rate calculation.*

*BE CAREFUL: Costs approved in proposal budgets are NOT automatically eligible during report or audit. Evaluators will have approved the necessity for the activity and related budgeted costs. Eligibility is determined based on implementation and their associated costs.*

In section 1.4.2 we presented the cost categories for Horizon 2020. In this section we provide their eligibility requirements:

**Direct Personnel costs**
o   Are related to the personnel working under an employment contract and assigned to the action.
o   They refer to the total cost of a person (including salary, social security, contributions, taxes and any other costs included in the remuneration.

Types of Direct personnel costs are:
a.   **Employees** (Permanent and temporary)
b.   **Seconded Personnel** (by a third party)
    i)   Beneficiary pays the third party
    ii)  Personnel working at the premises of the beneficiary or the third party
    iii) Secondment agreements are necessary; setting out the working conditions (location, tasks, duration)
c.   **Natural Persons working under a direct contract**
    i)   persons must work **under conditions similar to those of employees**
    ii)  the result of the work carried out (including patents or copyright) must in principle **belong to** the **beneficiary**
    iii) costs must **not** be **significantly different** from costs for employees performing similar tasks
    iv)  Remuneration must be based on working hours
d.   **SME owners and natural persons not receiving a salary**
    i)   These budget categories **cover** the costs of SME owners and beneficiaries that are natural persons which work on the action, but **do not receive a salary.**
    ii)  Costs must be declared for an **SME owner/beneficiary that is natural person,** who works on the action but does not receive a salary.

*All direct personnel costs must be recorded through a reliable time recording system (Time Sheets or equivalent).*
*See our article: https://th2020.zendesk.com/hc/en-us/articles/115002232254*

**Costs of Subcontracting**

In order to be eligible subcontracting cost must be included in the relevant budget category. If they are not, an amendment of the GA will be necessary. Such costs are always diligently checked by the EC and have to comply with certain rules:

- They must cover only a limited part of the action.
- The majority of the work must be located in EU Member States or Associated Countries.
- Their use must be according to the procurement rules of the beneficiary
- Their work must be awarded according to the best value for money or lowest price
- The process must be transparent, the treatment of bidders equal and any conflicts of interest must be avoided
- Subcontracting between beneficiaries is not allowed.

**Other direct costs**

a. Travel costs and subsistence allowances:
   - There is no distinction between traveling inside or outside the EU or Associated Countries.
   - Costs must be according to the usual practices of the beneficiaries
   - Unplanned or particularly expensive travel costs may require approval of PO
   - Travel for any review meetings after the end of the project are eligible
b. Depreciation costs of equipment:
   - These must be in compliance with the beneficiary's accounting practice and international accounting standards.
   - May include costs necessary for first operation (site preparation, installation)
   - Renting or leasing costs are eligible if they do not exceed the depreciation costs of similar equipment
   - ONLY the part of the equipment's working time for the action may be charged to the project. (percentage of actual use versus percentage of use for the project).
c. Costs of other **goods** and **services** (including non-deductible VAT)
   - Consumables and supplies
   - Dissemination, translation and publications
   - Protection of results / IPR costs
   - Organisation of meetings, events, workshops
   - Certification for financial statement (for contributions over €325,000)
   - Certification on the methodology
   - Detailed breakdown in the proposal is needed if the total for these costs is more than 15% of personnel costs

*What is the difference between other direct costs and subcontracting?*

| Goods and Services Contracts | Subcontracting |
|---|---|
| NOT Action Tasks (but necessary to implement) | Concern Action Tasks |
| NOT indicated in DoA | Must be indicated in the DoA |
| Reported as OTHER | Reported as Subcontracting |
| Generate Indirect Costs | Do not generate indirect costs |

You have obviously noticed that we are talking about direct and indirect costs. Let's clarify what each one is. Indirect costs or overheads, are all those "eligible costs that cannot be identified and calculated by the beneficiary as being directly attributed to each project". Such costs may include our rent, utilities costs (water/gas/electricity), maintenance, office supplies, communication and connection costs and costs for administration and financial management like hiring costs, training, legal advice[18] documentation etc.

### 3.6.2 Ineligible Costs

As you may expect there are costs that are ineligible for H2020 actions. The list below is non-exhaustive but gives a clear idea:

- Costs of preparing the proposal or for drafting the Consortium Agreement
- Bank costs
- Currency exchange losses
- Costs incurred during suspension of the implementation
- Costs declared under another EU grant
- Deductible VAT (Non-deductible VAT is ELIGIBLE)

### 3.6.3 Modalities related only to partners from Turkey

In this section, modalities and special situations relevant only to Turkey are explained.

**Incentives on tax and social security premiums (SGK)**

In order for a cost to be considered actual, the incentives granted by the Government should be taken into account when claiming the personnel costs. For example, if the Beneficiary benefits form the incentives granted under the Laws such as 5510, 5746 and 4691, those amounts which are not actually paid by the Beneficiary should not claimed under the personnel costs. It is same practice which is implemented under TUBITAK-TEYDEB projects.

**Per diems and subsistence allowances for civil servants**

Beneficiaries, who are public Institutions such as public universities, should cover the per diem cost according to the Law No: 6245. However, according to the article 33/a of the Regulation regarding the Accounting and Expense Principles of Grants Provided by European Union and Other International Organisations,

- Twofold of the general rate indicated in Law No: 6245 will be applied for domestic per diems
- Same amount with the general rate indicated in Law No:6245 will be applied for international per diems
- Quadruple of the general rate indicated in Law No:6245 will be applied for accommodation costs (not exceeding the invoice amount)

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[18] *Patent costs related to the exploitation of specific results fall under Other direct costs and can be eligible for the project.*

The per diem rates for international travels are determined by the decree of Council of Ministers and announced at official gazette. Current rates are announced at the official gazette dated 20/20/2017 and can be found at
http://www.bumko.gov.tr/TR,4995/bakanlar-kururlu-kararlari.html

**National Rules for Depreciation Costs of Assets in Public Institutions**
The accounting Principles of Grants provided by European Union and other International Organisations are stipulated under the Regulation, which was announced by Ministry of Finance in 2007. This regulation only covers the public bodies listed in Law No. 5018 as general budget institutions and special budgeted administrations such as universities. According to the article 9 of the Regulation, which was amended in 2009, the depreciation method to be applied will be straight-line method. The depreciation will be calculated within the project duration. So, the useful life will be the project duration.

For-profit organizations including private universities will apply the useful life lists which are announced by Communiques of Ministry of Finance. In case the Beneficiary applies IFRS if they are subject to statutory audit, then the economic life that has been estimated by the Beneficiary will be applied. Binding regulation for such organizations is "Vergi Usul Kanunu". The current list for useful lives can be found at
http://www.gib.gov.tr/fileadmin/user_upload/Yararli_Bilgiler/amortisman_oranlari.pdf

*We should stress here that due to eligibility criteria listed in the Annotate Model Grant Agreement (AMGA) even if the binding national regulation allows you to follow different balance methods or percentage of depreciation which can be declared to the project, the acceptable eligibility criteria is only those described under 6.2.D.2 of the AMGA.*

If the useful life applicable to the asset is not found in the list the Beneficiary should apply to the Ministry of Finance in order to determine the applicable depreciation rates. The depreciation method applicable for the assets purchased under Horizon 2020 Project, will be the same according to the general policy of the Beneficiary. For example, if the policy of the Beneficiary is "declining balance method" than this method can also be applicable for the assets purchased under Horizon 2020 project.

**Procurement Rules for Public Institutions**
According to the Regulation on Accounting Principles, if the estimated cost of the purchase is up to 150.000 EUR, "direct supply" method will be applied. In this case the following documents should be sent to the Strategic Development Departments:
- Market Research Document
- Approval document
- Invoice
- Minutes for the Commission of Inspection and Acceptance

If it exceeds this amount, according to the article 3/f of the Public Procurement Law No: 4734, the procurement rules which are stipulated under Decree of Council of Ministers' Number: 2003/6554 will be applied.

**Salary Payments to the Civil Servants recruited under the Project**
According to the article 32 of the Law No:5234, it is possible to hire and pay civil servants and other public officials under a H2020 project.

**Currency conversion**

All costs must always be reported in EUROS. In the case of accounting records incurred in another currency (e.g. TL) you can calculate the average daily exchange rate for the reporting period based on the European Central Bank's website or use the average monthly accounting rate for the reporting period. The daily exchange rates for the reporting period can be found at: *http://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_ rates/html/eurofxref-graph-try.en.html*

**Example:** The Beneficiary has calculated the project costs in TRY and would like to convert them into EUR for the reporting period between 01/09/2017 and 31/08/2017. Total project cost amounts to 150.000 TRY. The average exchange rate from TRY to EUR for the reporting period is 0.2380. So, the personnel costs should be reported as 35.700 EUR

Be careful: The exchange currency policy for Horizon 2020 projects is different from the FP7 projects. In FP7 projects, either the daily exchange rate of the date that the actual costs were incurred or the last day of the reporting period announced by the European Central Bank was used.

*Be careful: Conversion to EUR is compulsory for Turkish Beneficiaries. Due to pecuniary principle, even though invoices are issued in EUR, the records should be kept in TRY. Therefore, it does not make any sense, to issue invoice in EUR or to pay In EUR.*

*For a presentation explicitly adapted for beneficiaries from Turkey you can visit our helpdesk: https://th2020.zendesk.com/hc/en-us/articles/115002232674-Financial-Audits-Issues-for-Turkey*

**3.6.4 Certificate of Financial Statement**

The Certificate of Financial Statement (CFS) is a report produced by an independent auditor or Public Officer. Its purpose is to enable the European Commission to check whether costs declared in the financial statements are eligible. A beneficiary must submit a separate CFS only if the total reimbursement of actual costs and unit costs calculated according to its usual cost accounting practices is €325.000 or more.

The project coordinator must send the CFSs to the Commission, with the final report, within 60 days of the end of the last reporting period. The cost of preparing the CFS is eligible for claiming under Direct Costs, but only in the last reporting period. CFS costs are not eligible if this is not mandatory (e.g. the beneficiary will receive less than €325.000).

The EC provides a model upon which the CFS should be based. This is attached to the Grant Agreement (Annex 5) and consist of:

- A template for the Terms of Reference, signed by the beneficiary/linked third party and the auditor/Public Officer.
- A model for the Auditor's independent report of factual findings. This report must be issued on the Auditor's or Public Officer's letterhead, dated, stamped and signed by the Auditor/Public Officer.

*You can find the template for the CFS at the Participant Portal: http://ec.europa.eu/research/participants/data/ref/h2020/gm/reporting/h2020-tpl-annex5-cfs_en.docx*

# 4. PROJECT CLOSURE AND BEYOND

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## 4.1 Final Report

Within 60 days of the end of the final reporting period the Coordinator must submit the final report. The final report is a publishable summary of the entire project, covering the whole period and including final technical and financial reports. According to the

Grant Agreement, the reports must consist of the following:

1) Final technical report
   a) **overview** of the results, along with their exploitation and dissemination
   b) **conclusions** on the project
   c) the project's socio-economic **impact**
   d) an up-to-date link to the project website
   e) project **logos, diagrams, photographs** and **videos**, illustrating the work content (if available).

*Like the summaries for the periodic reports, the final summary must be written in an understandable style for a non-specialist audience.*

*The coordinator must ensure that none of the material submitted for publication includes confidential and/or 'EU classified' information.*

2) Final financial report
   a) final summary financial statement. This is automatically created by the system (consolidating the data from all individual financial statements for all beneficiaries and linked third parties, for all reporting periods).

*This statement constitutes the request for payment of the balance*

   b) in some cases (and for some beneficiaries/linked third parties) it must be accompanied by a **certificate for the financial statements** - CFS (one certificate per beneficiary/linked third party).

## 4.2 Payment of the Balance

Upon successful acceptance of the final report and final review of the project, the EC will pay the balance and release the amount originally retained for the Guarantee Fund. The payment of the balance reimburses the remaining part of the eligible costs. In most cases the total amount of earlier payments is not more than 90% of the max grant.

As soon as the EC receives your final report, time starts and within 90 days the balance has to be paid, provided the reviewers approve your report and accept all deliverables. In some case you may be asked for clarifications or improvements.

### Reviews and Audits

Beyond the end of the project and for up to two years after the payment of the balance, the Commission may order a review or an audit of your project. This can be a direct audit (with the Commission's own staff) or an indirect audit (with external, persons or bodies appointed by the Commission). Such controls may include on-site visits or a meeting on Commission premises or anywhere relevant to the project.

**Reviews** normally refer mainly to the technical implementation of the project (i.e. its scientific and technological relevance), but may also cover financial and budgetary aspects, or compliance with other obligations under the GA.

**Audits** examine the financial management and eligibility of costs claimed. Any claimed costs found to be ineligible will then be recovered. If systematic errors are found, the Commission may extend the findings of the audit results to non-audited grant agreements or non-audited periods. Besides these corrections other measures may be taken, including financial and administrative penalties.

*Find more about reviews and audits in the Horizon 2020 Online Manual:*
*http://ec.europa.eu/research/participants/docs/h2020-funding-guide/grants/grant-management/checks-audits-reviews-investigations_en.htm*

# 5. FURTHER INFORMATION / RESOURCES

The following list summarises some of the better sources available on the web for dealing with Legal and Financial Issues in H2020. Most of these documents can also be found at our Helpdesk, but direct links are also provided here to ensure you have access to the latest versions of the document.

**Reference Documents**

- **Horizon 2020 Rules for Participation:** The official rules for participation and dissemination in "Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020)"

*http://ec.europa.eu/research/participants/data/ref/h2020/legal_basis/rules_participation/h2020-rules-participation_en.pdf*

- **The Work Programmes 2018 – 2020:** The calls, thematic areas and topics for funding

*https://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html#h2020-work-programmes-2018-20*

- **Templates for Proposals:** Proposal templates for every action

*https://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html#h2020-call_ptef-pt-2016-17*

- **Guide for Proposal Submission and Evaluation:** A comprehensive guide to help you understand the process of submitting a proposal and how this is evaluated.

*http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/pse/h2020-guide-pse_en.pdf*

- **Model Annotated Grant Agreement:** THE most important document for submitting and implementing a project:

*http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf*

**Web sites and Online Guides**

- **Participants Portal:** the main source of information and tools for Horizon 2020
  *http://ec.europa.eu/research/participants*
- H2020 Online Manual:
  *http://ec.europa.eu/research/participants/docs/h2020-funding-guide/index_en.htm*
- *http://www.finance-helpdesk.org*