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Factsheet: Rules under Horizon 2020

The Horizon 2020 Framework Programme represents a radically new and comprehensive approach to the EU's research and innovation funding policies. The Rules for Participation and Dissemination are designed to implement this new approach in a way that researchers and businesses can benefit from it to the fullest extent.

The new provisions ensure that the three key objectives of the new Framework Programme – integration of support to innovation, coherence of the rules and simplification for the benefit of participants – will be realised.

A seamless innovation chain

A single set of rules is now applicable to the whole innovation chain, ranging from frontier research over technological development to “close to market” applications. Important new features are for instance the possibility to award grants to single beneficiaries as well as new funding schemes such as pre-commercial procurement and procurement for innovative solutions, which are specifically targeted at innovation. Moreover, specific provisions on minimum conditions and IPR should facilitate the participation of innovative SMEs. Finally, the Rules provide for EU's loan and equity-based financial instruments, which will allow tailor-made financial support for innovative enterprises and may be combined with Horizon 2020 grants.

Coherence

The Rules will establish a common legal frame for the formerly separated research (FP) and innovation (CIP) programmes. Moreover, as a general principle they will equally apply to all other Horizon 2020 funding bodies such as the Article 185 TFEU initiatives, the Joint Technology Initiatives and the European Institute of Technology. Great care has been taken to ensure coherence of this legal frame with all other EU funding programmes. To this end the Rules have been strongly aligned to the new Financial Regulation which entered into force in January 2013 and which is applicable to all EU funding programmes. Finally, the Rules foresee the possibility of cumulative funding between Horizon 2020 and other EU funding programmes.

Simplification: a major feature of Horizon 2020

Horizon 2020 has been constructed from the outset around a radical simplification of its architecture, rules, procedures and control strategy, to attract the top researchers and the most innovative enterprises.

Receiving EU research and innovation funding is a highly competitive process. Reacting to calls for proposals, consortia of industry, academia and other players submit project ideas that are evaluated by panels of independent experts. The Commission enters into grant preparations with the selected proposals (success rate about one in five). Once all administrative and technical details are fixed, the grant agreements are signed. Consortia receive pre-financing at the project start and further payments following the acceptance of interim and final reports. The projects are co-financed by the EU and the participants. For research and development

projects the share of the EU contribution can be up to 100% of the total eligible costs. For innovation projects up to 70% of the costs, with the exception of non-profit legal entities which can also receive up to 100 % in these actions. In all cases indirect costs will be covered by a flat rate of 25% of the direct costs.

Simplification in Horizon 2020 has three overarching goals:

- reduce the administrative burden and related costs of participants;
- speed up all processes of proposal and grant management and
- reduce the financial error rate.

Dimensions of simplification

Structural simplification is provided through:

- a simpler programme architecture which makes it easier for participants to identify where funding opportunities exist;
- a single set of participation rules (covering issues such as eligibility, evaluation, Intellectual Property Rights, etc.) applying to all components of Horizon 2020; with deviations only possible when justified by specific needs;
- electronic signature of grants and amendments; to simplify and speed up administrative procedures;

Simpler funding rules, that take into account the stakeholders' preference for the reimbursement of actual costs, including:

- simpler reimbursement of direct costs, with a broader acceptance of the beneficiaries' usual accounting practices;
- the possibility of using unit personnel costs (average personnel costs) in accordance to the beneficiaries' usual cost accounting practices;
- abolition of time-recording obligations for staff working exclusively on an EU project, and simplification of time-recording requirements for other staff by providing a clear and basic set of minimum conditions;
- indirect costs covered by a single flat-rate applied to the direct costs; removing a major source of financial errors and complexity;
- two funding rates but only one predetermined rate applicable to all activities in the same project: one project – one rate;
- lump sums, prizes, output based funding for specific areas where this has proved appropriate;

A revised control strategy will achieve a new balance between trust and control by:

- an extension of the guarantee fund to all actions in Horizon 2020 funded by Union bodies according to the Rules for Participation. This

fund belongs collectively to the beneficiaries, who have to contribute to it; it is managed by the Commission and insures against financial losses due to defaulting beneficiaries.

- an ex-ante financial capacity check required only for private coordinators in projects of more than EUR 500.000.
- a reduction of the number of certificates on the financial statements by:
(i) not requiring interim certificates (only one at the end of the project per participant reaching the triggering ceiling); (ii) basing the triggering ceiling only on actual costs (i.e. excluding flat rates, lump sums, etc).
- a reduction of the audit burden on participants through an ex-post control strategy with emphasis on risk-based control and fraud detection; a single-audit concept for all Commission services and a reduction of the period for ex-post audits from five to two years after the payment of the balance.

This revised approach should translate into a maximum of 7% of Horizon 2020 beneficiaries being subject to audit over the whole programming period (although the percentage of budget audited will be higher, as many larger projects will be audited).

In parallel, the Commission will continue to streamline, harmonise and accelerate procedures and processes linked to programme and project implementation. Moreover, the Commission will build on progress made in increasing the quality, efficiency and consistency of implementation via a single user-friendly IT platform providing a one-stop shop for participants (e-Horizon 2020), as well as through further steps towards externalising EU research and innovation funding. The use of the existing executive agencies will be optimised through an increase in their staff numbers, but possibly also through a redistribution of tasks to achieve greater specialisation.

The Commission is committed to reduce in Horizon 2020 the time to grant (defined as the administrative period between submission of a proposal and signature of the grant agreement) to a general maximum of 8 months.

Reduced complexity – an example

The funding rules of FP7, with the complex matrix of organisation categories, different reimbursement rates, types of activities and methods for determining the indirect costs, made a budget table for a typical FP7 collaborative project look like this:

Participant short name	Funding rate for RTD %	Indirect costs method	RTD/Innovation		Demonstration (50% reimbursement)		Management (100% reimbursement)		Other (100% reimbursement)		Total costs	Requested EU contribution
			Direct costs	Indirect costs	Direct costs	Indirect costs	Direct costs	Indirect costs	Direct costs	Indirect costs		
University A	75	60%	531.250	318.750			175.000	105.000	156.250	93.750	1.380.000	1.167.500
Foundation B	50	20%	625.000	125.000	58.334	11.666			144.896	28.979	993.875	771.375
University C	75	Simplified	481.000	240.500	26.667	13.333			133.334	66.666	961.500	761.125
SME D	75	60%	281.250	168.750	140.625	84.375			43.750	26.250	745.000	520.000
Enterprise E	50	Real	270.270	229.730	162.162	137.838			54.054	45.946	900.000	500.000
SME F	75	Real	390.000	310.000	61.289	48.711			111.433	88.567	1.010.000	780.000
Total			2.578.770	1.392.730	449.077	295.923	175.000	105.000	643.717	350.158	5.990.375	4.500.000

Before such an FP7 grant could be signed, SMEs D and F would have to provide extensive documentation to prove that they fulfil the conditions for being considered SMEs. The validation would typically require several weeks. Moreover, Foundation B, SMEs D and F and enterprise E would have to be checked for their financial capacity.

When submitting cost claims during this project, the consortium would have to provide up to 11 certificates on the financial statements.

Under the Horizon 2020 rules (one reimbursement rate, single flat rate for indirect costs) the same budget table would be much simpler:

Participant short name	Estimated eligible costs		Total costs	Requested EU contribution (100%)
	Direct costs	Indirect costs (25%)		
University A	862.500	215.625,00	1.078.125,00	1.078.125,00
Foundation B	828.230	207.057,50	1.035.287,50	1.035.287,50
University C	641.001	160.250,25	801.251,25	801.251,25
SME D	465.625	116.406,25	582.031,25	582.031,25
Enterprise E	486.486	121.621,50	608.107,50	608.107,50
SME F	562.722	140.680,50	703.402,50	703.402,50
Total	3.846.564	961.641,00	4.808.205,00	4.808.205,00

No complex validations of the legal status of the participants would be necessary and also no financial capacity check – speeding up the time between proposal and project start considerably.

Intermediate cost claims could be submitted without any certificate on the financial statements. Only at the end would one certificate be required for each participant if its EU contribution based on actual costs was higher than EUR 325.000.

Higher flexibility - example

The Horizon 2020 rules provide also much higher flexibility to adapt ongoing projects to changing needs and circumstances. An example from an EU-funded project might look like this:

A researcher from Foundation B, a key person in the project, starts working for University D, and this change needs to be reflected in the composition of the consortium for the EU-funded project. This means an amendment to the Grant Agreement in order to add University D as beneficiary, and possibly terminate the participation of Foundation B. Under FP7, the coordinator of the project would face complex adjustments due to the differences in funding rates and indirect cost methods applied to the Foundation and the University. Handling these modifications under Horizon 2020 will be straightforward due to the single funding rate and indirect costs flat rate.