



Navigating Horizon Europe: Financial Essentials

Horizon Europe National

Info Day

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Key Expert - 2





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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,



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Our Journey Today: The Four Phases of Financial Management





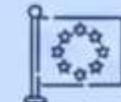
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**EU Political
Priorities/Strategies**
(e.g., Green Deal, Digital Decade)



**Multiannual Financial
Framework (MFF)**
(Setting Budget and
Priorities 2021-2027)



EU Central Programmes

- Horizon Europe Programme
- Erasmus+ Programme
- European Solidarity Corps Programme (ESC)
- Customs Programme
- Single Market Programme (SME Component)
- Digital Europe Programme
- EU Civil Protection Mechanism



Instrument for Pre-Accession Assistance (IPA)

- Rule of Law, Fundamental Rights, Democracy
- Good Governance, Acquis Alignment, Strategic Communication and Good Neighbourly Relations
- Green Agenda and Sustainable Connectivity
- Competitiveness and Inclusive Growth
- Regional and Cross-Border Cooperation



Cross-Border Cooperation Programmes

- Interreg IPA Bulgaria-Turkey Programme
- Interreg NEXT Black Sea Basin Programme
- Interreg NEXT Mediterranean Basin Programme



Turkey Investment Platform (TYP)

- European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), German Development Bank (KfW) and World Bank

- Connectivity: Energy, Transport and Digitalization, Inclusive and Green Transformation of SMEs and Employment, Sustainable Agriculture, Bio-diversity and Protection of Natural Resources, Sustainable Cities, Sustainable Finance, Human Development

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).



The Horizon Europe Project Lifecycle: Integrating the Four Phases of Financial Management





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EU Project Agreements: Grant vs. Consortium Agreement



Grant Agreement (GA): The EU Contract

- A binding legal contract between the European Commission and the project consortium.
 - It outlines the project's official scope, budget, and obligations to the EU.

- **Defines the VERTICAL Relationship**

Manages the link between the funding authority (EU) and the project partners.



- **Key Components of the GA**



Description of Action
(Annex I)



Estimated Budget
(Annex II)

Core Chapters Cover...



Project action



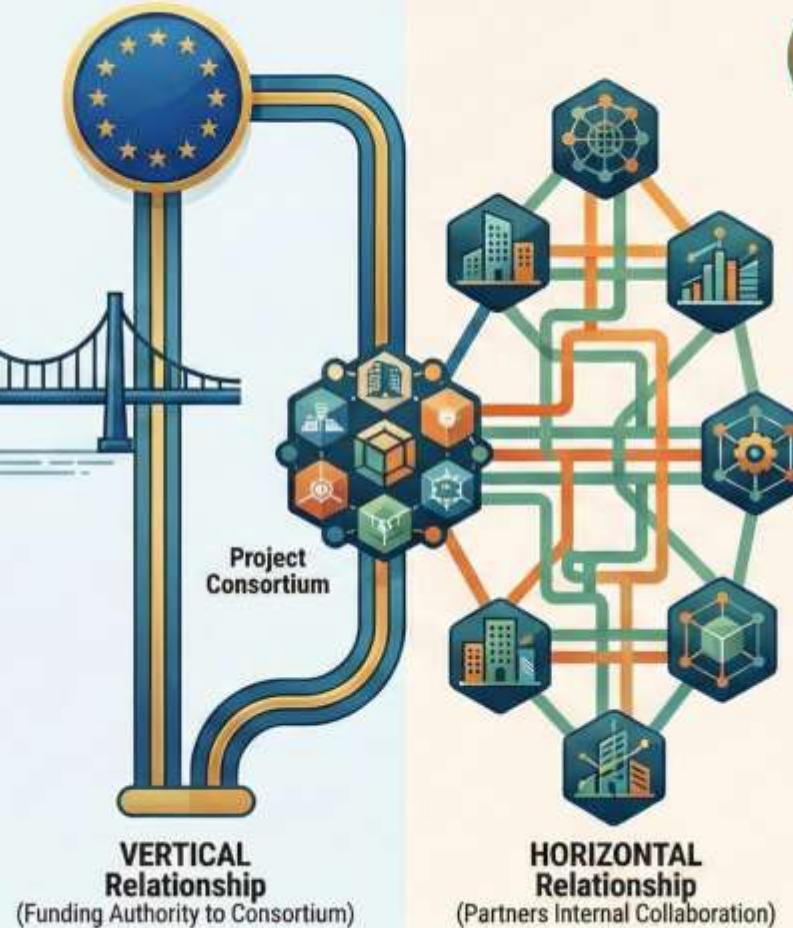
Grant amount



Rights & obligations



Roles & responsibilities



Consortium Agreement (CA): The Partners' Contract

- A private, internal contract signed by all members of the project consortium.
 - It is mandatory for most multi-partner Horizon Europe projects.



- **Defines the HORIZONTAL Relationship**

Manages the links and responsibilities between the project partners themselves.

- **Key Components of the CA**



Internal governance



Financial transfers



Intellectual property rights (IPR)



Common Model: DESCA

DESCA is a widely used template for creating a comprehensive Consortium Agreement.



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The Turkish Public Framework: Roles & Responsibilities

For Turkish public institutions (including universities) under Law No. 5018, a specific 2007 Regulation outlines the clear division of financial responsibilities and procedures in EU-funded projects.

Core Procedural Mandates



- Dedicated Account:** A special bank account must be opened for each ERC project to track all income and expenses.



- Documentation:** All expenditures require supporting documents (invoices, timesheets, etc.). Foreign documents must be accompanied by a certified Turkish translation.



- Record Keeping & Audits:** All project documents must be retained for 5 years after the final payment. Records are subject to audit by both the Turkish Court of Accounts (Sayıştay) and EU bodies (e.g., ECA, OLAF).

Division of Responsibilities: Who Does What?

Principal Investigator (PI) / Spending Authority (*Harcama Yetkilisi*)

Scientific & Strategic Oversight: Ensures project funds are used effectively, efficiently, and for the specific scientific purpose of the grant. The ultimate responsibility for the *appropriateness of purpose* for all spending lies with the PI.

Authorization: Acts as the **sole authority** to instruct and approve all payments and expenditures from the project account.

Document Management: Retains the **original** supporting documents for all expenditures within the project spending unit.

Host Institution / Accounting Unit (*Muhasebe Birimi*)

Financial Execution & Compliance: Processes and makes payments **only** upon the PI's formal instruction.

Record Keeping: Maintains the official accounting records, receives **certified copies** of supporting documents, and ensures compliance with financial regulations.

Formal Reporting: Prepares the official financial reports based on the accounting records.

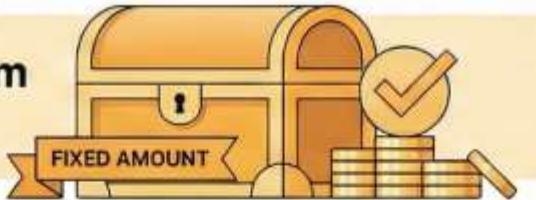
Transaction Management: Manages all banking and foreign currency transactions according to official rates (e.g., CBRT).



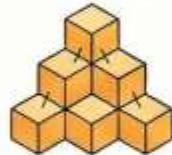
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Horizon Europe Grants: Lump Sum vs. Actual Cost Funding

Lump Sum Grants



Funding is based on completing work packages



A pre-agreed fixed amount (Lump Sum Contribution) is paid for successfully completed work packages.

Payments are triggered by results, not expenses



The consortium receives its contribution after the Granting Authority approves the completed work.

No detailed financial reporting required



There is no requirement for cost reporting or timesheets to justify expenses.

Changes often require formal amendments

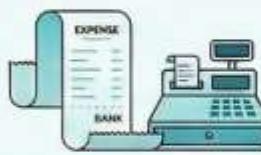


Reallocating tasks or budget may lead to a higher number of official Grant Agreement amendments.

Actual Cost Grants

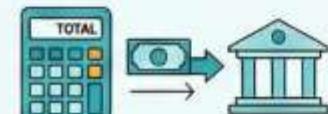


Funding is based on actual costs incurred



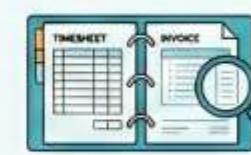
Rimbursement is provided only for eligible costs that are actually incurred and justified.

Payments are a reimbursement of declared costs



The consortium is funded for its actual, duly justified eligible costs.

Detailed justification of costs is mandatory



Parties must provide detailed records like timesheets and invoices to justify all project costs.

More internal budget flexibility



Partners can often transfer budget between activities and partners without a formal amendment.



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Comparing Project Cash Flows: Actual Cost vs. Lump Sum

Actual Cost Cash Flow Cycle

(Funding based on eligible costs incurred)

1. Grant Signature

The project officially begins upon signing the Grant Agreement.

2. Pre-financing

An initial payment is sent to the Coordinator, who distributes it to partners for essential starting cash flow.

3. Periodic Reporting & Interim Payments (Repeating Cycle)

Every reporting period (e.g., every 18 months), partners submit reports detailing actual costs, which are then reimbursed.

Cost Justification is Key

Payments are based on justifying that declared costs are eligible and were actually incurred.

Audits are Possible

The Granting Authority can conduct audits after the first interim payment to verify the declared costs.

4. Final Report & Payment

After the final report is approved, the final balance is paid out.

Lump Sum Cash Flow Cycle

(Funding based on completion of work)

~% 40

1. Grant Signature

The project officially begins upon signing the Grant Agreement.

2. Pre-financing

An initial payment is sent to the Coordinator, who distributes it to partners for essential starting cash flow.

3. Periodic Reporting & Interim Payments (Repeating Cycle)

Partners submit reports demonstrating the completion of work packages to trigger the next payment.

Work Completion is Key

Payments are fixed amounts tied to the successful completion of work packages, not the costs incurred.

Audits Verify Implementation

Audits focus on ensuring the work was properly implemented as described, rather than checking financial receipts.

4. Final Report & Payment

After the final report is approved, the final balance is paid out.

Key Financial Mechanisms (Applicable to Both Project Types)



90% Cumulative Payment Ceiling

The total of pre-financing and interim payments cannot exceed 90% of the maximum grant amount before the final payment.



Mutual Insurance Mechanism (MIM)

Approximately 9% of the total grant is retained and is released with the final payment upon successful project completion.



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Know Your Funding Rate: It Depends on Your Project Type

The EU's contribution depends on the type of action. Here are the most common ones:



Research & Innovation Action (RIA)

Focused on new knowledge and exploring feasibility.

100%

for all partners



Innovation Action (IA)

Focused on activities closer to the market like prototyping, testing, and demonstration.

70%

for for-profit entities

100%

for non-profit (e.g., universities, research orgs)



Coordination & Support Action (CSA)

Focused on networking, coordination, and policy measures.

100%

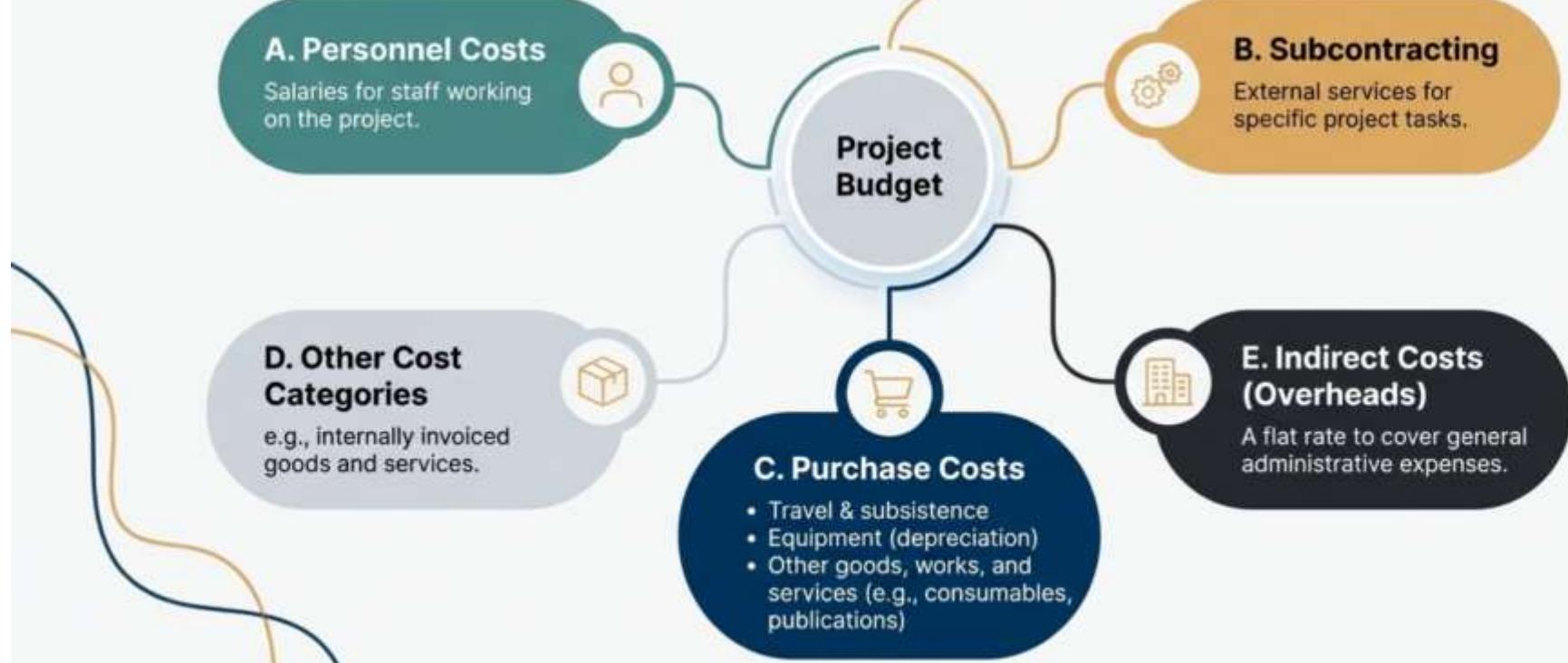
for all partners



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The Building Blocks of Your Budget

Your project budget is structured around five main cost categories. Getting these right from the proposal stage is the key to a smooth financial journey.





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Deep Dive: Personnel Costs

Core Principle

You claim costs for the **actual time** your employees spend working on the project. This must be documented.

The Daily Rate Formula

$$\text{Daily Rate} = \frac{\text{Actual Annual Cost}}{215}$$

$$\text{Total Cost to Claim} = \text{Daily Rate} \times \text{Days Worked on Project}$$

Name of the person	
Name of the person	
Month	Days worked
Signature of the person	Signature of the supervisor



Documentation is Essential: You must keep timesheets or monthly declarations signed by the employee and supervisor. This is a critical part of your audit trail.



What's Included: The calculation is based on gross salary plus employer's social security contributions and other statutory costs.



Pro-rata for Part-Time: The 215 days is for a full-time employee; it's adjusted proportionally for part-time staff.

Pro Tip: This is the most common area for errors. **Set up a clear and consistent time-recording system from Day 1.**



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Deep Dive: Subcontracting, Equipment, and Purchases



Subcontracting

Golden Rule

For core project tasks that you cannot perform yourselves. You must ensure best value for money and avoid conflicts of interest.

Note

Subcontracting costs are *not* included when calculating your 25% overhead.



Equipment

Golden Rule

Normally, you can only claim the depreciation costs for the duration of the project, based on the percentage of use for the project.

Note

Full cost may be eligible *only* if the equipment is used exclusively for the project and this aligns with your institution's accounting practices.



Travel, Goods & Services

Golden Rule

Claim the actual costs. Must follow the principle of best value and be in line with your institution's own travel and purchasing policies.

Examples

Consumables, publication fees (including Open Access), dissemination, protection of results, certificates.



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Your Overheads are Covered: The 25% Flat Rate for Indirect Costs

Horizon Europe recognizes that running a project involves general administrative expenses (rent, utilities, office supplies). Instead of tracking every item, you get a fixed contribution.

How it Works

Inter Medium

A flat rate of **25%** is automatically added to your eligible *direct costs*.

This is calculated on all direct cost categories **except** subcontracting and financial support to third parties.

Simple Example



25% of €100,000 = **€25,000**
Indirect Costs Calculated

Total Claimable Costs: €125,000



Benefit: No documentation or justification is needed for this amount. It's designed to simplify administration.



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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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The Core Principle: Reimbursement of Eligible Costs

Horizon Europe finance isn't a black box. It's built on a clear principle: the EU reimburses the ***actual, eligible costs*** you incur to complete your project.



Necessary for the project:
It must be directly linked to
the work described in your
Grant Agreement (Annex 1).



Identifiable & Verifiable:
It must be recorded in your
accounts and backed by proof
(e.g., invoices, timesheets).



**Incurred during the
project period:**
Costs must fall between the
official start and end dates.



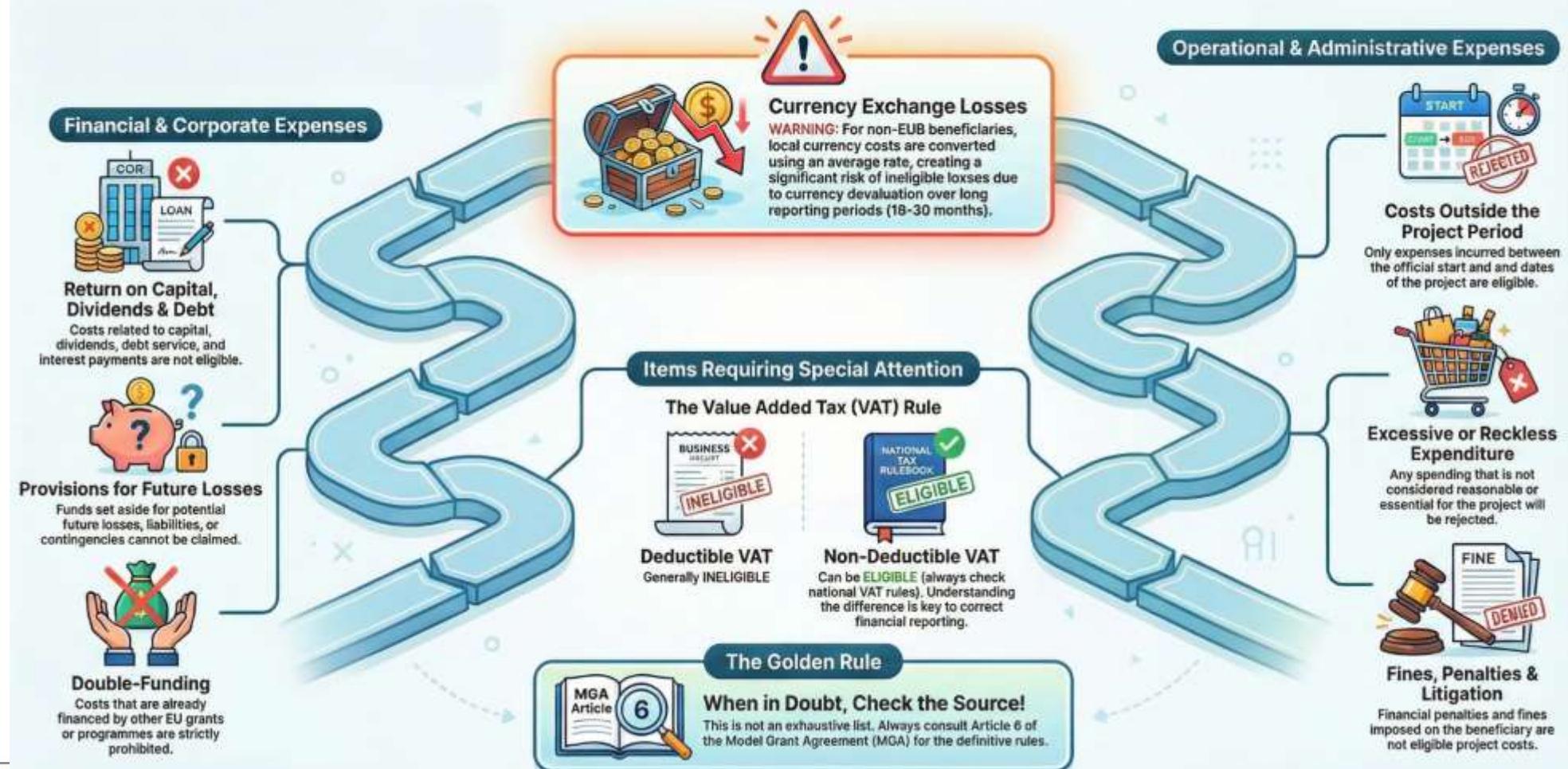
Reasonable & Justified:
It must comply with sound financial
management and your institution's
usual accounting practices.

Bottom Line: Think of the Grant Agreement (Article 6) as your guide to eligibility.



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EU Grant Funding: Common Costs You Can't Claim





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How to Report EU Grant Expenses: A Declaration-Based Process



1. Calculate Costs from Your Records

Use internal documents like timesheets, contracts, and invoices to calculate total eligible costs.



3. Declare Totals, Don't Upload Invoices

The system requires only the final calculated figures for each cost category, not individual receipts or invoices.

4. What You Enter: Eligible Cost Categories



SUBMIT



5. Certify and Submit

Submitting the report confirms that the costs are eligible and can be proven by your records.



2. Enter Data in the EU Funding & Tenders Portal

Log in to the official EU software to complete the financial statement for the reporting period.



6. Keep Everything for the Audit Trail

You must retain all original supporting documents for at least 5 years after the final project payment.



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Post-Project Compliance: Audits & Archiving

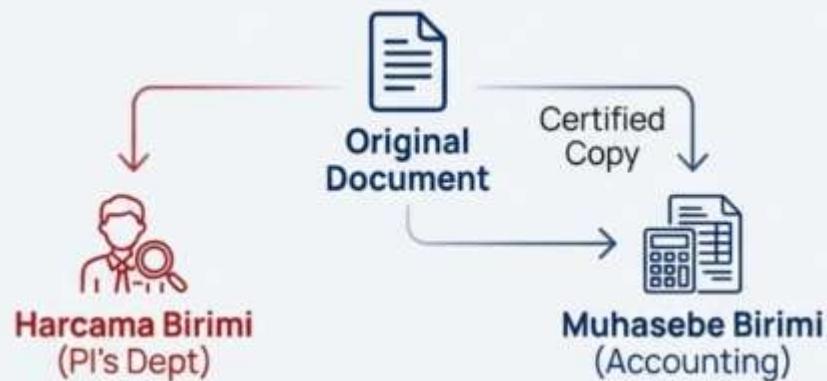
Your responsibilities continue long after the work is done.

The 5-Year Rule & Audits



- You must keep **all** original project documents (technical, financial, HR) for up to **5 years AFTER the final payment** is made.
- You can be audited by the European Commission, the European Court of Auditors (ECA), or the European Anti-Fraud Office (OLAF).

Türkiye Specifics: The Dual Archiving System



- In Turkish public institutions, there is a split responsibility for documents.
- **Crucial:** Ensure originals are preserved and accessible. An auditor visits the PI, but the records must match what accounting has on file.



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EU Project Compliance: Balancing EU Rules & National Laws





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The Final Checkpoint: Certificate on Financial Statements (CFS) & Audits

CFS

What is a CFS?

An independent audit report confirming that your financial statements comply with the Grant Agreement.

When is it Required?

- It is mandatory at the end of the project if a beneficiary's total requested EU contribution is €430,000 or more.
- The threshold is higher (€725k) for low-risk entities.
- The cost of the CFS is an eligible direct cost you can claim in your final report.

EU Audits



The European Commission or European Court of Auditors can perform an audit on your project for up to 5 years after the final payment.

If you have followed the rules and kept good records (as covered on Slide 9), you are fully prepared for a CFS or an audit.



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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.

- Document internal co-financing and show it in reports if applicable.



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You Are Not Alone on This Journey



Navigating Horizon Europe finances can seem daunting, but a dedicated support system is available to help you at every stage. In Turkey, you have a wealth of expert resources at your disposal, and they are here to ensure your success.

Let's meet your support crew.



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Your First Port of Call: The TÜBİTAK National Contact Contact Points (NCPs)

The TÜBİTAK NCP network is your most valuable resource. They are the official channel for information and assistance on Horizon Europe in Turkey.

What they provide:



- Expert Guidance:** Free, confidential advice on all financial rules, legal issues, and IPR.
- Problem Solving:** Help with specific questions about your Grant Agreement or cost eligibility.
- Training & Resources:** Up-to-date information on rules and regular training events.



Yasal ve Finansal Konular



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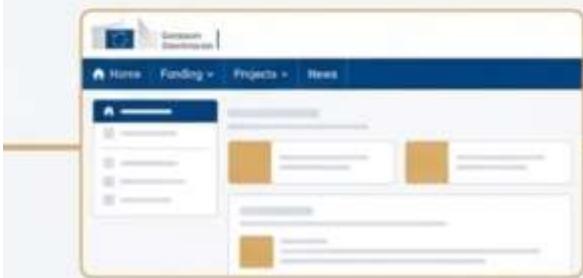
tugce.caglayan@tubitak.gov.tr

Do not hesitate to contact them.
Proactive communication is key.



Your Essential Toolkit: Official Sources & Online Portals

Alongside your NCPs, these are the definitive sources for all information.



EU Funding & Tenders Portal

The single entry point for everything: finding calls, submitting proposals, managing your grant, submitting reports, and all official communication.

ec.europa.eu/info/funding-tenders/opportunities/portal



The Model Grant Agreement (MGA)

The legal contract. The Annotated MGA (AGA) is your most important guide—it explains every article with practical examples and clarifications.



Türkiye in Horizon Europe Website

The central hub for Turkish participants. Find news, event announcements, training materials, and success stories.

ufukavrupa.org.tr



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Key Takeaways for a Successful Financial Journey



Start with the Principles

Understand eligibility and your project's funding rate *before* you build your budget.



Documentation is Everything

A clear, consistent, and complete record-keeping system is your best asset from day one to the final audit.



Master the Core Categories

Pay special attention to the rules for Personnel Costs, as this is where most of the budget and the complexity lies.



Use Your Support System

The financial rules are manageable, and you have an expert crew in Turkey, led by the TÜBİTAK NCPs, ready to help you succeed.

Successful financial management is about good planning, good records, and asking for help when you need it.



Thank you



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