



Lump sum funding in Horizon 2020 and Horizon Europe

how it works, possible concerns, and feedback so far
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Lump sum funding - Why using lump sums?

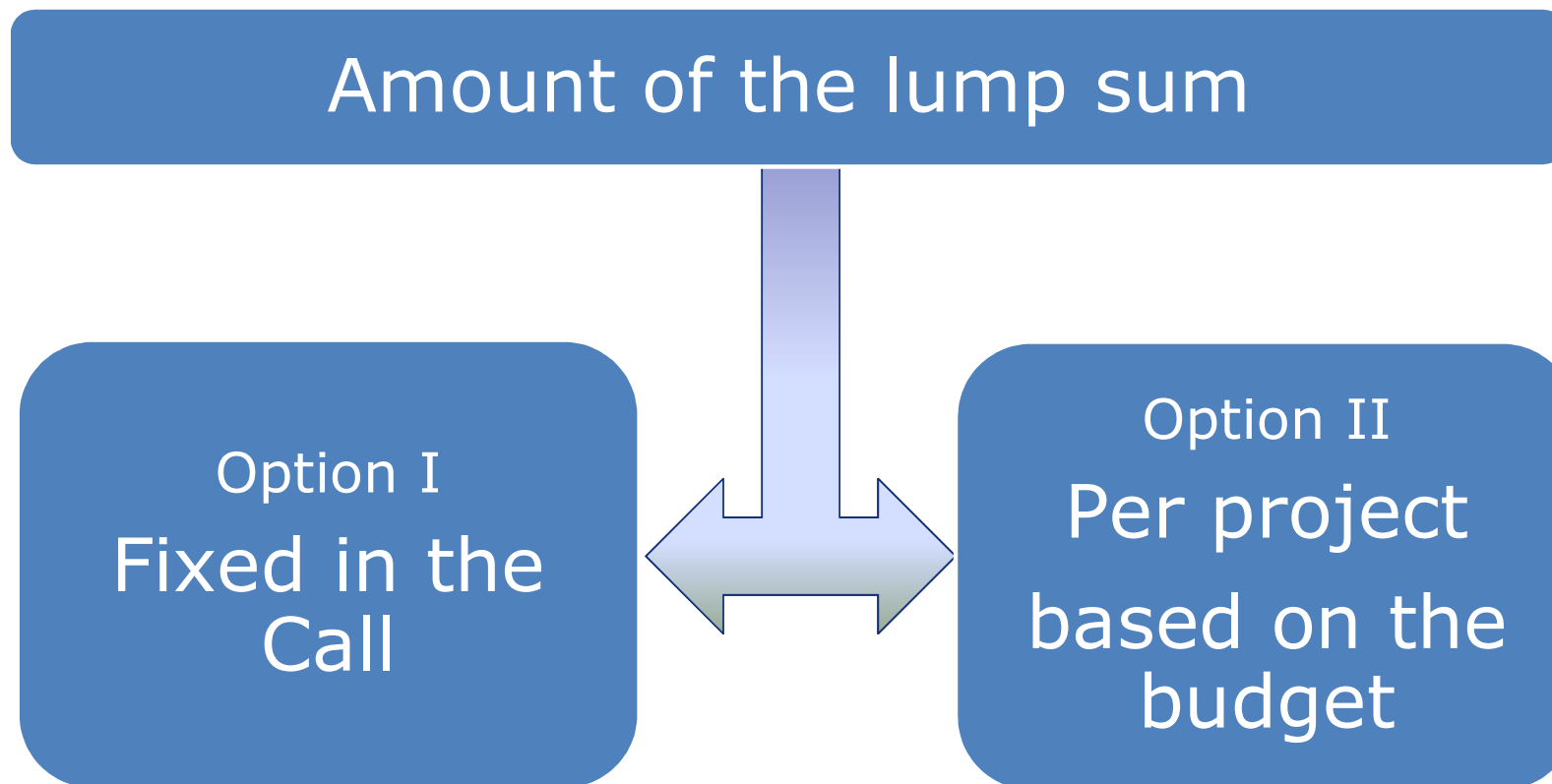
Significant simplification potential:

- Despite all simplification, funding based on reimbursement of incurred costs stays complex and error-prone
- Lump sum project funding removes all obligations on actual cost reporting and financial ex-post audits – i.e. a major reduction of administrative burden

Focus on performance:

- Shift from focus on financial management and checking costs to focus on scientific-technical content of the projects

Lump sum funding – Two options



Lump sum funding – Two options

Option 1

- Fixed lump sum per project defined in call for proposals
- Proposals describe the efforts and resources applicants commit to mobilise for this amount.
- Applicants must provide proposed split of the lump sum per work package and per beneficiary.
- The evaluation – and competition between proposals – ensure that adequate resources are committed

Option 2

- Proposals provide a detailed estimation of costs and a split of the lump sum per work package and per beneficiary
- Experts assess cost details during evaluation and make recommendations (panel will include expert/s with project management /financial expertise).
- Based on this, the lump sum is fixed during grant preparation

Lump sum pilot approach – basic principles

Lump sum evaluation and grant agreement follow standard approach as much as possible:

- Same evaluation criteria
- Same pre-financing and payment scheme
- Reporting periods and technical reporting as today, though focusing on completion of work packages

One lump sum share is fixed in the grant agreement for each work package (Annex 2, ‘Estimated lump sum breakdown):

- This amount is paid when the activities in the work package are completed. As today, payment does not depend on a successful outcome, but on the completion of activities

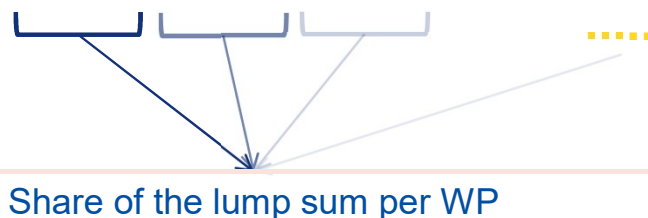
Lump sum grant – Budget allocation

Annex 2

Lump sum = Maximum grant amount

Max. liability of the beneficiary after payment of balance

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000



Disclaimer: Information not legally binding

Lump sum grant – Types of payment



Pre-financing payment

- Same function as in the general MGA
- Coordinator distributes the amount according to consortium agreement



Interim payment(s)

- One or more
- Pay the shares of the lump sum set out in Annex 2 for the WPs completed & approved in the reporting period



Payment of the balance

- Closes the financial aspects of the grant
- Uncompleted WPs will (generally) NOT be paid
- Releases the guarantee fund

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Lump sum grant – Ex-post controls

Checks, reviews and audits for:



Proper implementation of the action (e.g. technical review)



Compliance with the other obligations of the grant:



IPR obligations

Obligations related to third parties (e.g. financial support)

Other obligations (e.g. ethics, visibility of EU funding, etc.)



Bye, bye, financial audits
by the Commission

Lump sum grant – Ex-post controls

They **need**



- Technical documents
- Publications, prototypes, deliverables
- Who did what?
- ...any document proving that the work was done as detailed in Annex 1

same as for
real cost
grants

They **don't need**



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Travel invoices
-actual costs



Bye, bye,
financial audits

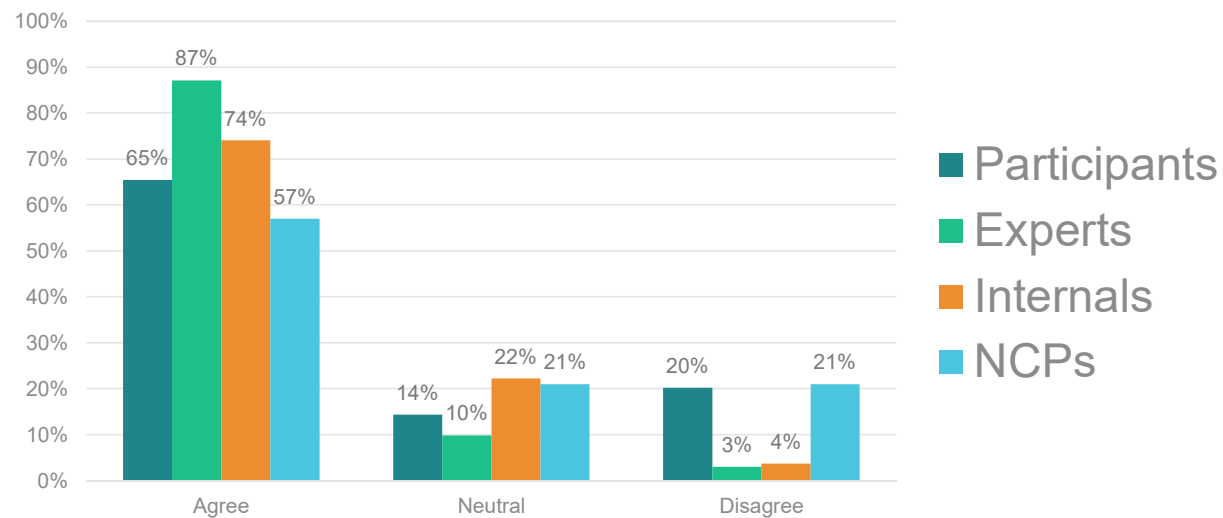
Feedback, concerns, and next steps

April 2021

Overall feedback positive

including from unsuccessful applicants

- The lump sum funding approach tested in the pilot **delivers on its two main goals**
 - significant reduction of administrative burden
 - shifting the focus from financial controls to the content of projects



- ...but wide agreement that there is still **room for improvement**

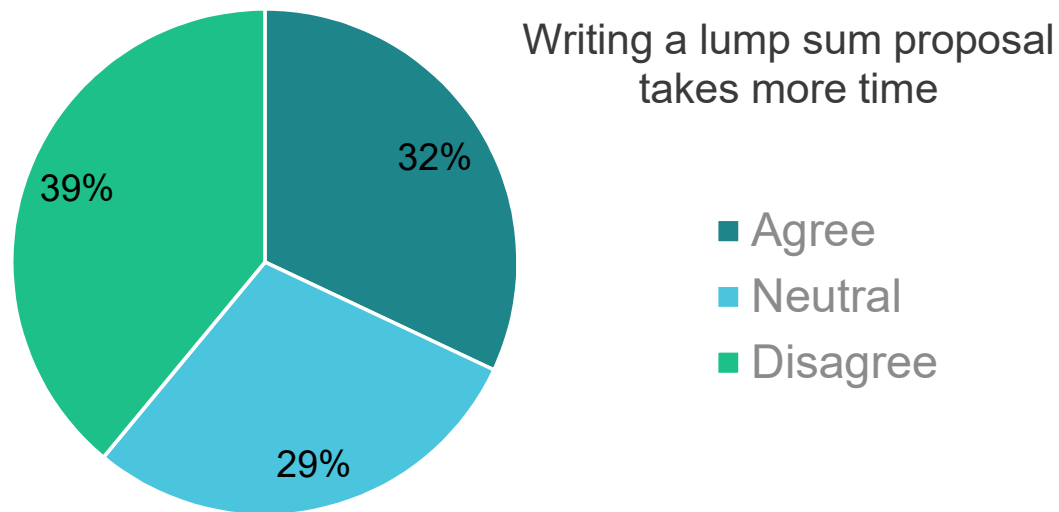
Negative feedback

not necessarily supported by survey results, see next slides

1. Increased **liability** towards other partners, financial risk
2. Greater tendency to choose known and **trusted partners***
3. Increased **effort** for setting up the detailed lump sum budget*
4. Difficult to **evaluate** the lump sum budget, insufficient financial expertise
5. Multiplication of **work packages** to fit the payment schedule
6. Decreased flexibility to adapt the work plan through **amendments***
7. **Audit** approach of the European Court of Auditors not yet known

Time needed to write a proposal

- The lump sum approach has **no significant effect on the average time** needed to write a proposal, according to participants*

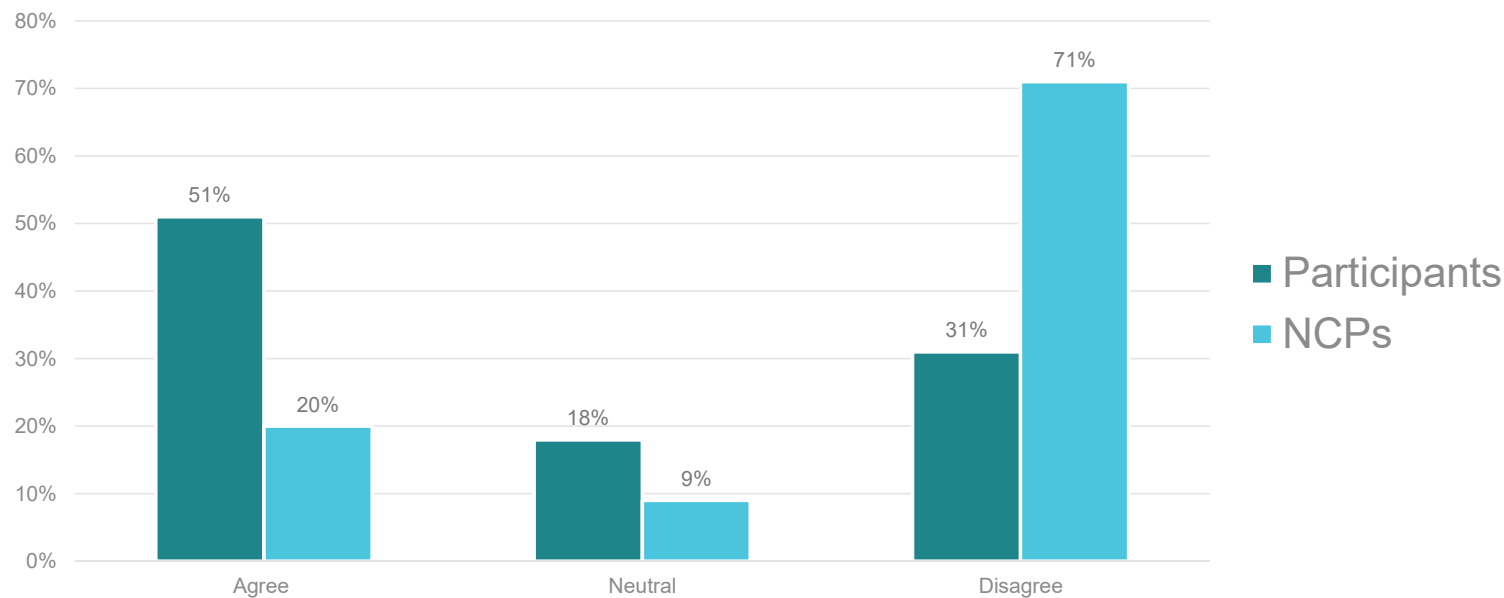


SMEs are more positive!

* 2357 participants invited (incl. unsuccessful applicants, excl. ERC PoC), 457 responses

Setting-up the lump sum budget

- More than half of the participants agree that **defining a lump sum budget is easier** than a standard budget. NCPs have a different view.



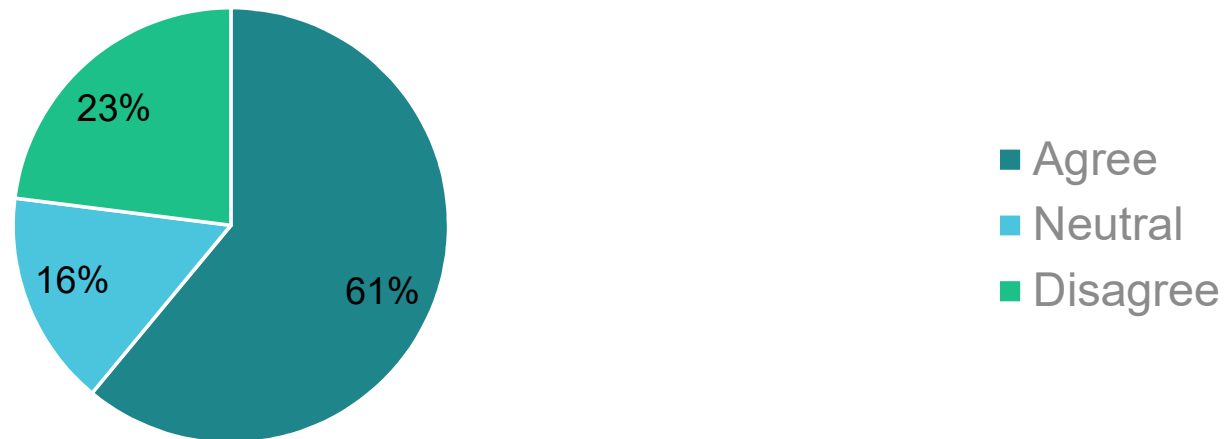
The response from SMEs is more positive!

80% agreement or neutral among 124 SMEs.

* 172 NCPs invited, 46 responses

Budget evaluation

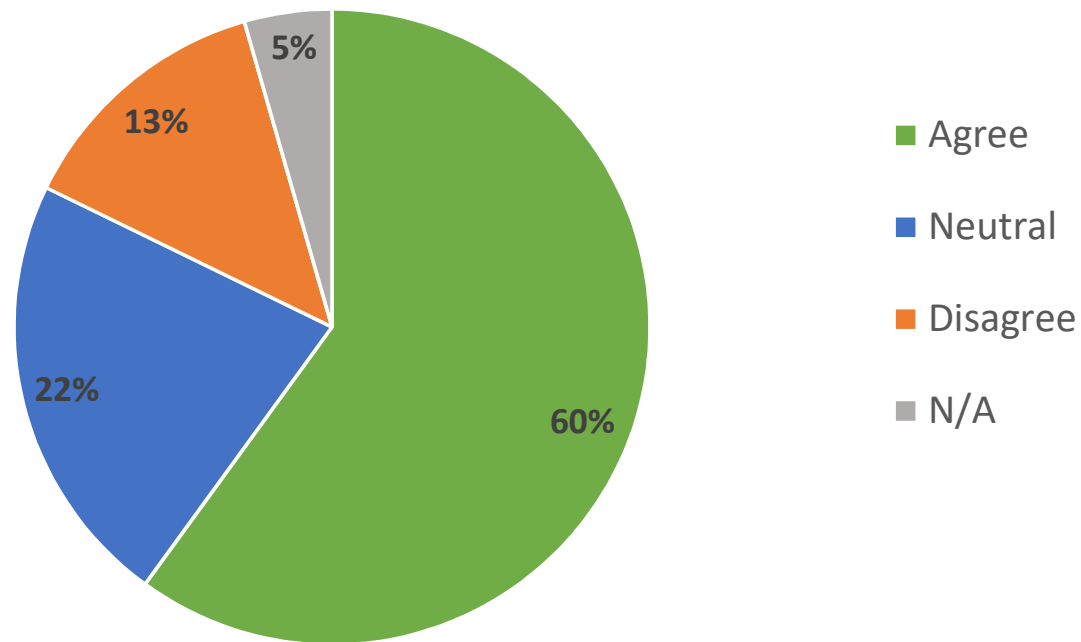
- Experts **strongly agree** that the detailed estimation of costs is sufficient to properly evaluate the lump sum budget



* 226 experts invited (excl. ERC PoC experts), 136 responses

National Contact Points

- Clear majority agrees to wider use of lump sums in Horizon Europe



Thank you



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