HORIZON 2020

Model Grant Agreement

THIRD PARTIES
Third parties: basics

What is a third party?
A legal entity which carries out work of the action, supplies goods or provide services for the action, but which did not sign the grant agreement.

What types of third parties?

1. Third parties directly carrying out part of the work described in Annex 1

2. Other third parties: providing resources, goods or services to the beneficiaries for them to carry out the work described in Annex 1

3. Third parties receiving financial support (money) from the beneficiary as part of the action. Only when authorised in the call.
1. Third parties carrying out work in the action

**Linked third parties**

- **Affiliated entities**
  - Under the direct or indirect control of the beneficiary
  - Under the same direct or indirect control as the beneficiary
  - Directly or indirectly controlling the beneficiary
  
  'control' = >50% shares or majority voting rights or decision-making powers

- **Third parties with a legal link**
1. Third parties carrying out work in the action

- **Beneficiary**
- **Affiliated entity**
- **Legal link**
  - A legally established relationship not specifically created for the Grant Agreement.
  - It may be in the framework of a legal structure (e.g. the relationship between an association and its members) or through an agreement or contract (not limited to the action).

- **Third parties with a legal link**
  - Same cost eligibility criteria than for beneficiaries
  - Must be identified in the GA
  - Must be subcontractors

- **Linked third parties**
  - ! NEW: COM or Agency may request them to accept joint and several liability for their EU contribution
  - Similar to FP7 Special Clause 10

**Disclaimer:** Information not legally binding
1. Third parties carrying out work in the action

- **Linked third parties**
  - Affiliated entities
  - Third parties with a legal link
- **Subcontractors**

- Ensure best value for money and avoid conflict of interests
- **Subcontracting between beneficiaries is not allowed.** Subcontracting to affiliates is generally not allowed either.
- Estimated costs and tasks must be identified in the budget and in Annex 1
  - **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
  - E.g.: Testing described in Annex 1 as action task
New Article 14a

"INTERNATIONAL PARTNERS"

H2020 project

- Signatories of the GA
- May receive EU funding
- **Partner B** has one **International Partner**

**International Partner:**
- Linked to Partner B
- Participant Identification Code (PIC number)
- Not Signatory of the GA
- No EU funding
- Own (non EU) Budget
- Action Tasks in the Project
- No financial reporting
2. Other third parties

- For the purchase of goods, works or services
- Ensure **best value for money** and avoid any **conflict of interests**
- E.g.: CFS, supply of consumables, etc.

- Free of charge or against payment
- Only the actual eligible costs of the third party may be charged
- Must be set out in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: seconded staff, use of equipment
## Subcontracts vs. Contracts

<table>
<thead>
<tr>
<th>Article 10</th>
<th>Article 13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracts to purchase goods, works or services</strong></td>
<td><strong>Subcontracts</strong></td>
</tr>
<tr>
<td>These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.</td>
<td>Subcontracts concern the implementation of action tasks; they imply the implementation of specific tasks which are part of the action and are described in Annex 1.</td>
</tr>
<tr>
<td>Do not have to be indicated in Annex 1.</td>
<td>Must be indicated in Annex 1.</td>
</tr>
<tr>
<td>The price for these contracts will be declared as ‘other direct costs’ — column D in Annex 2 — in the financial statement; they will be taken into account for the application of the flat-rate for indirect costs.</td>
<td>The price for the subcontracts will be declared as ‘direct costs of subcontracting’ — column B in Annex 2 — in the financial statement; they will not be taken into account for the application of the flat-rate for indirect costs.</td>
</tr>
</tbody>
</table>
3. Financial support to third parties

- **'Cascading grants'**: Equivalent to FP7 Special Clause 42
- **Prizes**: awarded by the beneficiary as part of the action
- Option to be used **ONLY** if foreseen in the Work Programme
- Conditions set out in Annex 1
- E.g.: users, experimenters and suppliers for which financial support is granted (call: H2020-ICT-2015)
# Third parties: summary

<table>
<thead>
<tr>
<th>Types of third parties</th>
<th>Does work of the action</th>
<th>Provides resources or services</th>
<th>What is eligible?</th>
<th>Must be indicated in Annex 1</th>
<th>Indirect costs</th>
<th>Selecting the third party</th>
<th>Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linked third party</td>
<td>YES</td>
<td>NO</td>
<td>Costs</td>
<td>YES</td>
<td>YES</td>
<td>Must be affiliated or have a legal link</td>
<td>Article 14</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>YES</td>
<td>NO</td>
<td>Price</td>
<td>YES</td>
<td>NO</td>
<td>Best value for money, avoid conflict of interest</td>
<td>Article 13</td>
</tr>
<tr>
<td>International partners</td>
<td>YES</td>
<td>NO</td>
<td>No EU funding</td>
<td>YES</td>
<td>No EU funding</td>
<td>Partner to one beneficiary</td>
<td>Article 14a</td>
</tr>
<tr>
<td>In-kind contributions by third parties</td>
<td>NO</td>
<td>YES</td>
<td>Costs</td>
<td>YES</td>
<td>YES</td>
<td>Must not be used to circumvent the rules</td>
<td>Articles 11 and 12</td>
</tr>
<tr>
<td>Contractors</td>
<td>NO</td>
<td>YES</td>
<td>Price</td>
<td>NO</td>
<td>YES</td>
<td>Best value for money, avoid conflict of interest</td>
<td>Article 10</td>
</tr>
<tr>
<td>Financial support to third parties</td>
<td>Only if allowed in the call</td>
<td>The beneficiaries’ activity consists in providing financial support to the target population</td>
<td>YES</td>
<td>NO</td>
<td>According to the conditions in Annex 1</td>
<td>Article 15</td>
<td></td>
</tr>
</tbody>
</table>
Third parties: Warnings!

The beneficiary retains the sole responsibility for the work and the costs declared!

If something goes wrong with the third party, the beneficiary will be responsible.

The beneficiary must ensure that Commission, OLAF and European Court of Auditors can audit its third parties including subcontractors and providers.

In case of an audit to a 3rd party, the beneficiary is also in copy of all relevant communications (announcement of the audit, audit report, etc.)
Additional Guidance

🎯 Horizon 2020 Annotated Grant Agreement

- All MGAs explained in a single document
- Updated periodically based on feedback from users

🎯 Communication and training

- H2020 Communication Campaign
- Coordinators' days, info days, etc.

Still questions? Research Enquiry Service (http://ec.europa.eu/research/enquiries)
Thank you for your attention!

Find out more: http://ec.europa.eu/programmes/horizon2020/