

# Fourth Meeting of the WG 2Finance COST Targeted Network TN1302: BESTPRAC

**Prefinancing and Liquidity in H2020**

Staška Mrak Jamnik, Head of the Office for European  
projects, University of Ljubljana

## FINANCIAL PLANNING

- When planning the budget and financial management of the future project it is important to know the main financial flows during the whole duration of the project.
- Each Beneficiary must have the financial capacity to cover the costs according to the project financial plan regardless of inflows from the European Commission.

## EC PRE-FINANCING

- In H2020 the Commission provides to the consortium the pre-financing at the beginning of the project.
- The aim of pre-financing is to make it possible for the beneficiaries to have a positive cash-flow during (most of) the project life-cycle. It remains the property of the EU until the payment of the balance.
- The Commission makes the pre-financing payment within the 30 days, either from the entry into force of GA or from 10 days before the starting date of the action, whichever is the latest.
- There is only one pre-financing payment during the project timeline.

## The amount of EC-prefinancing

- I. Normally (if not agreed otherwise in the GA) the pre-financing amounts for 100% of the average EU funding per reporting period. From the pre-financing the amount corresponding to **5%** of the maximum grant amount is transferred to the **Guarantee Fund**
- II. Interim payments within 90 days from receiving the interim report.
- III. Pre-financing and interim payment together may not exceed 90% of the maximum grant amount and only the payment of the balance can reimburse the remaining part of the eligible costs (if existing).
- IV. The amount retained for the Guarantee Fund is released at the payment of the balance.



CASE:

Maximum EU contribution 3.000.000 EUR	Project duration: <b>4,5 years</b>
Number of reporting periods :	<b>3 (one reporting period takes 18 months)</b>
Reporting periods average costs:	<b>1.000.000 €</b>
Maximum EC payment during the project 90% : (10% only after the approved Payment of Balance )	<b>2.700.000 €</b>
Transfer to Guarantee Fund:	<b>150.000 €</b>

**Inflows/Outflows :**

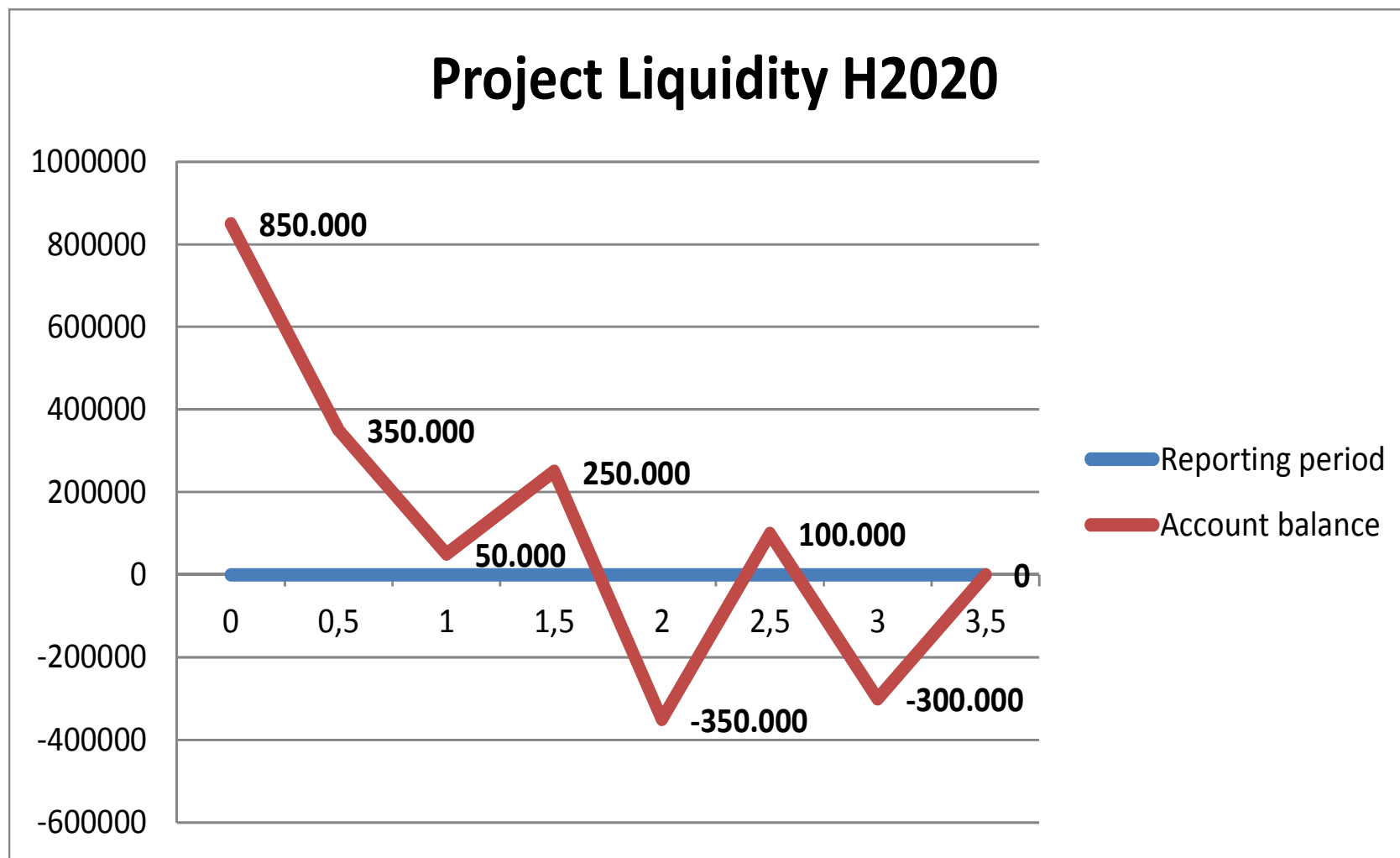
		<b>Liquidity Account balance</b>
<b>Pre-financing at the beginning (100% - 5%): 1.000.000 – 150.000 =</b>		<b>850.000 €</b>
<b>1.RP-expenditure 800.000 €</b>		<b>850.000 €</b>
Report approved : <u>800.000 €</u>	EC interim payment: <b>800.000 €</b>	<b>50.000 €</b>
<b>2.RP- Expenditure 1.200.000 €</b>		<b>850.000 €</b>
Report approved : <u>1.200.000 €</u>	EC interim payment: <b>1.050.000 €</b> (Max. 90%=2.700.000 €)	<b>- 350.000 €</b>
<b>3.RP-Expenditure 1.000.000 EUR</b>		<b>700.000 €</b>
Report Approved : 1.000.000 EUR	EC payment of balance: <b>300.000 €</b>	<b>- 300.000 €</b>
		<b>0 €</b>



Point in Reporting periods		Account balance	Inflows/Outflows
Beginning	0,0	850.000	Pre-financing EC 850.000
Middle of 1.RP	0,5	350.000	expenditure 500.000
End of 1.Rp	1,0	50.000	expenditure 300.000 (800.000)
Middle of 2.RP	1,5	250.000	Interim payment EC 800.000 Expenditure 600.000
End of 2.RP	2,0	-350.000	expenditure 600.000 ( 1.200.000)
Middle of 3. RP	2,5	100.000	Interim payment EC 1.050.000, Expenditure 600.000
End of 3.RP	3,0	-300.000	Expenditure 400.000 (1.000.000)
Payment of Balance	3,5	0	Payment of Balance EC 300.000



The voice of research administrators  
building a network of administrative excellence





Possible problems from the point of view of:

- Accountants
- Researchers/academics
- Administrators





**THANK YOU !**

Staska Mrak Jamnik  
University of Ljubljana  
[Staska.Mrak-Jamnik@uni-lj.si](mailto:Staska.Mrak-Jamnik@uni-lj.si)