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Navigating Horizon Europe: Financial Essentials

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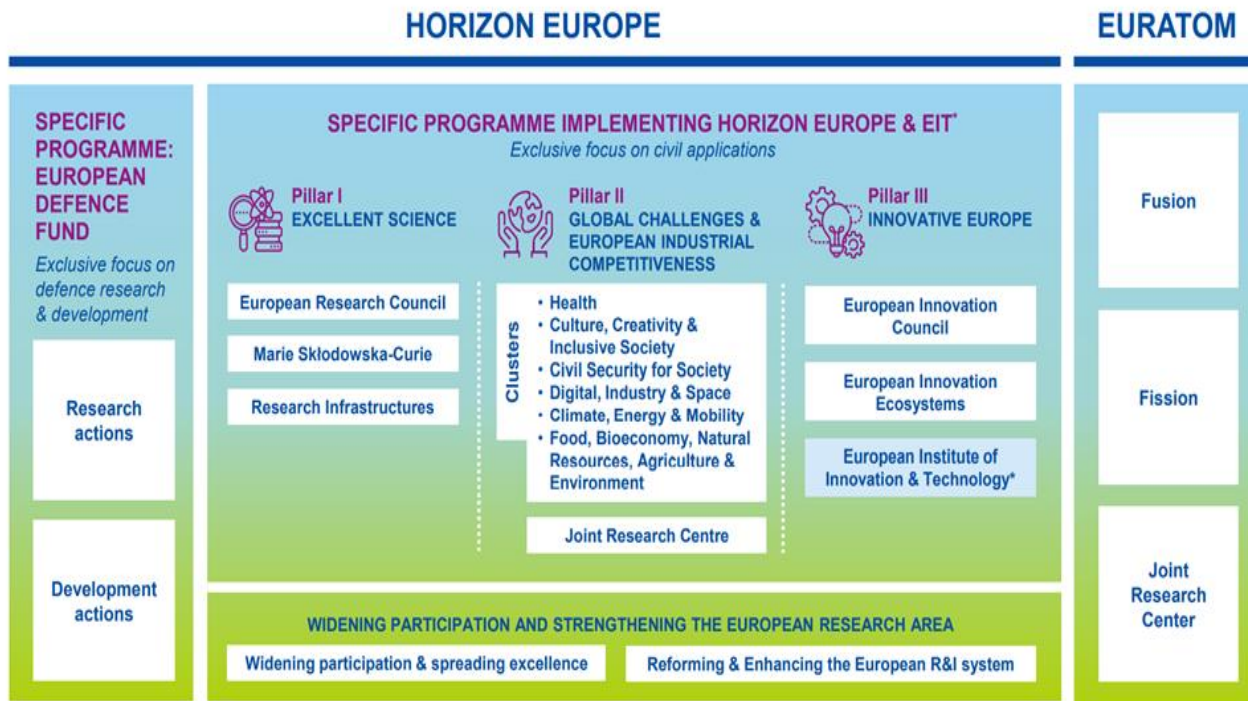
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Agenda

- Quick intro to Horizon Europe
- Types of actions: RIA, IA, CSA, PCP/PPI — what they fund & funding rates
- Eligible vs ineligible costs (categories & examples)
- Indirect costs: flat rate 25% and calculation
- How to declare costs: actual costs, unit costs, lump sums, time-recording
- Pre-financing, payments, Form C & Certificates (CFS)
- Own funding, co-financing and budget transfers
- Audits, retention of records, practical checklist

What is Horizon Europe?



* The European Institute of Innovation & Technology (EIT) is not part of the Specific Programme

- EU's research & innovation funding programme (2021–2027)
 - Biggest R&I programme supporting projects across science, innovation, and market uptake
- Budget (~€93.5bn after mid-term review) and structured around Pillars and Work Programmes.
- Actions are funded via grant agreements with precise financial rules (Model Grant Agreement – MGA).



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Main Action Types — at a glance

- Research & Innovation Action (RIA)
 - scientific research, technology development. Typically 100% funding rate for all participants
- Innovation Action (IA)
 - prototyping, testing, demonstration, market-oriented activities. Funding typically 70% for for-profit participants, 100% for non-profit participants.
- Coordination & Support Action (CSA)
 - networking, coordination, policy, capacity-building — usually 100% funding.
- PCP / PPI
 - Specific procurement-driven actions (PCP often 100%, PPI 50% or as specified).



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Funding Rates — summary

- RIA
 - 100% of eligible direct costs for all participants.
- IA
 - 70% for for-profit participants
 - 100% for non-profit participants (universities, research organisations)
- CSA
 - 100% for all participants
- Indirect costs
 - flat rate of 25% of eligible direct costs
- "One project — one funding rate" principle applies generally; exceptions may appear in specific calls or partnerships.



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Eligible cost categories (high-level)

- Personnel costs
 - Salaries for time actually spent on the project, recorded and verifiable.
- Subcontracting
 - For tasks clearly described and justified in the proposal; must follow procurement rules.
- Purchases & equipment
 - Depreciation allowed for equipment used for the project proportionally to use.
- Other goods & services
 - travel, consumables, dissemination, publication, computing, training.
- Indirect costs
 - flat rate
- All costs must be: necessary, actually incurred during action period, identifiable & verifiable, incurred in accordance with beneficiary's usual accounting practices (Article 6 MGA).



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Indirect costs (overheads) — how it works

- Horizon Europe applies a flat rate of 25% of eligible direct costs (categories A–D typically) to cover overheads.
- Calculation excludes certain items (subcontracting, financial support to third parties, unit costs for internal invoicing—check specific guidance).
- Example
 - if your eligible direct costs = €100k (personnel+equipment+other)
 - indirect = €25k
 - total eligible = €125k
- The online reporting tools often auto-calculate the 25% but check exclusions and any specific exceptions in the GA.



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Common ineligible costs (examples)

- Return on capital, dividends, debt service and interest; provisions for future losses; costs already covered by other EU grants (no double funding).
- Currency exchange losses, excessive or reckless expenditure, fines & penalties, and costs outside the action period.
- Deductible VAT is generally ineligible
- Non-deductible VAT can be eligible (check national VAT rules and beneficiary accounting).
- Always check Article 6 of MGA and the Annotated GA for detailed lists and country-specific clarifications.



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How to declare costs — main forms

- Actual costs
 - Based on real, documented expenses (most common for personnel, subcontracting)
- Unit costs / Rates
 - pre-defined amounts per unit (e.g., travel per km) — need supporting evidence of units used
- Lump sums
 - fixed reimbursement linked to achievement of milestones/deliverables; no detailed cost reporting but strict rules apply.
- Mix allowed
 - a project can combine actual costs, unit costs and lump sums where permitted by the call.



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Personnel costs — practical rules

- Record actual hours worked on the project (timesheets/time-recording) unless using approved unit costs.
- Use the beneficiary's usual cost accounting practices (employment contracts, payroll records, social charges).
- Include gross salary + employer social security and similar statutory costs; identify the % charged to project based on time dedicated.
- Time-recording requirements are strict — ensure consistency between timesheets and reported costs. See AGA annotations on Article 6.



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Timesheets — Requirements and Best Practices

- Timesheets are mandatory for personnel declaring actual hours unless using fixed unit costs (e.g., HE-approved daily rates).
- They must include: project name/acronym, beneficiary name, employee name, reference to Grant Agreement number, task/work package, and period covered.
- Each entry must show hours worked per day and be signed (by the employee and supervisor). Electronic systems with audit trails are acceptable.
- Keep timesheets consistent with HR contracts, payroll, and technical reports.
- Timesheets should be kept for 5+ years (audit retention).



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Equipment & depreciation

- Only the portion of depreciation corresponding to project duration and actual use is eligible.
- Depreciation must follow beneficiary's usual accounting rules; small-value assets may be charged fully if allowed by accounting practice.
- Leasing can be eligible if conditions and costs are comparable to depreciation of owned equipment.



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Subcontracting — do's & don'ts

- Subcontracting must be justified, described in Annex 2 (GA) and procurement must ensure best value and transparency.
- Costs are eligible but excluded from the indirect-cost base (i.e., not included when calculating the 25% flat rate).
- You cannot subcontract work to beneficiaries of the same consortium (unless explicitly foreseen).
- Follow internal procurement procedures, keep evidence of selection (offers), and avoid conflicts of interest.



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Financial support to third parties (cascade grants)

- Some actions allow financial support to third parties (FSTP) — strictly regulated and must be foreseen in the GA and budget.
- Costs given as grants to third parties are excluded from the indirect cost base and require transparent selection/evaluation procedures.



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Eligible period & cut-off rules

- Costs must be incurred during the action period defined in the Grant Agreement (start and end dates).
- Some costs for final reporting may be allowed after the end date — check Article 21 and Annotated GA.
- Costs outside the project period are ineligible.



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Reporting & payments — Form C and milestones

- Beneficiaries submit periodic reports with a consolidated declaration of eligible costs (per period) and technical reporting.
- Form C (financial statement) is used to claim reimbursement; the Commission processes payments based on this and final reconciliation.
- Payments: pre-financing on signature, interim payments after periodic reports, final payment after reconciliation.
- Maintain strong documentation to support the Form C and be ready for audits. Pre-financing is designed to cover initial project expenditure.



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CFS (Certificate on Financial Statements) & audits

- A CFS by an external auditor may be required if a beneficiary requests reimbursement of costs above thresholds or in specific schemes.
- Audits: the Commission and other bodies can audit project accounts; keep records for at least 5 years (often more for public entities).
- Prepare audit packs: payroll extracts, timesheets, invoices, procurement records, bank statements.



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Own funding and co-financing

- Horizon Europe is typically reimbursement-based; beneficiaries must finance their activities (cashflow planning is crucial).
 - Own contributions (co-financing) are allowed and may be necessary but are not always required — depends on action and call.
 - No profit allowed: the grant may not produce profit for beneficiaries; revenues generated by the project must be declared and deducted where required.
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- Document internal co-financing and show it in reports if applicable.



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Practical checklist (administrators & PIs)

- Set up project chart of accounts and cost centers from day 1.
- Ensure timesheets and personnel records match reported costs.
- Collect procurement evidence (3 quotes where possible), invoices, and payment proofs.
- Document equipment use calculations and depreciation for project use.
- Plan for cashflow: pre-financing, interim payments and timing of Form C submissions.



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Common mistakes to avoid

- Weak or missing time-recording for personnel costs.
- Claiming costs outside action period or without evidence of necessity for the project.
- Mixing VAT treatment without local tax advice; double funding (same cost claimed under two grants).
- Train project staff early and run internal audits before Form C submission.



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Key official sources & where to read more

- Horizon Europe Model Grant Agreement (MGA) and Annotated GA (EC website).
- Online 'How to complete your financial statement' & CFS templates (Funding & Tenders Portal).
- National contact point guides and helpdesks (e.g., UKRO, national research offices).



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Annex: Quick reference (at-a-glance)

- Funding rates: RIA 100% | IA 70% (100% non-profit) | CSA 100%.
- Indirect costs: flat rate 25% of eligible direct costs (exclusions apply).
- Main eligible costs: personnel, subcontracting, equipment (depreciation), other goods & services.
- Ineligible highlights: return on capital, debt interest, exchange losses, costs outside project period.



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Contacts & next steps

- Nominate a project financial manager and primary administrative contact.
- Run a pre-award financial check and set up internal procedures for reporting and audits.
- Book a session with your national Contact Point or institutional grants office to review specific cases.



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Core Financial Principles — Overview

- All Horizon Europe grants follow the principle of reimbursement of eligible costs, unless a lump sum model applies.
- Eligible costs must be:
 - Actually incurred and identifiable in the beneficiary's accounts.
 - Necessary for the project and incurred during its implementation period.
 - Reasonable, justified, and consistent with the beneficiary's normal accounting and management principles.
- Budget categories include: personnel, subcontracting, equipment (depreciation), travel, other goods & services, and indirect costs (25% flat rate).
- Ineligible costs include: return on capital, debt service, exchange losses, provisions, fines, and costs already funded elsewhere.



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Administrative Aspects and Reporting — Overview

- Beneficiaries must maintain robust administrative and accounting systems for all project activities.
- Key administrative requirements:
 - Use the EU Funding & Tenders Portal for all communication, amendments, and reporting.
 - Submit periodic reports (technical and financial) within 60 days after each reporting period.
 - The coordinator consolidates data from all partners and submits the overall report.
 - Final report includes project results, dissemination activities, and final financial statements.
 - Keep all records for 5 years (or longer for public bodies) to allow for audits and verifications.



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Where to Find Help and Guidance

- Official EU sources:
 - Funding & Tenders Portal: project reporting tools, financial guidelines, templates, and FAQs.
 - Horizon Europe Online Manual: comprehensive guidance on financial, legal, and IPR aspects.
 - Model Grant Agreement and Annotated MGA: the core legal reference documents.
 - European IP Helpdesk: <https://intellectual-property-helpdesk.ec.europa.eu> for IPR management.
 - National Contact Points (NCPs): free expert support for applicants and beneficiaries in each country.
 - EU Academy: online platform offering free training courses on Horizon Europe participation.
 - Project Officers and Agency Helpdesks: contact via the Funding & Tenders Portal for specific clarifications.
 - Upcoming trainings and webinars: listed regularly on the Portal and NCP websites.



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