

# CEF Digital

## Payment & costs



29 June 2023

# Content

- Payment process
- Eligibility of costs
  - A. Personnel costs
  - B. Subcontracting
  - C. Purchase costs
  - D. Other cost categories
- Reminder on a few rules (procurement, flexibility, bookkeeping)

# Payments

☞ Art. 21, 22 +  
Data Sheet point 4.2

## 4.2 Periodic reporting and payments

Reporting and payment schedule (art 21, 22):

Reporting			Payments			
Reporting periods		Type	Deadline	Type	Deadline (time to pay)	
RP No	Month from	Month to				
			Initial prefinancing	30 days from entry into force/ financial guarantee (if required) – whichever is the latest		
			Periodic report	60 days after end of reporting period	Interim payment	90 days from receiving periodic report
1	1	18	Periodic report	60 days after end of reporting period	Interim payment	90 days from receiving periodic report
2	19	27	Periodic report	60 days after end of reporting period	Final payment	90 days from receiving periodic report

Prefinancing payments and guarantees:

Prefinancing payment		Prefinancing guarantee	
Type	Amount	Guarantee amount	Division per participant
Prefinancing 1 (initial)			

Reporting and payment modalities (art 21, 22):

Payments will be made in accordance with the schedule and modalities in accordance with the **Data Sheet:**

### Prefinancing:

- up to 30/50% of CEF grant amount

### Interim payment

- ceiling 90% of max CEF grant amount
- subject to approval of (interim) **periodic report**
- **CFS** in case the requested EU contribution to costs  $\geq$  EUR 325 000 (*Data sheet, point 4.3*)

### Final payment

- reimburses the costs remaining after interim payment
- Subject to approval of (final) **periodic report**
- **CFS** (if required)



For multi-beneficiary grant agreement: all payments are made to the **coordinator bank account**, and it is up to the coordinator to distribute the contribution to the other beneficiaries



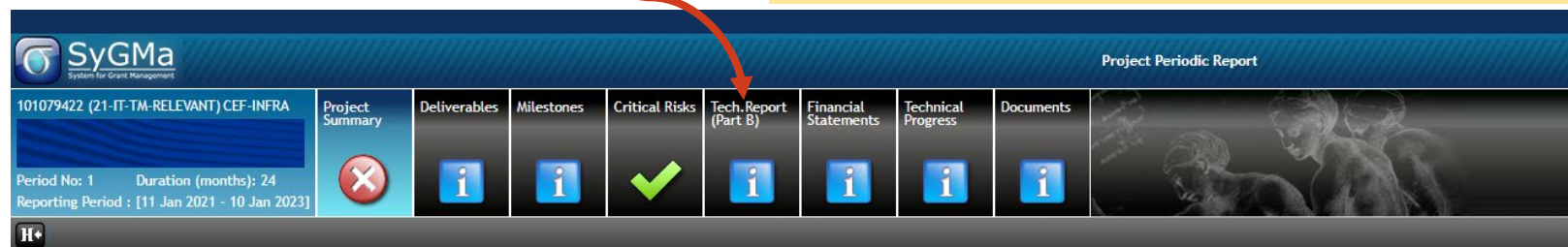
# Periodic Reports and Payments

**PERIODIC REPORT** is the precondition for receiving payments and it is composed as follows:

- ✓ **Technical Report (Part A and Part B)**
- ✓ **Financial Report**

**Technical Report (Part A)** is generated by the IT system based on the information introduced in the Continuous and Periodic report in the system

**Technical Report (Part B)** is a narrative description of the work carried out during the reporting period.



**Financial Report** consists of:

- ✓ individual financial statement for each Beneficiary)
- ✓ consolidated financial statement
- ✓ budget forecasts (per period and per WP)
- ✓ detailed cost reporting table
- ✓ certificate on financial statements (CFS) (*if threshold reached*)



Make sure that all the information is updated before “**locking the periodic report for review**”. Updates entered after this step will be included in the Periodic Report of the following period (if any).

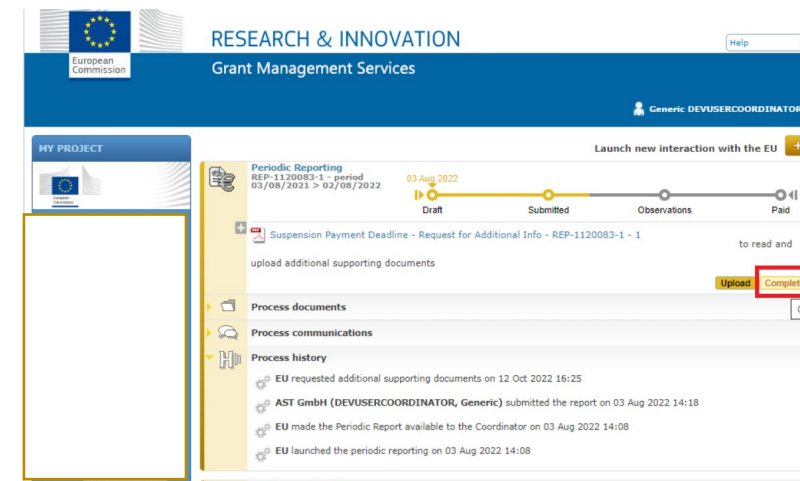
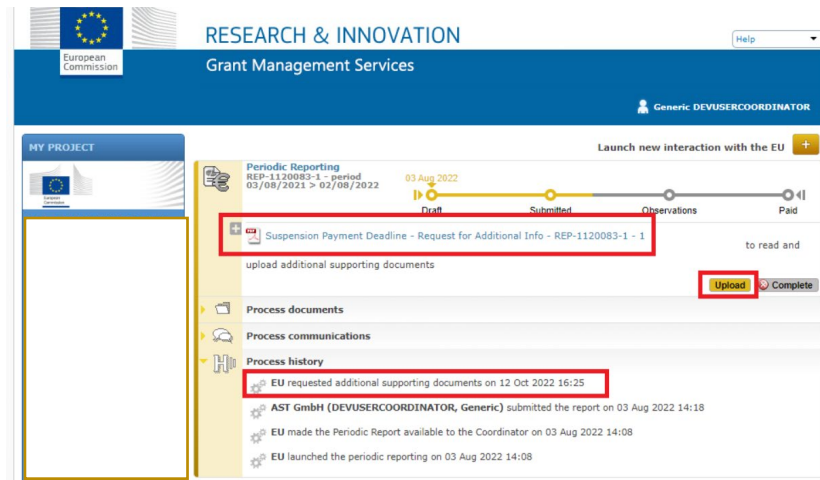
# Payment

- Following submission of the periodic report, HaDEA has 90 days to assess the reports and to process the payment.
- 3 scenarios:
  - 1) No issue → payment is processed
  - 2) HaDEA ask the COO to provide additional documentation or information → payment suspended until delivery of additional information via the Portal
  - 3) HaDEA 'reject' the report and ask for a revision → payment suspended until new submission of the revised report via the Portal (see Reporting process)

# Payment

## Request for additional information

- The Coordinator is notified via the Participant Notification System and receives a request letter.
- He has to answer the request and provide additional information and to submit

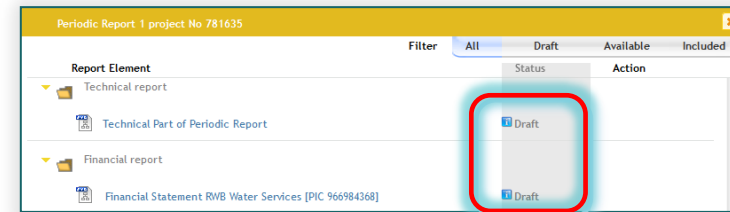
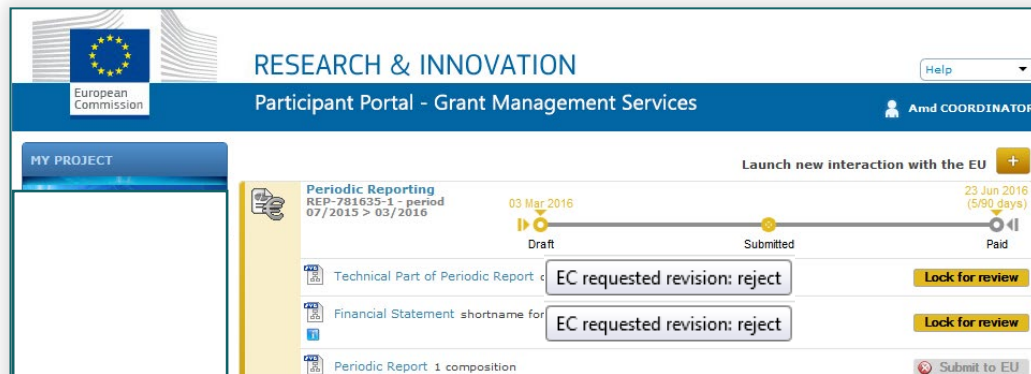


- The payment process resumes automatically upon submission of the new documents

# Payment

## Rejection of the report

- The Coordinator is notified via the Participant Notification System and receives a 'Suspension of Payment Deadline Letter' explaining the reasons for rejecting the report.
- The Beneficiaries have to correct the report and fulfill the requirements as per Periodic Report process.



*e.g. Technical Part & Financial Statement(s) rejected  
→ Status back to 'draft'*

- The COO has to submit another version of the report (standard Periodic Report process).
- The payment process starts over upon submission of new the version of the report by COO.

# Payment

## Process and outcomes

- When the report is approved by HaDEA officers, they proceed with the payment.
- HaDEA sends a letter containing the decision via Formal Notification to the Coordinator.



It does not mean that all costs have been accepted. The payment amount may differ from the costs claims.

After receiving the Payment Letter, the COO has 30 days:

- Either to upload and submit observations on HaDEA's decision if he does not agree with its content.
- Or to close without observations

Periodic Reporting  
REP-230000899-2 - period  
13/09/2017 > 12/03/2019

05 Sep 2022 21 Oct 2022 (26/35 days)

Draft Submitted Observations Paid

Upload and Submit your Observations on

Payment Letter - REP-230000899-2

Upload Submit to EU Close without Observations

Process documents

Interim Payment (1)

Payment Letter - REP-230000899-2 05 Sep 2022

Periodic Report (1)

Process communications

Process history

Periodic Reporting  
REP-230000899-2 - period  
13/09/2017 > 12/03/2019

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Process documents

Interim Payment (1)

Payment Letter - REP-230000899-2 05 Sep 2022

Periodic Report (1)

Process communications

Process history



# Payment

## Process and outcomes

- HaDEA will state its final position via a Formal Notification containing the "EU final payment letter".
- If all parties (HaDEA and Consortium) agree → payment to the COO who then has to distribute to Beneficiaries
- Otherwise, several scenarios depending on the balance VS eligible amount to be paid: recovery orders, complementary payments.

# Eligibility of costs

## Guidance

- ✓ **Grant Agreement**  
[mga\\_cef\\_en.pdf \(europa.eu\)](#)
- ✓ **Annotated Grant Agreement**  
[aga\\_en.pdf \(europa.eu\)](#)



# Costs general eligibility conditions

- Eligible costs are actual costs incurred by the beneficiary, which are:
  - ✓ **Actually incurred** by the beneficiaries/affiliated entities,
  - ✓ **Within** the project duration
  - ✓ **Indicated** in Annex 1 (Part B) and Annex 2
  - ✓ **Necessary** for the implementation of the project as described in Annex 1
  - ✓ **Identifiable** and **verifiable** (in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices)
  - ✓ **Reasonable, justified** and which comply with **sound financial management** principles

# Costs general eligibility conditions

Examples of **ineligible costs**:

- return on capital
- VAT
- costs of land and building acquisition
- currency exchange losses
- excessive or reckless expenditure
- in-kind contributions by third parties
- indirect costs
- overheads

# Eligibility of costs

## Costs per budget category

- **A. Personnel costs**
- **B. Subcontracting**
- **C. Purchase costs**
  - C.1 Travel and subsistence
  - C.2 Equipment
  - C3. Other goods, works and services
- **D. Other cost categories**

# Eligibility of costs

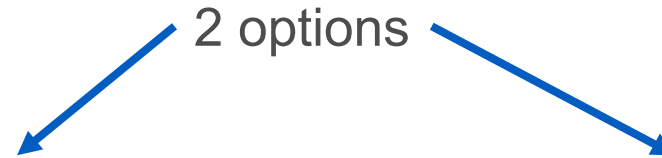
## A. Personnel costs

Costs for:

- A.1 **employees** (or equivalent)
- A.2 **natural persons working under a direct contract**
- A.3 **personnel seconded** by a third party against payment
- A.4 Costs for **SME owners** or **natural person beneficiaries** not receiving a salary

# Eligibility of costs

## A.1 Personnel costs - Costs for employees (or equivalent)



Declare **actual** (not average) **personnel costs**

Declare staff costs as **unit costs\*** (= average personnel costs) based on usual cost accounting practices

\*Commission Decision available [here](#)

In all cases:

- Number of day-equivalents declared for a person must be identifiable and verifiable, **Article 20** (***total number of days declared per person/year max. 215***)
- Costs must comply with general and specific eligibility rules
- Cannot include overheads
- Time recording system needed

# Eligibility of costs

## A.1 employee costs - eligibility

### Eligibility includes:

- **fixed salary**
- **fixed complements**, **if unconditional entitlements** for the person (e.g. family allowance and contributions to medical insurance schemes set out in national law, complementary pension plan contributions set out in the collective labour agreement, etc.)
- **variable complements**, (e.g. bonuses), **if:**
  - paid based on objective conditions set out, at least, in the internal rules of the beneficiary;
  - paid in a **consistent manner**, (i.e. not just for actions supported by EU grants), and – where applicable, subject to the specific eligibility conditions for supplementary payments (see annotated GA)
- **social security contributions** (mandatory employer and employee contributions)
- **taxes linked to the remuneration** (e.g. income tax withholding)
- **other costs** and payments linked to the remuneration **if** they are justified and registered as personnel costs in accordance with the beneficiary's **usual** remuneration practices (e.g. benefits in kind like company car made available for the private use, lunch vouchers, accrual for unconditional severance payments mandatory under national law)



# Eligibility of costs

## A.1 employee costs - eligibility

### Eligibility **does NOT include**:

- part of the remuneration which has not been an actual cost for the beneficiary
- payments of dividends to employees
- variable complements based on commercial targets
- arbitrary bonuses
- bonuses that depend on budget availability
- Etc.

# Eligibility of costs

## A.1 employee costs– calculation

Use of a single corporate daily rate and calendar year approach



### Daily rate calculation

The equation for daily rate calculation is shown as follows: A light green rounded rectangular box containing the text "Daily rate" is followed by an equals sign (=). To the right of the equals sign is a horizontal red line. Above the line is the text "annual personnel costs for the person" in italics. Below the line is the number "215".

# Eligibility of costs

## A.1 employee costs - Daily rate calculation

- **per calendar year** (from January to December)
- except for the months running from the end of the last calendar year until the end of the reporting period. For those months, you must calculate **a separate partial daily rate** as follows:

*{**actual personnel costs** of the person incurred over those months*

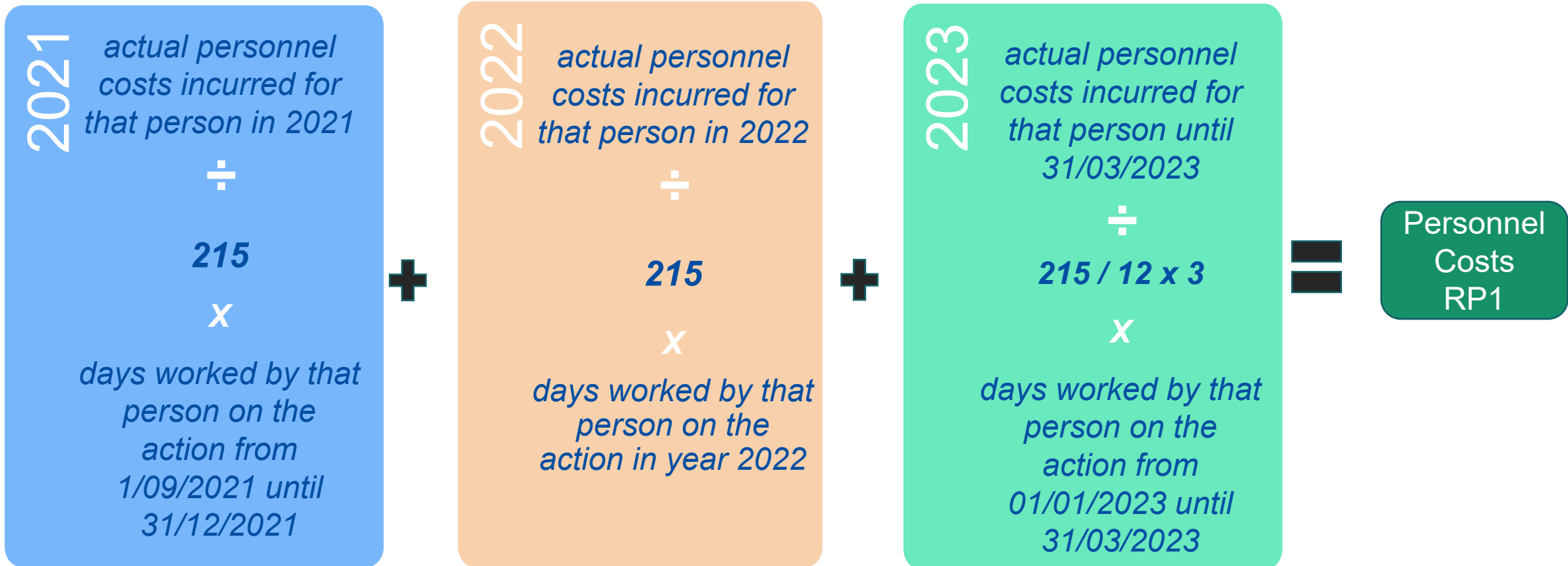
*divided by*

*(215 / 12 (months) x number of months from January until the end of the reporting period)}*

# Eligibility of costs

## A.1 employee costs - Daily rate calculation - Example

Costs for “Project Manager” in reporting period 1 that runs from 1/09/2021 until 31/03/2023:



# Eligibility of costs

## A.1 employee costs - Daily rate calculation - Example

Increase of 2000€ (i.e 10%)

	Year 2021	Year 2022	Year 2023
Actual personnel costs	20000	22000	5500
	215	215	53,75
Daily rate	93,02	102,33	102,33
Number of days worked on the action	60	215	60
Costs on the project	<b>5581,40</b>	<b>22000</b>	<b>6139,53</b>

$= 215 / 12 \times 3$

# Eligibility of costs

## A.1 employee costs - Unit costs (1/2)

Declare **staff costs as unit costs** (= **average personnel costs**) providing that the calculation method\*:

- ✓ is based on the beneficiaries accounting practices and systems already used in other projects / programmes;
- ✓ uses the actual personnel costs recorded in the beneficiary's accounts;
- ✓ allows for the identification of all elements included in amounts declared;
- ✓ foresees a regular update of the unit costs. The unit costs may be adjusted on the basis of budgeted or estimated elements, if they are relevant for calculating the personnel costs, reasonable and correspond to objective and verifiable information;
- ✓ does not include ineligible costs;
- ✓ Complies with the principle of no double funding, e.g. all costs are included in only one category of costs, and are only taken into account for one lump sum/unit cost/flat rate.

\*Commission Decision available [here](#)

# Eligibility of costs (3/6)

## A.1 employee costs - Unit costs (2/2)

The calculation method should provide answers to the following questions:

- a) How is unit cost calculated and which costs or categories of costs are covered?
- b) How often is the unit cost reviewed and updated (e.g. annually)?
- c) When are the calculations updated (e.g. every year at the end of February)?
- d) What is the reference period for the actual data used (e.g. the calendar year preceding the date of finalisation of the calculations)?
- e) Which most recently calculated unit cost is intended to be used for reports?

# Eligibility of costs

## Personnel costs A.2 and A.3

👉 Art. 6.2 A.2 & A.3

**A.2** costs for **natural persons working under a direct contract other than an employment contract**  
and

**A.3** costs for **seconded persons** by a third party against payment  
are eligible as personnel costs, if:

- ✓ they are assigned to the project
- ✓ fulfil the general eligibility conditions
- ✓ persons work under conditions similar to those of an employee



# Eligibility of costs

## Personnel costs A.2 and A.3

👉 Art. 6.2 A.2 & A.3

➤ the person must be **hired** under:

For A.2,

- either a direct contract signed between the beneficiary and the natural person (not through another legal entity)
- or a contract signed between the beneficiary and a legal entity fully owned by that natural person, and which has no other staff than the natural person being hired.

For A.3,

- a secondment agreement with the employer of the natural person

- the hired person should be **paid** as per working time and not as per expected results or missions;
- the beneficiary must **organise** and supervise the work of the person in a way similar to that of its employees (in other words he should meet with him as much as he meets and works with other employees);
- the person is subject to similar **presence** requirements (in the premises) as the employees;
- the **cost** of the person must not be significantly different from costs for employees of the beneficiary performing similar tasks;
- the **cost** must correspond exclusively to the remuneration of the person and related eligible taxes.

# Eligibility of costs

## Personnel costs A.4 – SME owners

👉 Art. 6.2 A.4 + Annex 2a

**A.4** costs for **SME owners** (owners or co-owners of a SME beneficiary and not receiving a salary) or **natural person beneficiaries** (beneficiaries that are natural persons not receiving a salary)

⚠ Attention: Not applicable for SME owners who receive a salary!

➔ Cost calculation:



➤ Daily rate calculated according to the following formula:

$(\text{EUR } 5\,080 / 18 \text{ days} = 282,22) \times (\text{country-specific correction coefficient}^* \text{ of the country where the beneficiary is established})$

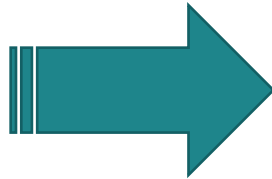
\* Country coefficient available in table 1 of the Horizon Europe Work Programme (section Marie Skłodowska-Curie actions) in force at the time of the call (see [Portal Reference Documents](#))

**TIP:** The calculation itself is automated ➔ the beneficiaries must only indicate the number of days worked on the action and the costs are then automatically calculated by the IT

# Eligibility of costs

## Personnel costs - Days worked – record keeping

Days worked



- use reliable **time records** (i.e. time-sheets) either on paper or in a computer-based time recording system.

OR

- sign a **monthly declaration** (template in F&T portal) on days spent for the action ➔ ➔ ➔ ➔



If you keep both set of documents (time-sheets **and** monthly declarations), they must be consistent. In case of discrepancies, only the set of documents recording the lower amount of days will be accepted.

# Eligibility of costs

## B. Subcontracting

👉 Art. 6.2 B +  
Art. 7

- Costs are calculated on the basis of **actual costs** incurred
- Expenditures must fulfil the general eligibility **conditions**
- Subcontracts are awarded using the **beneficiary's usual purchasing practices**, ensuring **best value for money** and **no conflict of interests** (see also procurement rules below)
- The tasks to be subcontracted and the estimated value for each subcontract set out in **Annex 1**
- Coordination tasks described in Article 7 of the GA cannot be subcontracted:
  - monitoring that the action is implemented properly;
  - acting as the intermediary for all communications between the consortium and the granting authority;
  - distributing the payments.



# Eligibility of costs

## B. Subcontracting VS Contracting

**Subcontracts:** implementation of “action tasks” by a third party/external.

**Contracts** concern goods and services, travel, equipment,... necessary for the beneficiaries to implement the work. Costs declared under different cost categories (“travels”, “equipment”, “other goods and services”, etc.) depending on their nature.

Best value for money principle and no conflict of interest apply both in case of contracts and subcontracts.

Is the agreement with the Third Party (TP) based on "business conditions"?

**YES** (The price charged to the beneficiary includes a profit margin)

➔ Is the TP implementing an action task?

- **YES** (= the TP implements itself a specific action task of Annex 1 without the direct supervision of the beneficiary and it is not hierarchically subordinated to the beneficiary)
  - ➔ **SUBCONTRACT** (cost category “subcontracting”)
- **NO** (= the TP implements an ordinary contract needed to carry out the action)
  - ➔ **CONTRACT** (under "other goods and services“ or other categories)

# Eligibility of costs

## B. Subcontracting

### Subcontractors:

- must implement the action in accordance with the Grant Agreement.
- subject to contractual obligations in relation to **proper implementation** (Article 11), **avoiding conflict of interest** (Article 12), **confidentiality and security obligations** (Article 13), **ethics** (see Article 14), **visibility to the EU funding** (Article 17.2), **specific rules for the action implementation** (see Article 18), **information obligations** (Article 19), **record-keeping** (Article 20).

### Beneficiaries:

- must ensure that the bodies mentioned in Article 25 (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) can exercise their rights also towards the subcontractors

Contractual obligations: Grant authority ↔ Beneficiary ↔ Subcontractors

# Eligibility of costs

## C1: Travel and subsistence

- Covers:
  - **Travel**
  - **Accommodation**
  - **Subsistence**
- Bought using the beneficiary's usual purchasing practices using best value for money or lowest price (tender, offers, market survey, etc.)
- No conflict of interests
- Costs should be declared as **actual costs**
- Keep record of date, place and reason for travelling (keep documentation)

Examples: travels related to the implementation, monitoring, coordination, etc. of the project.

# Eligibility of costs

## C2: Equipment (1/2)

- Covers

- purchases
- **Renting** or **leasing**

of **equipment, infrastructure** or other assets specifically for the project

- Full capitalised costs
- Bought using the beneficiary's usual purchasing practices using best value for money or lowest price (tender, offers, market survey, etc.)
- No conflict of interests
- Costs should be declared as **actual costs**
- Purchases should comply with security requirements
- The costs must be recorded under a fixed asset account in the beneficiary's accounting records
- Keep record of procurement documents, proof of payments, etc.

Examples: supply of materials as a standalone contract, buying IT equipment necessary for the project



# Eligibility of costs

## C2: Equipment (2/2)

**Renting** or **leasing** costs must

- correspond to the actual eligible costs incurred for the renting or leasing;
- not exceed the depreciation costs of similar equipment, infrastructure or assets;
- not include any financing fees (*e.g. finance charges included in the finance lease payments or interests; on loans taken to finance the purchase*)
- not lead to double charging.

**NB:** in principle the full rental or lease cost can be charged, irrespective of the portion used on the action. However, the cost still cannot exceed depreciation costs of similar equipment/infrastructure/assets that need to be determined based on the duration of the action.

(i.e. if you enter into a 5-year lease at the start of a 3-year action, you may only charge cost up to the amount of depreciation for three years) .

# Eligibility of costs

## C3: Other goods, works and services

Covers for instance:

- consumable and supplies
- promotion and dissemination
- translation
- costs related to intellectual property rights (IPR)
- costs for certificates on financial statements (CFS)
- etc.
- Bought using the beneficiary's usual purchasing practices using best value for money or lowest price (tender, offers, market survey, etc.)
- No conflict of interests
- Costs should be declared as **actual costs**
- Purchases should comply with security requirements

# Eligibility of costs

## D. Other costs categories

- Not allowed:
  - D1. Financial support to third parties
  - D5. Land purchases
  
- Allowed (see conditions in MGA and call text):
  - D2. Studies
  - D3. Synergetic elements
  - D4. Works in outermost regions

# Eligibility of costs

## D. Other costs categories

- For financial statements and forecasts, costs related to D2. Studies, D3. Synergetic elements and D4. Works in outermost regions should be reported in their general dedicated categories.

- However, you are required to detail the specific type of each cost (personnel, subcontracting, equipment, etc.) in the **'detailed costs reporting table'**

Work Package (Number)	Task no. (Only indicate if referenced in the DoA of the GA otherwise leave this column blank)	Item selected for CFS? (Indicate "yes" if cost item is selected to establish the CFS, otherwise keep blank)	Cost Category (Select the cost category under which the cost item is declared - the total per cost category must match the amount declared for the same cost category in the Financial Statement)	Short description (must be in written in the report)
			D.2 - Studies - Personnel costs - Actual	
			D.2 - Studies - Personnel costs - Unit	
			D.2 - Studies - Subcontracting	
			D.2 - Studies - Travel and Subsistence	
			D.2 - Studies - Equipment	
			D.2 - Studies - Other goods, works and services	
			D.3 - Synergetic elements - Personnel costs - Actual	
			D.3 - Synergetic elements - Personnel costs - Unit	

- The costs:
  - ✓ should fulfil the general eligibility conditions
  - ✓ are calculated on the basis of the costs actually incurred
  - ✓ comply with the conditions set out in Points A-C for the underlying types of costs (personnel, subcontracting, purchase)

# Restrictions

## B. Subcontracting & C. Purchase costs

👉 Call text, CEF regulations

- All calls
  - **Digital Security Requirements**, as applicable in respective calls
- 5G calls
  - Subcontractors must be established in eligible countries
  - Subcontracting activities/work must take place in eligible countries = costs must be incurred in eligible countries
- Digital Global Gateways and Cloud calls
  - Above restrictions +
  - Subcontractors are subject to EU ownership control

# Procurement rules

👉 Art. 6.2

- ✓ Confirm upfront whether public procurement is applicable (Article 6.2)
  - ➔ In case of doubts, consult competent national authority or DG GROW helpdesk:  
<https://ec.europa.eu/growth/tools-databases/pp-large-projects/query/prepareNewQuery>
- ✓ Contracting authorities/ entities within the meaning of EU Directives shall follow applicable **national / EU Law and public procurement rules** [applicable also to sub-contracting] and respect applicable publication requirements
- ✓ Comply with the principle of **sound financial management / best value for money** or **lowest price**
- ✓ Comply with **beneficiary's standard internal procedures** and verifications
- ✓ Procurement will be verified at payment time
- ✓ Non-compliance will lead to rejection of costs or reduction of support!

# Budget flexibility

- **Budget transfers** are allowed without an amendment, provided that it does not bring any substantive or important change to the description of the action in Annex 1, nor put into question the award decision
- In case of mono-beneficiary GA:
  - Transfers between budget categories and WPs are allowed
- In case of multi-beneficiary GA:
  - Transfers between budget categories and WPs are allowed
  - Transfers between participants are allowed

# Financial documentation

- Need for **appropriate accounting system and documentation** to facilitate reporting and readily available upon request (**Article 20.1**).
- No invoices or bank statements to be provided together with payment requests, but HaDEA might ask for them if needed for verification.
- Checks/Audits possible during the GA implementation and until 5 years after the balance payment (**Article 25 + Data sheet point 6**).
- Keep records and other supporting documents to prove proper implementation of the Action (**Article 20**), including procurement documentation!



# Financial documentation

Documents to present for controls, checks, audits (non exhaustive list)

## For personnel costs:

- salary slips
- time records/time sheets
- employment contracts
- proofs of payment and relevant accounting documents (personnel accounts, bank statements, invoices, receipts, etc)
- other documents (social security legislation, etc)

## For equipment costs:

- calls for tender
- quotations
- invoices
- delivery slips / certificates of first use
- proofs of payment and relevant accounting documents

## For travel and subsistence costs:

- transport invoices and tickets
- proofs of payment and relevant accounting documents
- other documents (proofs of attendance such as minutes of meetings, reports, etc)

## For subcontracting:

- calls for tender
- received tenders
- justification for the choice of subcontractor
- contracts with subcontractors
- invoices
- proofs of payment and relevant accounting documents
- other documents (national rules on public tendering if applicable, EU Directives, etc)

## For costs of other goods and services:

- calls for tender
- invoices
- proofs of payment and relevant accounting documents
- in case of contracts for services (all documents related to the service contract, included the justification for the choice of the contractor)

# Thank you



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