

Horizon 2020 Condensed

The Legal and Financial Basics

Under FP7, legal and financial issues represented a constant battle for many institutions and a number of issues had to be clarified by the European Commission to beneficiaries throughout the programme. For Horizon 2020, the Commission has given itself the challenge of simplifying participation in the programme. This simplification agenda touches upon several aspects, including the reimbursement rates, time recording and the overall presentation of guidance and legal documentation to the end users.

The official European Commission guidance is still under development. Therefore, UKRO would like to provide subscribers with some insights into the likely rules for and most important implementation aspects of Horizon 2020 in this short factsheet.

The legal foundation of Horizon 2020

The Regulation on the Horizon 2020 Rules for Participation is the important legal text for Horizon implementation aspects. This EU Regulation lays down both the specific rules for participating in Horizon 2020 and the dissemination and exploitation of project results.

The Model Grant Agreement

For Horizon 2020 projects, all beneficiaries have to sign a grant agreement (GA) with the Commission. These are based on a standard Model Grant Agreement (MGA) which is a substantive document of over a hundred pages. Whereas in FP7 different models were used depending on the programme or project type used, there is one overall MGA for Horizon 2020 which is adapted in certain places depending on the programme or project type. There will be one model for multi- and one for mono beneficiary grants (for example for an ERC Starting Grant where only a single beneficiary is involved).

Having said this, the MGA actually consists of a “catalogue” of documents, including a number of annexes. There are also models of the texts that are inserted for specific actions, such as for European Research Council (ERC) projects or for the Marie Skłodowska-Curie Actions (MSCA). The primary annexes are:

- **Annex I, description of the action** – essentially the technical details of performance of the project adapted through negotiation from the original proposal.
- **Annex II, the budget** – this is the table of the estimated budget for the Horizon 2020 project. The table gives details for each beneficiary and will, depending on the type of action or project, list personnel and other direct costs, unit costs, subcontracting, third party costs and indirect costs. It then summarises the total costs and gives the amount of the EU contribution
- **Annex III, accession of partners** – For each project the MGA is signed by the project co-ordinator and the European Commission, and project partners accede the MGA by signing and accession form (Annex III to the MGA).

- **Annex IV, Model financial statements** – this form will be completed by beneficiaries at the end of a reporting period and builds on Annex II, the budget table.
- **Annex V, Model for the certificate on the financial statements** – this is the model for the audit certificate which in Horizon 2020 is only due at the end of the project and only when a beneficiary claims more than EUR 325,000 in EU contribution.
- **Annex VI, Model for the certificate on the methodology** – this is for beneficiaries that wish to obtain certification on their methodology for charging direct personnel costs declared as unit costs.

There are additional annexes for some specific schemes, such as ERA-NETs.

European Commission guidance

The European Commission is planning to make guidance available via the Research Participant Portal. There will be a Guidance Manual and also an annotated version of the Model Grant Agreement, which will provide clarification to individual articles. This guidance will continue to be developed after the first Horizon 2020 calls are launched.

Participation basics

For the exact eligibility criteria and conditions we recommend consulting the **General Annexes (A-K)** to the Work Programme 2014-2015. These are:

- **Annex A:** List of countries, and applicable rules for funding
- **Annex B:** Standard admissibility conditions for grant proposals, and related requirements
- **Annex C:** Standard eligibility criteria
- **Annex D:** Types of action: specific provisions and funding rates
- **Annex E:** Specific requirements for innovation procurement (PCP/PPI) supported by Horizon 2020 grants
- **Annex F:** Rules of Contest (RoC) for Prizes
- **Annex G:** Technology readiness levels (TRL)
- **Annex H:** Evaluation
- **Annex I:** Budget flexibility.
- **Annex J:** Classified Information
- **Annex K:** Financial support to third parties

How much will be reimbursed?

Horizon 2020 will use a simplified funding model compared to FP7. For research and innovation actions, there is only one funding rate for non-profit entities in the programme for direct costs of 100%, with a 25% flat rate for indirect costs. Other entities will also be reimbursed 100% of direct costs for research and innovation actions, but only 70% for innovation actions.

Who will be eligible for funding?

28 EU Member States	Associate Countries	Third Countries
<ul style="list-style-type: none"> • Croatia joined in 2013 	<ul style="list-style-type: none"> • Similar list to FP7 expected • Still under negotiation • Some might not sign agreement in time for Horizon 2020 start but beneficiaries from these countries can still apply. However, the formal association agreement would need to be in place with that country before the beneficiary could sign up to the Grant Agreement. 	<ul style="list-style-type: none"> • BRIC (Brazil, Russia, India, China) and Mexico are no longer automatically eligible for funding. • Countries who will automatically be eligible for funding will be listed in Annex A to the MGA. • Under certain conditions, other third countries may be eligible for funding, for example where there is an agreement between the EU and the third country (for example for the Health Societal Challenge with the USA).

Who can participate?

Minimum three legal entities, independent of each other, and each established in a Member State or an Associated Country.

Exceptions to this rule include mono-contractor grants including European Research Council (ERC) grants, Co-ordination and Support Actions (CSAs) or for example the SME instrument.

What main types of actions are available and how are they funded?

Research and innovation actions	'Traditional' multi-national, multi-partner collaborative research and innovation projects – funding rate 100%.
Innovation actions	Actions which might include limited research and development activities but where the main focus is on innovation, including new or improved products, processes or services – funding rate 70% (non-profit legal entities 100%).
CSA: Coordination and Support Action	'Traditional' multi-national, multi-partner support actions or accompanying measures. CSAs do not provide funding for the actual research costs but for example for co-ordination of research policies, networking activities or also studies and events in some cases – funding rate 100%.
SME Instrument	Designed specifically for Small and Medium-Sized Enterprises (SMEs) – research can be subcontracted to HEIs but they would not be full project partners receiving an EU contribution. Different phases are supported – funding for phase one is a lump sum of EUR 50k and funding rate for phase two is 70% (or 100% where research component is predominant).
ERA-NET Cofund	Research programmes run by network of national funders in specific field part funded by EU from Horizon 2020. ERANETs under Horizon 2020 have to launch at least one transnational call, for which they can receive top-up funding from Horizon 2020 – funding is max 33% of the total eligible cost of the action.
Prizes	Specific competitive calls – content varies – funding in form of a lump sum.
PCP: Pre-contractual procurement	Public sector buys R&D to steer development of solutions to its needs
PPI: Public procurement of innovative solutions	Public sector acts as launching customer / early adopter / first buyer for innovative products and services that are newly arriving on the market (not widely commercially available yet)

Prizes

Prizes are a new feature in Horizon 2020 (FP7 piloted a prize under the Health theme). Some prizes will be awarded under Horizon 2020, though it currently looks like no prizes will be launched in the first year of Horizon 2020. In a prize competition, the Commission will ask for a solution to a particular challenge,

without defining a path for how to reach this solution. The goal will be to go beyond the current state of the art in research and innovation.

Prizes under Horizon 2020 can take different shapes. One way of implementing them would be to use a 'first past the post' approach where the first to find the solution is awarded the prize. The alternative would be a 'best in class' approach where whoever shows the best results by a certain deadline gets the award.

There will not be eligible or non-eligible costs for prizes, no co-financing and no financial reporting will be required. Prizes will be awarded solely on the basis of results irrespective of costs.

Prizes will be either managed directly by the European Commission, or they might be outsourced or certain elements of the competition, such as the dissemination and communication activities, could be tendered out. In any case, the Commission will set out the rules of the contest and for the evaluation. Prizes can be awarded any time until the end of the Multiannual Financial Framework (MFF).

Prizes will be introduced in the Work Programme but they will not be launched as part of calls.

The Horizon 2020 Guarantee fund

As in FP7, 5% of the pre-financing will be automatically withheld and paid into the Commission's Guarantee Fund for Horizon 2020. The funds are returned to beneficiaries at the end of the project. The Guarantee funds could be used in specific instances such as when one of the beneficiaries in a consortium goes bankrupt to ensure that remaining project partners do not have to carry the financial burden.

Certificates on the Financial Statements and Commission audits

Under Horizon 2020, Certificates on the Financial Statements (CFS) – audit certificates on the costs declared by a beneficiary – are only due at the end of the project. And a CFS only has to be submitted by those beneficiaries, who reach a threshold of EUR 325K in costs.

Audits carried out by the Commission are limited to 7% of Horizon 2020 beneficiaries, compared to 9% of FP7 beneficiaries audited to date.

EU grant management

Under Horizon 2020, the Commission is planning to outsource the grant management largely to executive agencies. While this was done for some FP7 grants (for example ERC grants were managed by the European Research Council Executive Agency ERCEA, Marie Curie Actions (MCA) by the Research Executive Agency REA etc.), additional agencies will be used under Horizon 2020. The handover process for the outsourcing will be gradual and will probably not be completed until later in 2014.

The Commission will also set up a **Common Support Centre** to have greater consistency in terms of interpretation of the rules.

More information

- Sign up to the UKRO Portal News to stay up to date on Horizon 2020 general developments, calls, events and results:
<http://www.ukro.ac.uk/subscriber/Pages/default.aspx>
- UKRO publishes regular updates on all of these initiatives and policies. Use the Portal search function, for example using 'Horizon 2020 implementation' or 'Participation' to find previously published articles:
<http://www.ukro.ac.uk/Search/advanced.aspx>
- For specific questions, contact your UKRO European Advisor:
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