

Co-funded partnerships

Draft Factsheet Financial Management

Currently there are no drafts Model Grant Agreements available. The information provided is reflecting the current state of discussion (09/2020).

Basis of EC contribution: Eligible Costs

Activities in co-funded partnerships are implemented in the context of a Grant Agreement (programme co-fund action). The activities are described in an Annual Work Plan and the implementation of activities and costs are reported to the European Commission. Eligible costs have to be in line with Horizon Europe eligibility criteria; in particular the rules for the selection of transnational projects need to be followed and no gaps in ranking lists can be accepted. The costs are reimbursed after approval in accordance with the applicable funding rate (usually 30%, max 50%) on an annual basis. Funding rates will be 30% for actions where the main activity is providing financial support to third parties. Payments of the Union contribution are based on one or more pre-financings and annual interim payments. The requests for payment of the balance are made with the final report. The Grant Agreement might cover a period of 10 years, with 7 years of activities and 3 years follow-up of projects and winding down operation.

Possible Eligible Costs

- Funding of projects resulting from calls (not the project costs but the funding for the selected transnational projects);
- Coordination and management of the programme including call preparation and implementation (evaluation costs): Unit Costs for implementation or actual costs¹
- Costs of other any other activities foreseen in the Description of Activities (including e.g. monitoring and impact assessments)
- Other costs e.g. Costs for Certificates on Financial Statements
- Indirect costs: flat rate of 25% on direct costs except financial support to third parties and subcontracting

The negotiations on synergies are still ongoing; the political ambition is the following: “Financial contributions under programmes co-financed by the ERDF, the ESF+, the EMFF and the EAFRD may be considered as a contribution of the participating Member State for the purpose of Horizon Europe, provided Article 106 and other applicable provisions of the [new Common Provisions Regulation] and the fund-specific regulations are complied with.”

¹ Current discussion: Beneficiaries can choose between using reporting of actual costs or unit costs. A partnership consortium may contain both types of beneficiaries (reporting actual costs or unit costs).

Use of EC contribution: Agreed by consortium

The consortium decides on the allocation of the Union contribution to each activity and beneficiary (which can result in an unequal distribution to beneficiaries/activities). In order to ensure full use of the Union contribution in individual calls and for all calls collectively, the consortium needs to ensure sufficient reserve amounts for national call contributions (H2020 experience: around 20%). The total EU contribution is calculated as a percentage of the total eligible costs. Therefore, if the actual costs are lower than the original amount defined in the Grant Agreement, the EU contribution will be reduced accordingly. Since the response to a transnational call is unforeseeable (depending on the success of national applicants in calls) and the ranking list needs to be followed according to the EC rules, it is in the interest of all consortium members to agree on a flexible distribution of the EC contribution.

Table 1: Example for the allocation of EC contribution to funding transnational projects

| Beneficiary | Requested Funding by final beneficiaries | Available National Funding | Eligible EC contribution | Example for Internal agreement on allocation of EC contribution | Eligible funding rate | Resulting Internal funding rate |
|--------------|--|----------------------------|--------------------------|---|-----------------------|---------------------------------|
| A | 500 000 | 200 000 | 150 000 | 300 000 | 30% | 60% |
| B | 500 000 | 800 000 | 150 000 | 75 000 | 30% | 15% |
| C | 500 000 | 300 000 | 150 000 | 200 000 | 30% | 40% |
| D | 500 000 | 400 000 | 150 000 | 100 000 | 30% | 20% |
| E | 500 000 | 500 000 | 150 000 | 75 000 | 30% | 15% |
| Total | 2 500 000 | 2 200 000 | 750 000 | 750 000 | 30% | 30% |

This allocation is also called a mixed funding mode: a part of the call budget is spent as a real common pot while the other part is spent as a virtual common pot. This funding mode enables national/regional programme owners to retain substantial autonomy and control of their own national/regional budgets and funding decisions while a part of the budget (e.g. the EC top-up funding) is dedicated to funding the proposals with the highest quality despite gaps in available national/regional budgets. The national/regional funding organisations must agree on a joint ranking list of proposals and formally commit to financing the successful transnational projects. The mixed mode has demonstrated to be instrumental in following the ranking list.

A consortium can also decide to allocate the EC contribution in the planned partnership activities differently which can result in higher or lower funding rates for specific activities.

Table 2: Example for the allocation of EC contribution to different activities

| Activity | Costs | Eligible EC Funding Rate | Internal funding rate | EC Contribution | Internal allocation of EC Contribution | In Kind Contribution |
|------------------------------|------------------|--------------------------|-----------------------|-----------------|--|----------------------|
| Coordination/Management | 250 000 | 30% | 100% | 75 000 | 250 000 | - |
| Capacity Building | 550 000 | 30% | 18% | 165 000 | 100 000 | 450 000 |
| Monitoring/Impact Assessment | 700 000 | 30% | 14% | 210 000 | 100 000 | 600 000 |
| Total | 1 500 000 | | | 450 000 | 450 000 | 1 050 000 |