

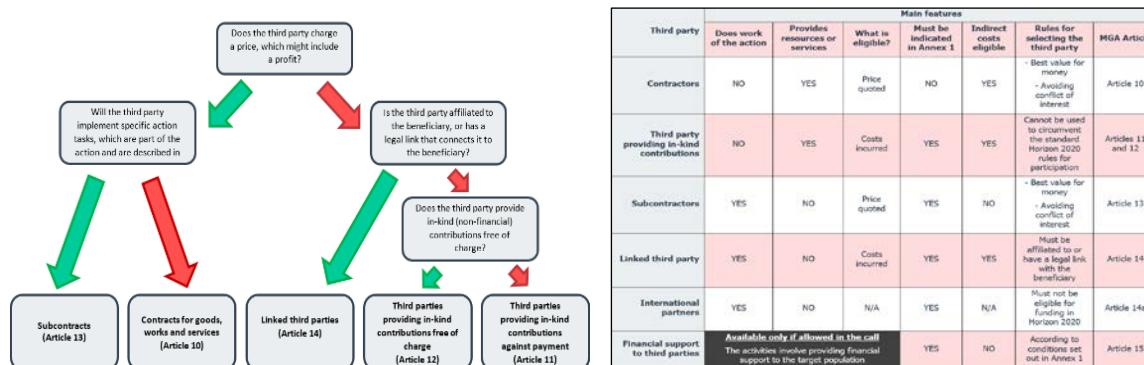
Factsheet and Frequently Asked Questions on Third Parties in Horizon 2020

The involvement of third parties in Horizon 2020 projects often raises questions, not only at the proposal stage but also during the project's implementation. UKRO has prepared this factsheet, based on questions received from UKRO subscribers and sponsors, in the hope that it will prove a useful additional resource to the documents already available on the Participant Portal. The answers provided in this factsheet are based on the Annotated Model Grant Agreement and information obtained from the European Commission.

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This section includes a decision tree, which can be used to help determine the most suitable option for engaging third parties in Horizon 2020 and a summary table of all available options.



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General questions

Q. What are 'third parties' in Horizon 2020?

'Third parties' is a collective term for all organisations (or individuals) that are involved in a Horizon 2020 action but have not signed the grant agreement. Third parties do not receive the EU contribution directly from the Commission but from the beneficiary that they work with on the action.

Depending on the beneficiary's needs, third parties can be directly involved in the implementation of the action tasks (e.g. linked third parties) or not (e.g. contracts for goods, works and services).

Q. Do third parties need a PIC number?

It is recommended that all organisations involved in the action have at least a 'declared' PIC number. However, it is only mandatory for beneficiaries and their linked third parties to have a PIC.

Q. What options for the involvement of third parties are available in Horizon 2020?

The Horizon 2020 Model Grant Agreement (MGA) envisages the following main options for the involvement of third parties:

• Contracts for goods, works and services	Article 10
• Third parties providing in-kind contributions against payment	Article 11
• Third parties providing in-kind contributions free of charge	Article 12
• Implementation of action tasks by subcontractors	Article 13
• Implementation of action tasks by linked third parties	Article 14
• Implementation of action tasks by international partners	Article 14a

The option allowing international partners not receiving EU funding to be involved as third parties (Article 14a) was introduced in v.4.0 of the MGA (February 2017) and does not apply to earlier versions of grant agreements.

In addition, and only if explicitly allowed in the relevant Horizon 2020 Work Programme or call, beneficiaries may provide financial support to third parties under Article 15. Such support can take various forms (e.g. prizes, scholarships, non-repayable financial assistance, etc.) and can be awarded to natural and legal persons.

Each participation in a Horizon 2020 action of organisations (or individuals) that are not beneficiaries, should fall within the scope of one of the above-mentioned articles.

Q. Can third parties participate in Marie Skłodowska-Curie Actions (MSCA)?

Until 2016, the term ‘third parties’ did not apply to the MSCA part of Horizon 2020 and thus was not included in the MSCA Model Grant Agreement. However, the 2017 MSCA Work Programme part introduced the participation of entities with a legal or capital link with the beneficiaries in MSCA to provide more flexibility for the participation of research groupings as third parties associated with beneficiaries. This capital or legal link should not be limited to the action nor established for the sole purpose of its implementation. Examples of such entities include Joint Research Units (JRU), "Unités mixtes de recherche" (UMRs), linked foundations, university hospitals and subsidiaries.

The rules of the General MGA on third party involvement do not apply to MSCA but, if necessary to implement an MSCA project, the beneficiaries/partner organisations may call upon entities with a capital or legal link with them to implement certain action tasks described in Annex 1 of the grant agreement. The involvement of such entities must be clearly described in the proposal and will be assessed as part of the evaluation.

Consequently, the current version of the Annotated Model Grant Agreement (MSCA part) already includes explanations on this point under Article 8. MSCA Guides for Applicants, issued with each call, contain practical examples of a possible use of the new option:

“A university clinic depends on the regional health system and does not have legal personality of its own. The hospital has a foundation under its control and this foundation contracts researchers working at the university clinic. In this case, the foundation should apply as a beneficiary, describing the set-up and the competence of the university clinical hospital where the research training activities described in the proposal will be implemented.”

Only beneficiaries can recruit researchers and the recruiting beneficiary remains fully responsible for the correct implementation of the action, e.g. for ensuring the eligibility of the recruited fellow.

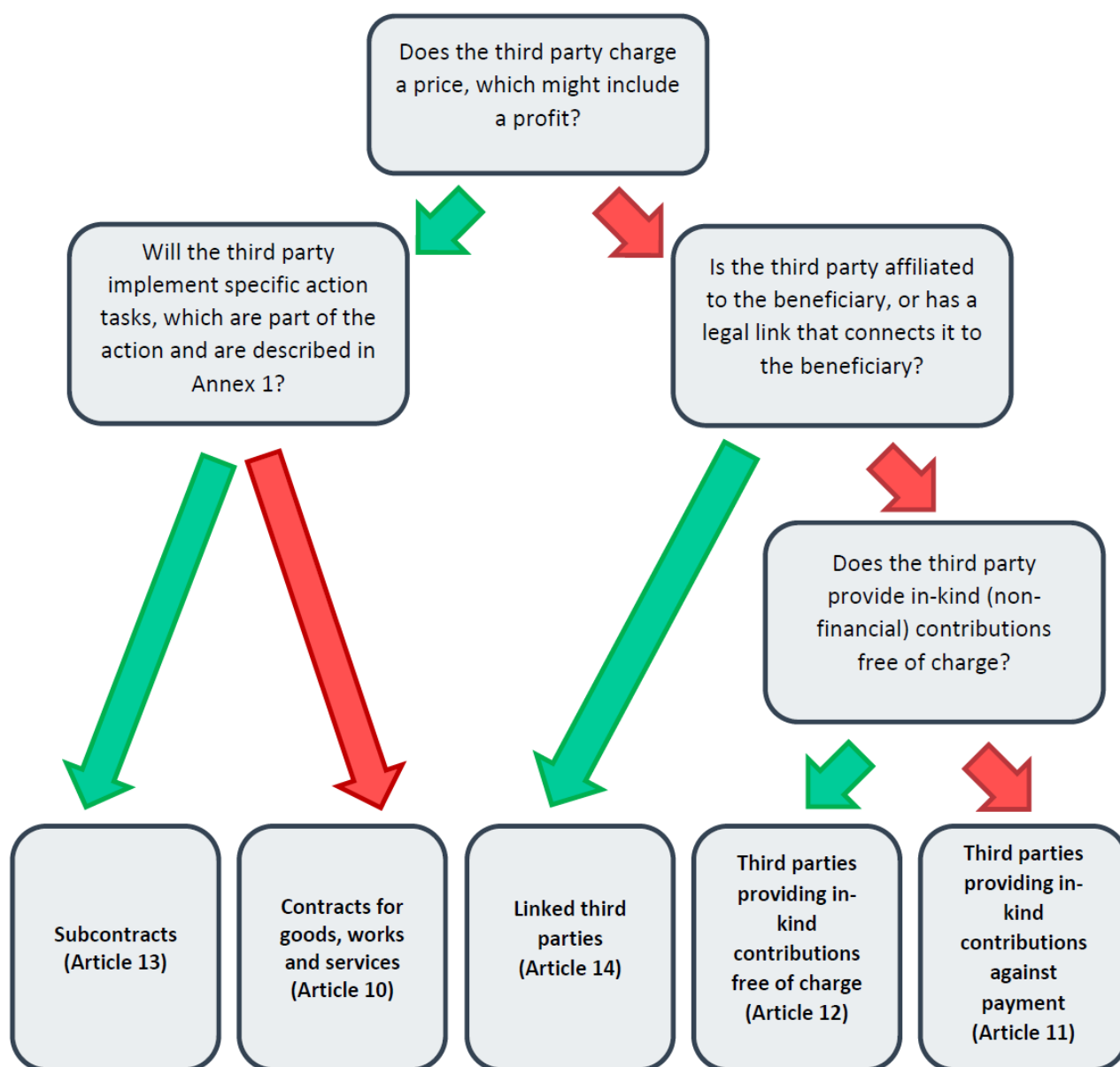
Choosing third parties for Horizon 2020 projects

Q. What is the best option if I want to involve a third party in a Horizon 2020 project?

The involvement of third parties under one of the relevant articles of the MGA must be assessed on a case-by-case basis, as the same legal entity could potentially be involved either as a subcontractor, a linked third party, or a third party providing in-kind contributions on different projects, provided that all eligibility requirements are met. The beneficiaries will need to decide which of the available options is best for them, based on the nature of the third party's work on the project and the relevant eligibility conditions.

The graph below can help determine the most suitable option for the engagement of third parties (without the new option for international partners), bearing in mind that it is purely advisory and that applicants should always consult the relevant articles of the MGA before making their final decision. Further information on engaging third parties is provided in later sections of this factsheet.

Decision tree for determining the right type of third parties



Summary table with options for involving third parties¹⁰

Third party	Main features						
	Does work of the action	Provides resources or services	What is eligible?	Must be indicated in Annex 1	Indirect costs eligible	Rules for selecting the third party	MGA Article
Contractors (providing goods, works or services)	NO	YES	Price quoted	NO	YES	- Best value for money - Avoiding conflict of interest	Article 10
Third party providing in-kind contributions	NO	YES	Costs incurred	YES	YES	Cannot be used to circumvent the standard Horizon 2020 rules for participation	Articles 11 and 12
Subcontractors	YES	NO	Price quoted	YES	NO	- Best value for money - Avoiding conflict of interest	Article 13
Linked third party	YES	NO	Costs incurred	YES	YES	Must be affiliated to/ have a legal link with the beneficiary and be eligible for funding	Article 14
International partners	YES	NO	N/A	YES	N/A	Must not be eligible for funding in Horizon 2020	Article 14a
Financial support to third parties	<u>Available only if allowed in the call</u> The activities involve providing financial support to the target population			YES	NO	According to conditions set out in Annex 1	Article 15

Subcontracts and contracts for goods, works and services

Q. What is the difference between contracts for goods works and services and subcontracts?

In general, contracts to purchase goods, works or services (Article 10) do not cover the implementation of action tasks but are necessary for the beneficiaries to implement these tasks. Furthermore, they are usually limited in value and scope and do not need to be described in Annex 1 of the grant agreement. An example would be a contract for an audit Certificate on the Financial Statements (CFS), which is required to implement the tasks on a Horizon 2020 action but is not an action task itself. On the other hand, subcontracts (Article 13) imply the implementation of specific tasks, which are part of the action and are explicitly mentioned in Annex 1.

When preparing their proposals, applicants will need to decide what will become an action task described in Annex 1 and what will not – this can vary significantly depending on the nature of the project, and must done on a case-by-case basis, bearing in mind that the difference between the two options is not always clear-cut. This will then form the basis for a subsequent decision on whether a contract or a subcontract will be required. Applicants should also take into account that contracts for goods, works and services attract overheads, while subcontracts do not. The direct cost of each subcontract will be deducted from the overall budget when the flat rate for indirect costs is applied.

Further information on this is available in the annotations to Article 8 of the Annotated MGA.

Q. What are the main rules to be followed when choosing subcontractors/contracts for goods, works and services on a Horizon 2020 action?

The main rules are ensuring 'best value for money' and 'avoiding conflict of interest'.

Q. What constitutes a conflict of interest when awarding subcontracts/contracts in Horizon 2020?

A conflict of interest exists if, for example, shared interests influence the contract/subcontract's award procedure or the price, which no longer corresponds to the market price. Examples of conflicts of interest are included in the annotations to Article 35 of the Annotated MGA.

Q. Can I subcontract part of the work to another beneficiary on the project or an affiliate?

Subcontracting between beneficiaries is not allowed under the same grant agreement. If one beneficiary needs the services of another in order to perform its part of the work on the actions, the second beneficiary should declare the relevant costs for that work.

Similarly, subcontracting to affiliates is normally not allowed, unless they have a framework contract with the beneficiary, or the affiliate is the beneficiary's usual provider and the subcontract is priced at market conditions. Otherwise, these affiliates may work on the action as linked third parties, under Article 14, and they must declare their own costs.

Q. Does the best value for money principle require a competitive selection procedure in all cases?

No, the best value for money principle does not require competitive selection procedures in all cases, but the applicant must be able to demonstrate how best value for money was ensured in other ways.

Q. How can I ensure that the price charged by a subcontractor represents best value for money?

The safest thing to do is to go through a competitive selection procedure, which will normally require the applicant to collect at least three quotes for the goods, works or services.

If the beneficiaries are 'contracting authorities' or 'contracting entities' (within the meaning of the EU public procurement directives [2014/24/EC](#) and [2014/25/EC](#) — or any EU legislation that replaces these directives), they must also comply with the applicable national law on public procurement. These rules normally provide for special procurement processes for the types of contracts they cover.

Q. Can I provide the names of the future subcontractors in the application form?

No, the names of the subcontractors are, in principle, not needed at the application stage as, in most cases, they will need to be selected in a competitive selection procedure.

Q. Do subcontractors need to follow the Horizon 2020 funding model (100% + 25%) when charging costs?

No, subcontractors do not charge their actual costs, but name a price, which can include a profit.

Q. Can I use a framework contract to select a subcontractor?

Yes, framework contracts can be used for selecting a provider if this is the usual practice of the beneficiary, for example for specific types of goods or services. In order to be eligible, the framework contract must be awarded on the basis of best value for money and absence of conflict of interest. The framework contract does not necessarily have to be concluded before the start of the action.

Q. I am a coordinator of a Horizon 2020 action. Can I subcontract tasks related to the coordination of the project to another entity?

No, coordination tasks, such as the distribution of funds, review of reports and other tasks listed under Article 41.2(b) of the MGA cannot be subcontracted. Other activities of the coordinator may, in principle, be subcontracted to other organisations.

Q. Who owns the intellectual property generated by a subcontractor?

The beneficiary remains responsible for all its rights and obligations under the grant agreement, including the tasks carried out by a subcontractor. Therefore, any subcontracts should in particular foresee that IP generated by a subcontractor belongs to the beneficiary.

Q. Can I charge the cost of a subcontract that had not been foreseen at the time of the signature of the grant agreement, and thus not indicated in Annexes 1 (Description of the Action) and 2 (Budget of the Action)?

If the need for a subcontract is not foreseen at the moment of the signature of the grant agreement, the coordinator should normally request an amendment in order to introduce it in Annexes 1 and 2.

Exceptionally, the Commission may approve costs related to subcontracts which are not included in Annexes 1 and 2 without formally amending the grant agreement, under the so-called 'simplified approval procedure', but the beneficiary bears the risk of the costs being rejected.

Under the simplified procedure, the new subcontract must be included and explained in the technical periodic report (section 'unforeseen subcontractor'). It is important to understand that approval will not be granted if the subcontract risks substantially changing the nature of the project.

Linked third parties

Q. What are linked third parties?

Linked third parties are organisations that either are affiliated to the beneficiary of Horizon 2020 funds or have a broadly understood legal link with the beneficiary, which implies collaboration that is not limited to the Horizon 2020 action (the link must pre-date the signature of the grant agreement and last beyond the action's duration). Linked third parties perform certain action tasks indicated in Annex 1 directly, normally on their own premises, but do not sign the grant agreement.

Q. Can linked third parties perform a substantial part of the work on a Horizon 2020 action?

No, linked third parties should perform a major part of the R&I work in Horizon 2020 actions only in exceptional cases. Organisations performing a substantial part of the work should, in principle, be beneficiaries and not linked third parties. However, 'substantial part of the work' is not defined by the Commission and will be assessed on a case-by-case basis.

Q. Can linked third parties charge a price that includes profit?

No, linked third parties must only declare their own actual costs for implementing the action tasks. Unlike subcontractors, for example, they cannot charge a price as this normally includes a profit.

Q. Where in the proposal's budget table should the costs of linked third parties be indicated?

The costs and requested EU funding for linked third parties must be part of the amounts inserted for the beneficiary to which the third party is linked. However, in proposals for Innovation Actions these should be specified in the budget table separately from the costs of the beneficiary.

Q. What costs can linked third parties declare?

Linked third parties may declare costs for all cost categories stated in Article 5.2, including indirect costs (at the 25% flat rate). The costs must be recorded in the accounts of the linked third party.

Q. What is understood by 'affiliated entity'?

'Affiliated entity' can be one of the following:

- Entity under the direct or indirect control of the beneficiary,

- Entity under the same direct or indirect control as the beneficiary, or
- Entity directly or indirectly controlling the beneficiary.

Further information is available in the annotations to Article 14 of the Annotated MGA.

Q. What is understood by ‘entities with a legal link’?

‘Entities with a legal link’ refers to an established relationship between the linked third party and the beneficiary, which is a legal relationship and also broad and not specifically created for the work envisaged in the grant agreement.

The legal relationship can take form of a legal structure or can be ensured through an agreement or contract, which is not limited to the Horizon 2020 action. A research collaboration agreement fulfilling the above-mentioned requirements may constitute a legal link but *ad hoc* collaboration agreements, or contracts between legal entities to carry out work in the action, are not suitable.

Q. We will participate as a linked third party in a Horizon 2020 action. Do we need to accept joint and several liability with the beneficiary?

During the selection procedure, the Commission may require joint and several liability of a linked third party, if:

- the financial viability/capacity of a beneficiary is ‘weak’, and
- the beneficiary mainly coordinates the work of its linked third party.

If requested, the third party must accept joint and several liability with the beneficiary.

Q. Can a linked third party subcontract part of the work it is required to do on a Horizon 2020 action and declare the relevant costs?

Yes, although the involvement of a linked third party which cannot perform some of the attributed action tasks itself may need to be carefully justified. For the subcontracting, the tasks and budget may need to be approved by the Project Officer in charge of the project.

Concerning costs, linked third parties may declare their costs for all categories provided in Article 5.2, including subcontracting costs. The costs must be recorded in the accounts of the linked third party and are eligible only if they fulfil the relevant general and specific eligibility conditions.

The subcontract must notably comply with the principle of best value for money and avoid any conflict of interest. The tasks to be implemented and the estimated costs for the subcontract must be set out in Annex 1 of the grant agreement. Furthermore, it should be ensured that the Commission, the European Court of Auditors and the European Anti-Fraud Office have the right to carry out checks, reviews, audits and investigations on the premises of the subcontractor.

Q. Do linked third parties need to provide their own Certificate on the Financial Statements?

Yes, each linked third party has to provide its own CFS. The threshold of €325 000 applies to each linked third party independently of the EU contribution of its beneficiary.

Q. If linked third parties declare their own costs, do they submit their own financial statements (Form C) or are their costs added to the financial statement of the beneficiary?

The costs of the linked third party must not be included in the beneficiary’s financial statements as each linked third party must provide its own statement, which will be submitted to the Commission by the beneficiary because linked third parties do not have access to the electronic exchange system. Therefore, linked third parties must send their signed financial statements to the beneficiary on paper. The beneficiary will then submit an electronic copy of them and keep the originals for an audit.

Before submission, the beneficiary must complete the data for the linked third party (based on the information it received from the organisation). The beneficiary then prints the financial statement and

sends it to the linked third party for traditional signature. The statement must then be returned to the beneficiary who keeps the original in its files and must ensure that the data encoded in the electronic exchange system is identical to that on the paper version signed by the linked third party.

In-kind contributions provided against payment/free of charge

Q. What is meant by 'in-kind contributions' in Horizon 2020?

In-kind contributions are any non-financial resources (e.g. equipment, staff time, etc.) that third parties make available at the disposal of the beneficiaries either free of charge, or against payment.

Q. Do I need to indicate the in-kind contributions at the proposal stage?

Yes, all third parties and their contributions must be indicated in Annex 1. However, the Commission may approve in-kind contributions not stated in Annex 1 without an amendment under the so-called 'simplified approval procedure' (same process as for new subcontracts).

Q. Do I need to declare the cost of in-kind contributions provided free of charge?

The beneficiaries may declare costs related to the payment of in-kind contributions as eligible, up to the third parties' costs for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services.

Q. When calculating the actual costs of third parties, should indirect costs be included?

When calculating the actual costs incurred by the third party, the indirect costs are either:

- not taken into account if the resources are used on the premises of the beneficiary; or
- taken into account by using the 25% flat-rate if the in-kind contributions are used on the third party's premises. In this case, the direct costs actually incurred by the third party may be increased by a flat-rate of 25% on those costs.

If the indirect costs are already included in the third party's costs, the beneficiary may not include them for a second time to calculate its own indirect costs at the project level.

Q. Where in the budget table should I indicate the in-kind contributions provided by third parties when preparing a proposal?

The in-kind contributions provided by third parties free of charge or against payment should be integrated in the budget of the beneficiary to whom the contributions are made, in the corresponding cost categories. Therefore, in part A of the proposal, beneficiaries need to enter the direct estimated costs of the third party for personnel under column A, the other direct costs of the third party under column B and the indirect costs of the third party under column F.

Additionally, any costs of in-kind contributions used outside of the beneficiary's premises (e.g. personnel, equipment, or other assets) must be indicated separately under column E. They need to be declared specifically in this column so that they can be subtracted from the sum of direct personnel costs and direct other costs before the indirect costs can be calculated at the project level.

Q. Do I need to declare the in-kind contributions provided free of charge as receipts?

If the in-kind contributions provided by third parties free of charge fulfil the conditions for eligible costs set out in Article 5.3.3(c), and if they are specifically used for the action of the grant agreement and have been declared as eligible costs, they must be declared as receipts. Only costs declared are subject to be considered as receipts of the project.

Q. Why is it important to declare receipts in Horizon 2020?

Receipts are important to determine the final grant amount, which will be calculated by the Commission at the end of the action.

The following things are considered 'receipts':

- income generated by the action;

- financial contributions given by third parties specifically to be used for the action; and
- in-kind contributions provided by third parties free of charge specifically to be used for the action, if they have been declared as eligible costs.

Q. I received a financial donation from a third party to help offset the currency exchange losses (ineligible cost) on a Horizon 2020 action. Do I declare this as a receipt?

No, financial contributions given by a third party (a donor) specifically to be used for the action, if they may be used according to the donor's rules to cover costs other than the eligible costs, are not considered receipts of the action.

Q. Provided all conditions for the eligibility of costs are met, could the costs of in-kind contributions provided against payment by third parties located in third countries (e.g. the United States or China) be eligible?

In principle, neither the Horizon 2020 Rules for participation nor the Horizon 2020 Model Grant Agreement include provisions concerning the nationality of third parties providing in-kind contributions against payment.

However, the engagement of third parties cannot be used to circumvent the rules for participation, in particular the eligibility rules. The third parties providing in-kind contributions do not have to be eligible for funding but these contributions have to be described and justified in the technical annex, and have to be approved by the Commission.

Furthermore, it must be remembered that the responsibility vis-à-vis the Commission for the third parties' work lies fully with the beneficiary. Beneficiaries must ensure that the Commission/Agency, the European Court of Auditors and the European Anti-Fraud Office have the right to carry out checks, reviews, audits and investigations on the third parties and in particular audit their underlying costs. This means that if, for example, the third party refuses access and the Commission cannot verify the eligibility of the costs declared, it will reject them.

Q. What are the available options for involving individuals as members of the advisory boards/ advisory committees or as participants of focus groups in Horizon 2020 actions?

The beneficiaries must ensure that the action is implemented impartially and objectively, as described in the grant agreement. Keeping this in mind, and depending on the circumstances of each case, costs for external experts in an advisory group/focus group may fall under costs for:

- a natural person working for a beneficiary under a direct contract under Article 6.2.A.2. This budget category typically covers in-house consultants (e.g. self-employed natural persons working part-time or full-time for the action, under a contract which is not governed by labour law; there should be a direct contract between the beneficiary and the consultant);
- staff seconded by a third party under Article 11, if the expert is not performing an action task described in Annex 1 of the grant agreement and if the third party is making its resource available without this being its economic activity;
- subcontracting if the expert's task is an action task provided in Annex 1, subject to the conditions in Article 13;
- the purchase of services if they do not cover the implementation of an action task but are necessary for the implementation of the action task by beneficiaries and subject to the conditions in Article 10.

Furthermore, travel and subsistence costs under Article 6.2.D.1 may relate to external experts who participate in the action on an *ad hoc* basis (e.g. attending specific meetings), if the experts' participation is envisaged in Annex 1. In this case, the beneficiary may reimburse the experts or handle the travel arrangements itself and be invoiced directly.

International partners under Article 14a

Q. What are 'international partners' according to Article 14a of the Horizon 2020 Model Grant Agreement (MGA)?

International partners under Article 14a are legal entities based in third countries, which are not eligible to receive Horizon 2020 funding and which decided to participate in projects as third parties NOT as beneficiaries. They do not sign the grant agreement (and thus have no direct obligations under it), and do not receive funding from the European Commission. However, they do implement action tasks, meaning that they are directly involved in the main activities on projects rather than just providing non-financial resources to the beneficiaries.

The term 'international partners' can be misleading as it is often also used to describe beneficiaries (not third parties) from non-European countries participating in Horizon 2020 projects. Such beneficiaries, sign the grant agreement (have rights and obligations towards the European Commission and other consortium partners under it) and, in principle, can receive funding from Horizon 2020. Therefore, it is recommended that the term 'international partners under Article 14a' be used to avoid any confusion.

Q. Why is it now possible to include organisations based in third countries (neither EU Member States nor Associated Countries), which are not eligible to receive Horizon 2020 funding, as international partners under Article 14a?

The participation of organisations from third countries is down in Horizon 2020 when compared to the Seventh Framework Programme (FP7). Knowing that it is not always possible for such organisations to be beneficiaries on projects (e.g. they might be unable to sign the grant agreement for legal reasons), the Commission decided to create a new type of a third party to help facilitate the participation of organisations from developing economies and industrialised countries in the programme. The new option for third parties was introduced in v.4.0 of the Horizon 2020 Grant Agreement, published on 27 February 2017, and is allowed only in agreements signed after this date.

Q. Organisations from third countries, which are not eligible to receive EU funding, such as the USA, Canada, Japan, BRIC countries and Mexico had previously been able to participate as third parties (e.g. subcontractors, or third parties providing in-kind contributions) under Articles 10-14 of the MGA. Does the new option change any of that?

No, legal entities based in countries not eligible for Horizon 2020 funding can still be other types of third parties under one of the relevant articles of the MGA. Article 14a provides an additional option for their participation, should none of the previously existing options (with all their pros and cons) be suitable.

Q. Will the participation of international partners under Article 14a be evaluated by Horizon 2020 expert evaluators?

Yes, like in the case of most third parties, the participation of international partners under Article 14a should be clearly explained in the proposal submitted to Horizon 2020 calls and will be taken into account by expert evaluators assessing the proposals.

Q. Can organisations from third countries, which are eligible to receive Horizon 2020 funding participate as international partners under Article 14a of the MGA?

No, legal entities based in countries that are eligible to receive Horizon 2020 funding (listed in Annex A to the Horizon 2020 Work Programme) cannot participate in projects under Article 14a and should be either full beneficiaries, or other types of third parties.

Q. Can I add an international partner under Article 14a to my previous grant agreements?

Article 14a was introduced with version 4.0 of the Horizon 2020 Model Grant Agreement, published on 27 February 2017, and does not apply to older grant agreements. However, this type of third party can be added through an amendment.

Q. Do international partners have obligations imposed on them under the Horizon 2020 Model Grant Agreement?

Like the other types of third parties, international partners participating in projects under Article 14a do not sign the grant agreement and thus do not have any direct obligations imposed on them by the Commission. However, their beneficiaries must ensure that they comply with several key requirements related to reporting, keeping (non-financial) records, etc.

Q. What key requirements apply to international partners under Article 14a?

The following requirements apply to international partners:

- Record-keeping obligations (on the scientific and technical implementation only);
- Technical reporting;
- Avoiding conflict of interest;
- Maintaining confidentiality; and
- Promoting the action and giving visibility to EU funding.

It is the beneficiaries' responsibility to ensure that these obligations are accepted by their international partners.

Q. Do I need to describe the role of international partners under Article 14a in the proposal?

Yes, like most third parties, international partners under Article 14a should be described in the proposal and their role clearly explained. Consequently, their involvement in the project (action tasks and estimated costs) should be identified in Annex 1 (Description of the Action) and Annex 2 (Estimated budget).

Q. If the costs of international partners under Article 14a are included in Annex 2, can we claim these costs on the project?

No, international partners under Article 14a are not eligible to receive EU funding and while their estimated costs must be included in Annex 2, they will not be reimbursed or taken into account for the calculation of the grant. They must be indicated in Annex 2 purely for statistical purposes.

Q. Does Article 14a extend the rules of the Implementing/Institutional Arrangements with Canada and the USA to all countries, which are not eligible to receive Horizon 2020 funding?

No, Article 14a was introduced to help facilitate the participation of legal entities from third countries as third parties in Horizon 2020 projects. This means that, while they do not sign the grant agreement (as the beneficiaries do), their involvement in projects is still governed by some of the provisions of the Horizon 2020 Grant Agreement.

In contrast, the Implementing/Institutional Arrangements with **Canada** and the **USA**, allow certain types of public legal entities from those countries, which cannot sign the Horizon 2020 Grant Agreement for legal reasons, to collaborate with EU-funded consortia outside of the scope of the legal framework of Horizon 2020, with no provisions of the Model Grant Agreement applying at all.

Such collaboration does not need to be mentioned in any proposal submitted to Horizon 2020 calls or in periodic/final reporting. However, applicants to Horizon 2020 calls may describe the way and the means by which the intended cooperation outside the Horizon 2020 Grant Agreement will take place. These activities will not be assessed as part of the Horizon 2020 evaluation process, but will complement and expand the scope of the research funded on the Horizon 2020 project, as explained in the Commission's **FAQ document**.

Financial support to third parties

Q. What is meant by financial support to third parties?

Financial support to third parties (also known as 'cascaded funding') refers to a situation where the beneficiary uses part of its EU contribution from Horizon 2020 to make a financial donation to a person

or organisation that does not sign the grant agreement. Such donation is often made following some sort of competition to find the best candidate for the financial reward.

Q. What form can financial support to third parties take?

Financial support to third parties can take various forms. For example, the beneficiary might decide to award financial prizes to SMEs, research scholarships/fellowships to PhD students, etc. or to reimburse the costs related to participation in a specific activity.

Q. Is financial support to third parties available in all Horizon 2020 calls?

No, this option is only allowed if foreseen in a specific Horizon 2020 Work Programme part. The call/topic text will clearly state that financial support to third parties will be allowed as part of the project's activities and the relevant sections in the proposal's budget table will be active so that the relevant costs can be identified in the application. Furthermore, details of how the financial support will be provided and to whom will also need to be described in the technical annex (part B).

Q. Who decides what form of financial support will be available on a Horizon 2020 project?

In many cases, the call/topic text will specify the main form of financial support available to third parties (e.g. financial prizes for SMEs), and the applicants will simply need to provide details of the award procedures in their proposals. Deviating from the indicated form of financial support can be detrimental for the proposal.

However, it is also possible for the Commission to leave the door open and allow the beneficiaries to decide on the best form of financial support to third parties on their future project. The choice will need to be justified in the proposal, as it will be assessed by the reviewers during the evaluation procedure.

Q. What details of the award procedures must be provided by the applicants?

When preparing the proposal, the applicants should specify the following aspects of the award procedure, which (if the application is successful) will eventually be included in Annex 1:

- the maximum amount per third party;
- the criteria for determining the exact amount of financial support;
- a clear and exhaustive list of the types of activities that qualify for financial support for third parties;
- the persons or category(ies) of persons/organisations that may receive the financial support;
- the criteria for giving financial support, which must respond to the objectives set out in the Horizon 2020 work programme/call.

Q. What is the maximum level of support that can be provided to third parties?

The maximum amount may normally not exceed €60 000 per recipient. A higher amount can exceptionally be set out in Annex 1, if the work programme/call explicitly allows for this. In such cases, the proposal (and Annex 1) should explain why this is necessary for the objectives of the project.

Q. Do third parties receiving financial support need to be based in EU Member States/Associated Countries?

The Horizon 2020 Rules for Participation do not apply to third parties receiving financial support and thus, technically, they can be based anywhere in the world. However, in most cases, the work programme/call text explicitly states that the financial support can only be provided to individuals/organisations based in certain (groups of) countries.

More information:

- Horizon 2020 Annotated Model Grant Agreement:
ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf
- Horizon 2020 Model Grant Agreement:
ec.europa.eu/research/participants/data/ref/h2020/mga/gga/h2020-mga-gga-multi_en.pdf
- Horizon 2020 Rules for Participation:
ec.europa.eu/research/participants/data/ref/h2020/legal_basis/rules_participation/h2020-rules-participation_en.pdf
- Horizon 2020 Helpdesk
ec.europa.eu/research/participants/portal/desktop/en/support/research_enquiry_service.html
- Sign up to the UKRO Portal to stay up to date on Horizon 2020 general developments, calls, events and results: ukro.ac.uk
- For specific questions, contact your UKRO European Advisor.