



HORIZON EUROPE

THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

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at DLR PT

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



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

- **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

<https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/how-to-participate/reference-documents;programCode=HORIZON>

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?

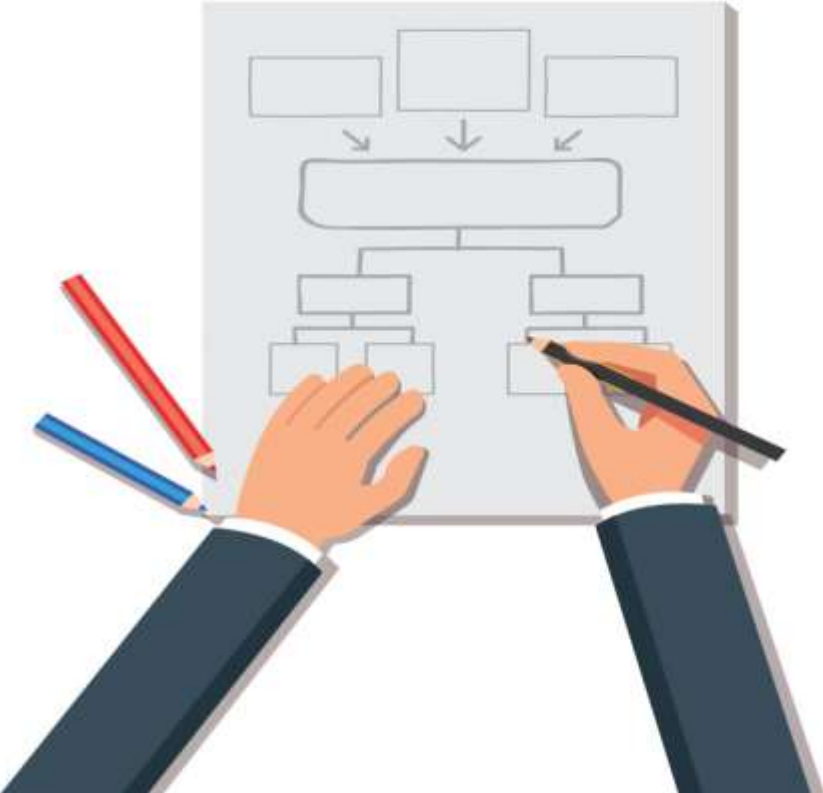
Calculate your costs on a realistic and reasonable basis, as you expect it to appear and to be eligible in the action.

- ✓ 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 – new calculation in HE

- Discontinuation of the different formulas (annual and monthly) and options for productive hours (entailing difficult and error-prone calculations)
- No more ‘last closed financial year’ rule
- Instead, use of a single corporate daily rate and calendar year approach



Daily rate calculation

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

* 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:**

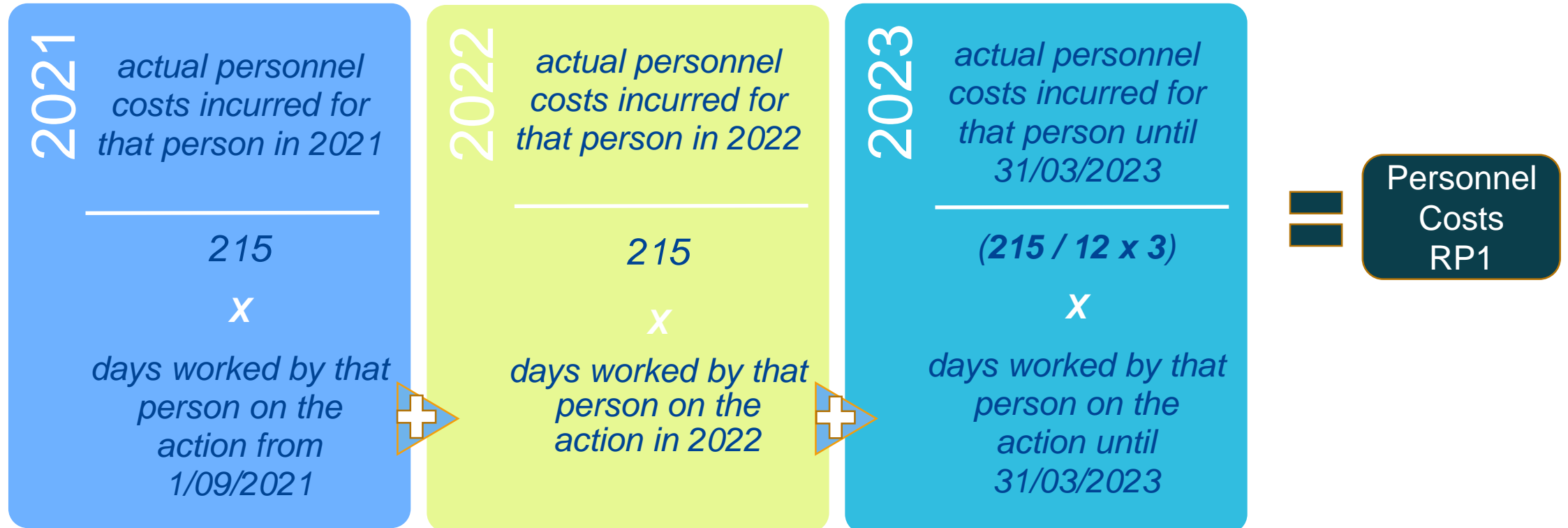
*{actual **personnel costs** of the person incurred over those months*

divided by

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

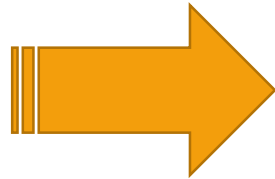
Example

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



Days worked – record keeping

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).

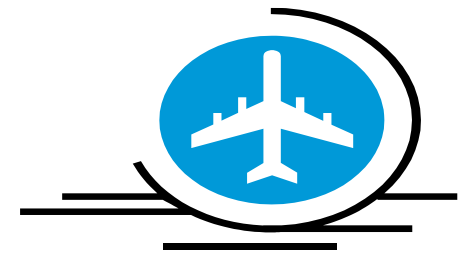
DIRECT COSTS



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

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](#).



Proposal: Budget Plan



Example for a budget calculation

- Research and Innovation action, 100% funding rate
- 25% flat-rate automatically calculated

Eligible costs (per budget category)					EU Contribution		
(A) Direct personnel costs	(B) Other direct costs	(C) Direct costs of sub-contracting	(F) Indirect costs	(H) Total estimated eligible costs	(I) Reimbursement rate (%)	(J) Maximum EU Contribution	(K) Requested EU Contribution
Actual	Actual	Actual	=0,25* (A+B)	=A+B+C+F	100%	(=H*I)	
10.000	2.000	500	3.000	15.500	15.500	15.500	15.500

*indirect cost flat-rate is not budgeted on subcontracts and „in-kind-contributions“ of third parties not on the beneficiary’s premises



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)
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

1. Select one Work Package from the Call you have worked on, or own HEU Work Package

2. Draft Work Package Tasks & divide them to contributors. Estimate costs for each partner and in total (personnel, purchases, subcontracting)

2.1. Identify and list Work Package Tasks:

2.2. Identify and list partners/beneficiaries to be involved:

2.3 Do a person-month allocation based on results of 2.1 and 2.2

	Beneficiary 1	Beneficiary 2	Beneficiary 3	Subcontract or	Total
WP Task 1					

2.4 Do an amount calculation:

	Nr. of p-m	Monthly rate	Amount
Beneficiary 1			
Total for WP:			

2.5 Estimate other costs/purchase costs/subcontracting for this WP (only rough estimates):

Travel:

Purchases:

- catering; flyers; brochures; website; video, etc.:
- Consumables:
- Equipment (particular probe; software): Laboratory Equipment:
- Sub-contracting (i.e. outsourcing):

2.6 Calculate Indirect Costs: (Personnel Costs + Purchase Costs + Travel Costs) * 0,25 =

2.7 Calculate total costs of WP based on the calculated estimates:

Personnel:

Travel:

Purchase:

Subcontracting:

Indirect Costs:

Total Costs:



Thank you!

HorizonEU

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