



HORIZON EUROPE

THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027



BUDGET PREPARATION

Eligible Costs & Funding Rates



Eligibility for Funding – General Rules

Eligible for funding are legal entities established in:

- Member States
- Associated Countries
- Countries listed in Annex 1 of the Work Programme (https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/list-3rd-country-participation_horizon-atom_en.pdf)



Legal entities established in other Countries may be funded when:

- Agreement exists between 2 funding bodies
- Provision made in the call text
- Commission deems participation essential for carrying out the action



What funding rate applies?

100% (RIA, CSA, ERC) or 70 % (IA) funding rate for

1. Actual costs, directly linked to the implementation of the action
2. Flat-rate for indirect costs/overhead costs

Marie Skłodowska Curie Actions

3. Fixed Unit cost rates cover researcher costs and institutional costs



Horizon Europe – Model Grant Agreement (Annex 2): cost categories



A. PERSONNEL COSTS

- **A.1** Employees
- **A.2** Natural persons under direct contract
- **A.3** Seconded persons
- **A.4** SME owners and natural person beneficiaries



B. SUBCONTRACTING COSTS



C. PURCHASE COSTS

- **C.1** Travel and subsistence
- **C.2** Equipment
- **C.3** Other goods, works and services



D. OTHER COST CATEGORIES (If allowed by the call)

- **D.1** Financial support to third parties
- **D.2** Internally invoiced goods and services
- **[D.3 Transnational access to research infrastructure unit costs]**
- **[D.4 Virtual access to research infrastructure unit costs]**
- **[D.5 PCP/PPI procurement cost]**
- **[D.6 Euratom Cofund staff mobility costs]**
- **[D.7 ERC additional funding]**
- **[D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services)]**



E. INDIRECT COSTS

Horizon Europe (HORIZON)

Programming period

2021-2027



Horizon Europe (HORIZON)



Clear filter

Reference Documents

Grants

This page includes reference documents of the prog up to model grant agreements and guides for specif

Please select the programme to see the reference d

Procurement

Reference Documents related to tendering opportun



Filter

- + Legislation
- + Work programme & call documents
- Grant agreements and contracts

HE General MGA v1.0



Direct costs

= directly linked to the implementation of the action

Examples:

- ✓ Personnel costs
- ✓ Subcontracting
- ✓ Purchase costs (Travel, equipment, other goods, works and services)
- ✓ Other cost categories



Indirect costs

= not directly linked to the action

Examples:

- ✓ Rents, electricity, heating, office equipment, furniture, phone costs, postage, printing and copy costs, administrative costs
- ✓ Paid as a 25% as flat rate of the direct eligible costs (except e.g. subcontracts!)



Lump sum funding

Lump sum funding is getting more common in Horizon Europe!

- Simplification: costs to be calculated at proposal stage, but no reporting of actual costs and resources during project implementation.
- Reporting focuses on implementation of the action, of Work-Packages, etc.

How to know if a Horizon Europe topic is using lump sum funding?

- When a topic under Horizon Europe makes use of lump sum funding, this is specified in the "specific conditions" of the topic in the work programme, under "Legal and financial set-up of the Grant".

Lump sum funding web-page:

- <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/horizon/lump-sum/guidance>

Marie Skłodowska Curie Actions

- Unit costs organised in several cost categories are used instead of the general cost forms
- These are fixed amounts that must be multiplied by the number of months the recruited researchers spent on research training activities (person-months)
- Different unit cost categories cover
 - ✓ Salary of the fellows
 - ✓ research and training costs of the fellows
 - ✓ Costs related to project implementation



Budgeting a proposal



How to budget a proposal?

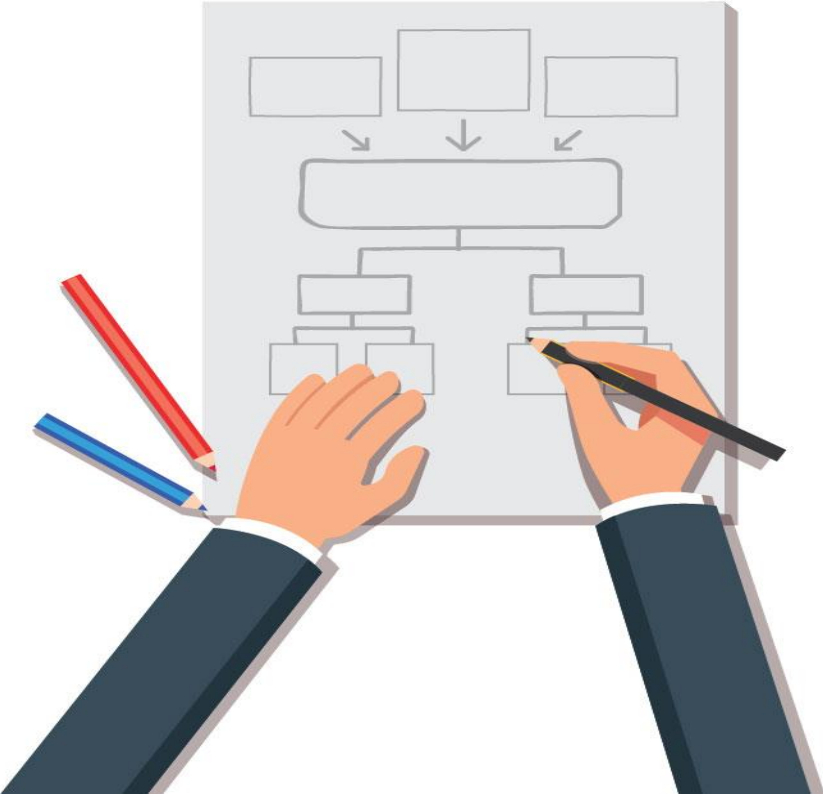
Calculate your costs on a realistic and reasonable basis, as you expect it to appear and to be eligible in the action.

- ✓ Budget should be calculated according to the action needs
- ✓ Demonstrates a clear vision of objectives and tasks in an action
- ✓ Minimises potential changes during the runtime of an action

Appropriate budget estimation and distribution is part of the evaluation!

Don't forget financial buffers

Plan



Direct costs are eligible if...

- **Actually** incurred by the beneficiary during the life of the action (with a few exceptions)
- Indicated in the estimated **budget**
- In **connection** with the action as described in the action description and necessary for its implementation
- **Identifiable** and verifiable, in particular recorded in the beneficiary's accounts
- In compliance with applicable **national law** on taxes, labour and social security
- **Reasonable**, justified and must comply with the principle of sound financial management
- **Evaluators will approve the necessity for the activity and the related costs**

DIRECT COST - PERSONNEL COSTS

Daily rate provisions



Personnel costs in HE

- Use of a single corporate daily rate and calendar year approach



Daily rate calculation

COSTS

$$\text{Daily rate} = \frac{\text{actual annual personnel costs for the person}}{215^*}$$

* For Horizon Europe: Still possible to **deduct actual working days spent on parental leave** from the fixed number of 215 days

Daily rate calculation

When?

- **per calendar year** (from January to December)
- except for the months running from the end of the last calendar year until the end of the reporting period. For those months, you must calculate **a separate partial daily rate as follows:**

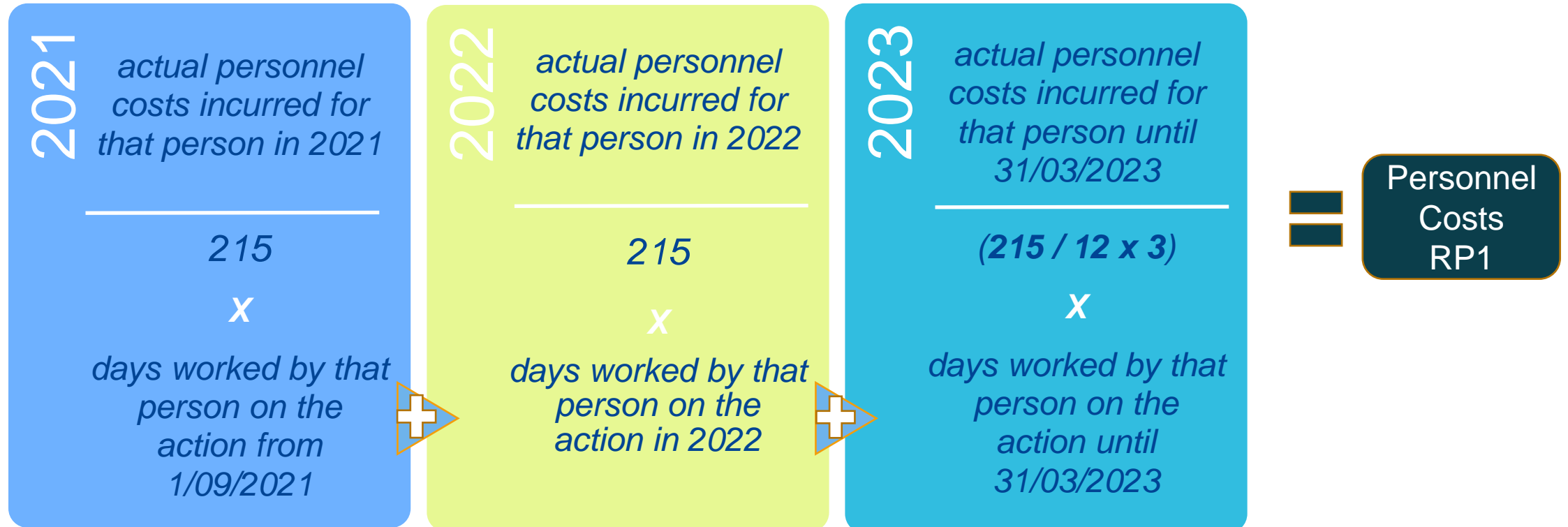
*{actual **personnel costs** of the person incurred over those months*

divided by

{215 / 12 (months) x number of months from the January until the end of the reporting period}}

Example

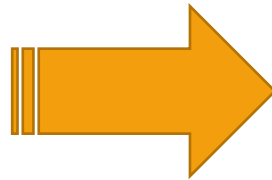
Costs for Researcher Y in reporting period 1. Reporting period 1 runs from 1/09/2021 until 31/03/2023:



Days worked – record keeping

COSTS

Days worked



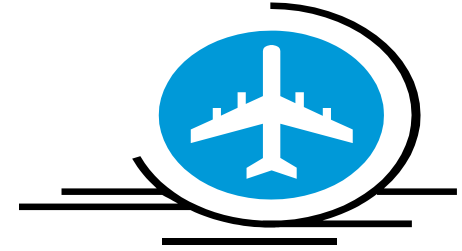
- use reliable **time records** (i.e. time-sheets) either on paper or in a computer-based time recording system.
- **Or**
- sign a monthly declaration on days spent for the **action** (template under development).

DIRECT COSTS



Purchase Costs and Subcontracting

When are travel costs eligible?



- Travel and subsistence costs for personnel and external experts are eligible if they fulfil the general conditions to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.)
- According to the usual practices on travel of the beneficiary
- No distinction between travelling in or outside of Europe
- Particularly expensive travels: With approval of the Project Officer

Equipment costs



Continuity

Depreciation costs are **by default** eligible.

By exception, full costs may be eligible.

Further clarity

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

- The **full construction costs** (typically the costs of the personnel involved in the construction of the prototype)
- The **full purchase costs** (typically any component, pieces of equipment bought for the prototype)

When are contracts for services, works or goods eligible?

- These are ordinary contracts for services, works (i.e. buildings) or goods (e.g. equipment), needed to carry out the action, including the purchase of consumables and supplies.
- These contracts do not have to be indicated in the description of the action
- The beneficiary must award the contracts on the basis of best value for money (or lowest price) and absence of conflict of interests
- The eligible costs are the prices charged to the beneficiary by the contractors

When are subcontracting costs eligible?

Subcontractors

- If necessary for the implementation of the action
- They carry out action tasks for the beneficiary
- Selected based either on best value for money or on the lowest price
- Issue invoices including profit, charge market prices

The tasks to be implemented and the estimated cost for each subcontract **must be indicated in the proposal**

INDIRECT COSTS



Horizon Europe specific provisions

Indirect costs

What?

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

continuity

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

NEW

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

LUMP SUM FUNDING /GRANTS



in Horizon Europe

Why does the EC use lump sum funding?

Reducing the financial error rate

- Following the ECA annual reports 2019 and 2020, there is wide agreement that the error rate in the R&I Framework Programmes must be reduced
- Lump sums are a key measure to achieve this in Horizon Europe

Significant simplification potential

- Funding based on reimbursement of real costs remains complex and error-prone. Little scope for further simplification
- Lump sums remove the obligation to report actual costs and resources
- Easier to use for beneficiaries with limited experience

Focus on content

- Focus less on financial management and more on content

Writing a lump sum proposal

- To write a lump sum proposal, you:
 - Use the standard Horizon Europe application form
 - Present the objectives and methodology of your project and address the expected outcomes and impacts as in any Horizon Europe proposal
 - Describe in detail the activities covered by each work package.
- To define and justify the lump sum, you need to provide a **detailed budget table** with cost estimations.
- The detailed budget table is an **Excel file**. You must download it from the online submission system, fill it and submit it as an annex to the Part B of your application form.

Writing a lump sum proposal

- In this detailed budget table, you provide **cost estimations for each cost category** per beneficiary (and affiliated entity if any) and per work package.
- The cost estimations must be an **approximation of your actual costs**. They:
 - are subject to the same eligibility rules as in actual costs grants
 - must be in line with your normal practices
 - must be reasonable / non-excessive
 - must be in line with and necessary for your proposed activities.
- The cost estimations are used to generate in the detailed budget table a **breakdown of lump sum shares** per work package and per participant.
- Details and instructions on how to fill in the lump sum detailed budget table are provided in the [Funding & Tenders portal](#).

Budget allocation

Budget allocation (annex 2 to the grant agreement)

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000

Shares of the lump sum per beneficiary

Shares of the lump sum per WP

Lump sum
=
Maximum grant
amount

You can **use the budget as you see fit** as long as the project is implemented as agreed. The actual distribution of the lump sum is invisible to us.

Budget transfers between work packages and/or partners require an amendment if the consortium wants to reflect them in the grant agreement.

Ex-post controls

Checks, reviews and audits for:



Proper implementation of the action (e.g. technical review)



Compliance with the other non-financial obligations of the grant, e.g.



IPR obligations

Ethics and integrity

Open science

Dissemination

Etc.



No financial checks, reviews and audits by EU services

Keeping records

You need (e.g.)



- Technical documents
- Publications, prototypes, deliverables
- Documentation required by good research practices such as lab books
- ...any document proving that the work was done as detailed in Annex 1



Same as for all Horizon Europe grants

You don't need



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Invoices
- ...any documents proving the actual costs incurred

Resources available

One dedicated [lump sum page](#) on the Funding & Tenders Portal with:

Guidance documents

- [What do I need to know? & Quick guide](#)
- [Frequently asked questions](#)
- [Detailed guidance for participants](#)
- [Lump sum briefing slides for experts](#)

Reference documents

- [Model Grant Agreement Lump Sum](#)
- [Decision authorising the use of lump sum contributions under the Horizon Europe Programme](#)

Studies

- [European Commission assessment](#) (October 2021)
- [European Parliament \(STOA\) study on lump sums in Horizon 2020](#) (May 2022)

Events

- Future events
- Past events and recordings

Funding opportunities

- List of Horizon Europe topics using lump sum funding



PROJECT-BASED REMUNERATION



Horizon Europe specific provisions

Project-based remuneration at a glance



WHAT IS IT?

- ❖ Usual remuneration practices of a legal entity under which a **personnel receives supplementary payments for work in projects**

Example:

an employee who gets a bonus or a new contract with a higher salary level for working in a project.



HOW MUCH CAN BE DECLARED?

- ❖ Actual remuneration costs paid by the legal entity for the time worked by the personnel in the action ('**action daily rate**') **up to** the remuneration that the person **would be paid for work in R&I projects funded by national schemes** ('**national projects daily rate**')



METHODOLOGY?

- ❖ **Compare**

Action daily rate

National Projects daily rate*

- ❖ Take **the lower of the two.**

* Usually based on:

- *either regulatory requirements (such as national law or collective labour agreements)*
- *or your written internal remuneration rules*

THIRD PARTIES

Horizon Europe Model Grant Agreement



Affiliated entities

Article 187 (1)(b) of the EU Financial Regulation:

Entities *'that have a link with the beneficiary, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation'*.

Affiliated entities in Horizon Europe = Linked third parties in Horizon 2020

(alignment of labelling/definition in the corporate context)

Associated Partner (AP)

- Inherited and derived from the **'International partner'** status in H2020 MGA
- **Corporate terminology** and status with the following features:
 - AP does work but cannot declare costs
 - AP can be linked:
 - either to one or more beneficiaries
 - or with the whole consortium
- The beneficiaries must ensure that some of MGA obligations also applied to AP (*i.e. Articles 11 (proper implementation), 12 (conflict of interests), 13 (confidentiality and security), 14 (ethics), 17.2 (visibility), 18 (specific rules for carrying out action), 19 (information) and 20 (record-keeping)*)



Proposal: Budget Plan

Cost categories have separate columns

No	Participant name	Country	Estimated expenditure							Estimated income							
			Estimated eligible costs							Requested EU contribution			Revenues	Other sources of financing		Total estimated income	
										EU contribution to eligible costs			Income generated by the action	Financial contributions	Own resources		
			A. Personnel costs/€ (a1)	B. Subcontracting costs/€ (b)	C. Purchase costs			D. Other cost categories (dx)	E. Indirect costs/€ (e) = 25% [(a1) + (c1) + (c2) + (c3) + (d7)]	Total eligible costs (h) = (a1) + (b) + (c1) + (c2) + (c3) + (d) + (e)	Funding rate (U)	Maximum EU contribution to eligible costs (l) = (U) * (h)				Requested EU contribution to eligible costs/€ (Requested grant amount) (m) (n)	(o)
C.1 Travel and subsistence/€ (c1)	C.2 Equipment/€ (c2)	C.3 Other goods, works and services /€ (c3)	D.X [specific cost category] /€ (dx)														
1	Participant 1	NL															

Cost categories – Application form

Estimated project expenditure												
Estimated eligible costs												
D. Other cost categories												
No	Participant name	Country	D.1 Financial support to third parties (Actual costs) (d1)	D.2 Internally invoiced goods and services (Unit costs - usual accounting practices) (d2)	D.3 Transnational access to research infrastructures (Unit costs) (d3)	D.4 Virtual access to research infrastructures (Unit costs) (d4)	D.5 PCP/PPI procurement costs (Actual costs) (d5)	D.6 Euratom Cofund staff mobility costs (Unit costs) (d6)	D.7 ERC additional funding (Actual costs) (d7)	D.8 ERC additional funding (subcontracting, FSTP and internally invoiced goods and services) (Actual costs) (d8)		
1	Participant 1	NL										

Key messages

- Information source: NCP, Annotated Grant agreement (online...)
- Costs must be incurred **during** the project by the beneficiary and be **identifiable** and verifiable in the accounts to be eligible
- The work that you performed should be described in the **work packages** of the proposal
- Indirect costs – a **25%** fixed flat-rate of the eligible direct costs (minus certain direct eligible costs)
- Income of projects should be considered at the proposal stage



GROUP WORK

Budgeting a Workpackage

- Use your WP descriptions from previous sessions.
- What costs have to be covered?
- Who has to commit staff time and how much time will be needed?
- Who has to travel?
- Service needed from companies?
- Is there any income/are revenues generated?
- Do you know the rules in your organisation?
- Additional question: Are there internal issues to be clarified in advance?



Thank you!

HorizonEU

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



© European Union 2021

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

Image credits: © ivector #235536634, #249868181, #251163013, #266009682, #273480523, #362422833, #241215668, #244690530, #245719946, #251163053, #252508849, 2020. Source: Stock.Adobe.com. Icons © Flaticon – all rights reserved.