



# Lump sum funding in Horizon Europe

IGLO working group  
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# Why use lump sum funding?

## Significant potential for simplification and reducing errors

- Funding based on reimbursement of real costs is complex and error-prone

## Focus on performance

- Focus less on financial management and more on content

## European Court of Auditors recommendation

- Test, assess, and improve lump sum funding on a larger scale (special report No 28/2018)

## Horizon Europe Regulation

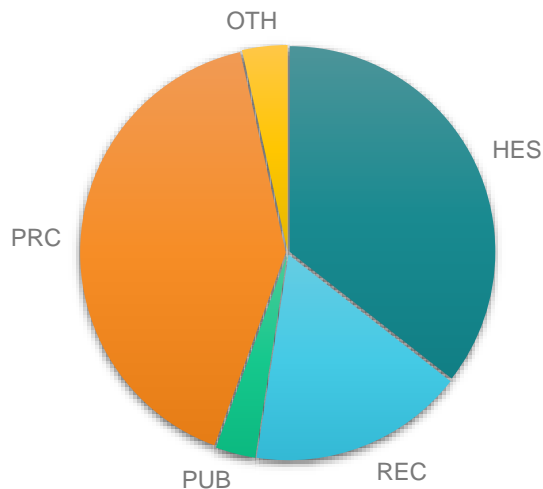
- Recital (80) [Grants] should be implemented taking into account [...] lump sums, flat rates or unit costs, with a view to further simplification.

# Lump sum pilot under Horizon 2020

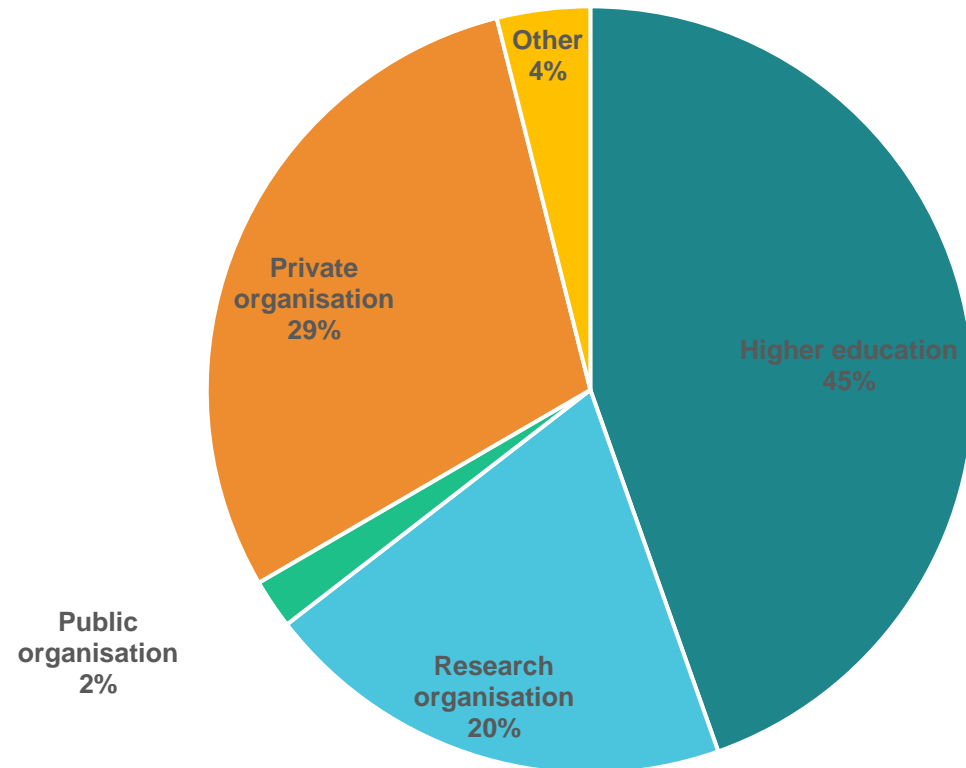
- **Launched under the work programme 2018**
- **Extended under the work programme 2020**
  - 16 topics
  - All types of action covered, across the work programme
  - Multi-beneficiary and mono-beneficiary actions
  - Small and big projects (e.g., ranging from EUR 100,000 to EUR 17 million)
- **Approx. 1600 proposals received, 500 lump sum grants signed**
- **Full assessment report published on Europa.eu.**

# Lump sum pilot applicants

- 3972 applying organisations
- Incl. more than 700 SMEs
- Normal distribution of organisation types, no evidence of discrimination



Distribution in H2020 overall

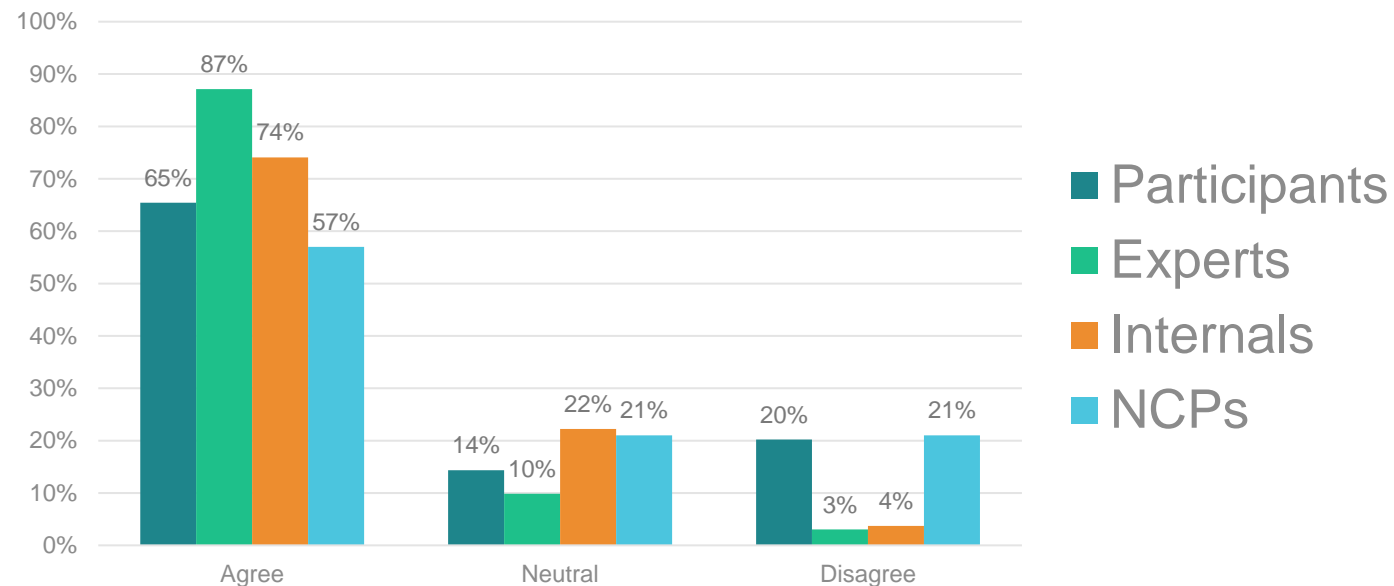


Distribution in lump sum pilot

# 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 agreement that there is **room for improvement**

# Lump sum methodology

# Lump sum 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, but 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

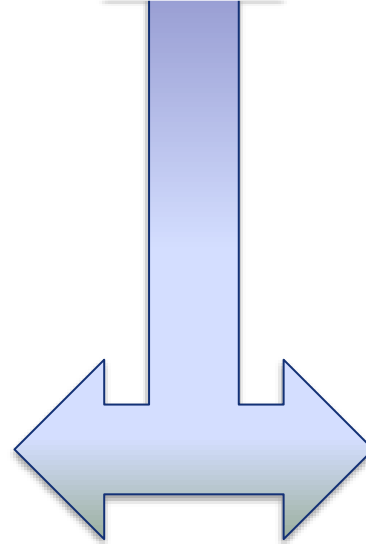
# Two options

Amount of the lump sum

Option I

Lump sum fixed  
in the call

Dedicated decision  
justifying the fixed  
amount



Option II

Individual lump  
sum per project

Generic decision defining  
the methodology

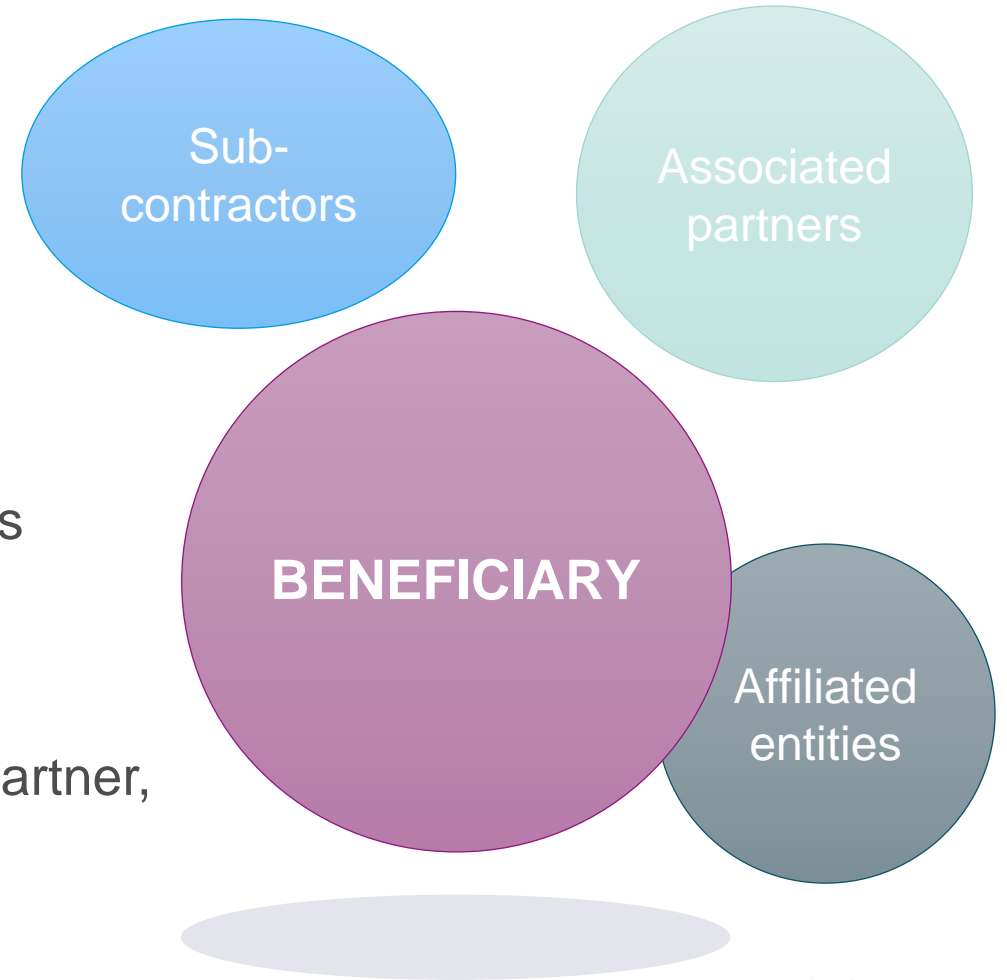


# Consortium

Costs actually incurred are not relevant.

**Who does the work still is!**

- As in the General MGA:
  - Affiliated entities and associated partners must be named in the grant agreement
  - Annex 1 must detail the tasks of each beneficiary, affiliated entity, associated partner, and subcontractor



# Budget evaluation

## Applicants provide a detailed breakdown of cost estimates

- Greater resolution than in standard proposals (e.g. staff costs by category)
- Costs and resources resolved by beneficiary and work package

## Evaluators assess if cost estimates are appropriate and reasonable

- Combining technical expertise and experience in R&I project budgeting
- Benchmarking against historical data (under development for 2022): Personnel cost dashboard showing accepted costs per country and type of organisation.

Example:

Personnel costs for 1 beneficiary in 1 work package

<b>A. DIRECT PERSONNEL COSTS</b>			
<b>A.1 Employees (or equivalent)</b>			
SENIOR SCIENTISTS (or equivalent in the private sector)			0,00
JUNIOR SCIENTISTS (or equivalent in the private sector)			0,00
TECHNICAL PERSONNEL (or equivalent in the private sector)			0,00
ADMINISTRATIVE PERSONNEL (or equivalent in the private sector)			0,00
OTHERS			0,00
<b>A.2 Natural Persons under direct contract</b>			0,00
<b>A.3 Seconded Persons</b>			0,00
<b>A.4 SME owners and natural person beneficiaries</b>		5.080,00	0,00

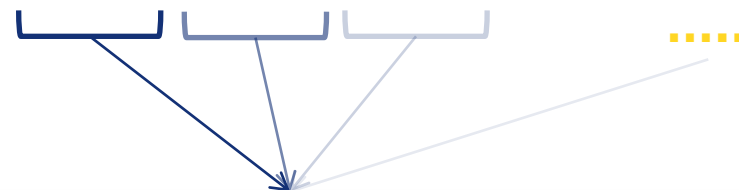
# Budget allocation

## 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	<b>3.000.000</b>



Share of the lump sum per WP

# Work packages

## Work packages distribution:

As many as needed but no more than what is manageable

Therefore:

- A single activity is not a WP
- A single task is not a WP
- A % of progress of work is not a WP (e.g. 50 % of the tests)
- A lapse of time is generally not a WP (e.g. activities of year 1)

**Horizontal work packages** (e.g.: Management, Dissemination and Exploitation, etc.) may be split in line with reporting periods

# 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
- Partial payment for partially completed WPs possible
- Releases the amount retained for the Mutual Insurance Mechanism

# Reporting and payments

Technical periodic report same as in real costs grants

- + Coordinator declares the **work packages completed** in the reporting period

Financial periodic report much easier

- **Individual financial statements generated automatically** based on work packages completed and lump sum shares in Annex 2

Partial payments

- Uncompleted work packages can be completed in subsequent reporting periods
- At the last reporting period, beneficiaries may **also declare partial shares** for work packages that were not completed
- Consider an amendment to address situations where a work package cannot be completed

# Ex-post controls (1)

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.)



**No financial audits by the  
Commission**

# Ex-post controls (2)

## 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



no financial audits



# What changes compared with H2020?

- **The lump sum approach remains mostly unchanged**
  - Options 1 and 2 as before, using standard rules and processes wherever possible
  - Same reporting except focus on completed work packages
  - Same payment schedule with payments linked to completed work packages
- **Easier amendments**
  - A technical review is no longer needed, making amendments essentially the same as for standard grants.
- **Guidance and IT support**
  - Guidance for H2020 lump sums is principally still valid. Updated, improved versions will be released in the next months. FAQs and slides for applicants are already updated.
  - Detailed lump sum budget table will be implemented in the online submission system (Portal), replacing the current Excel tool

# Additional clarifications

# Additional clarifications (1)

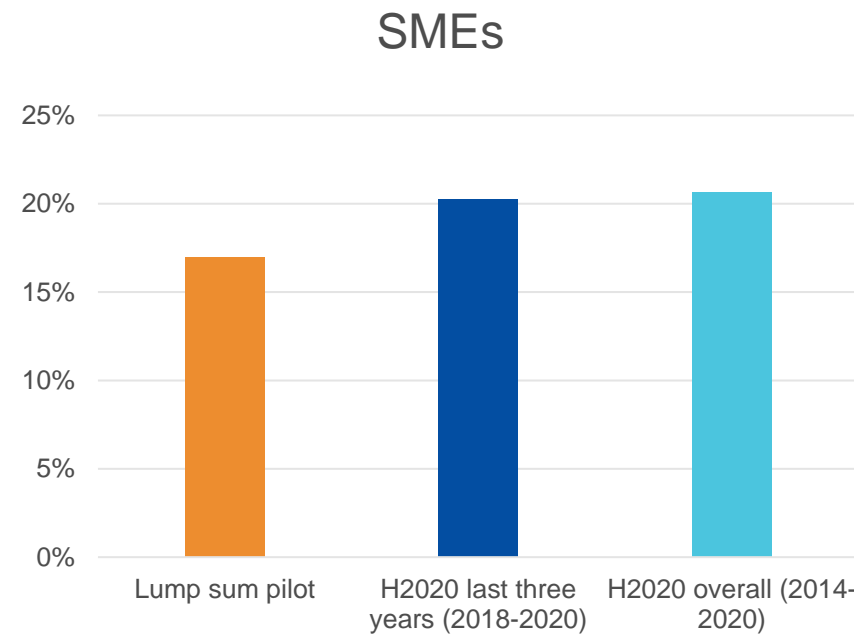
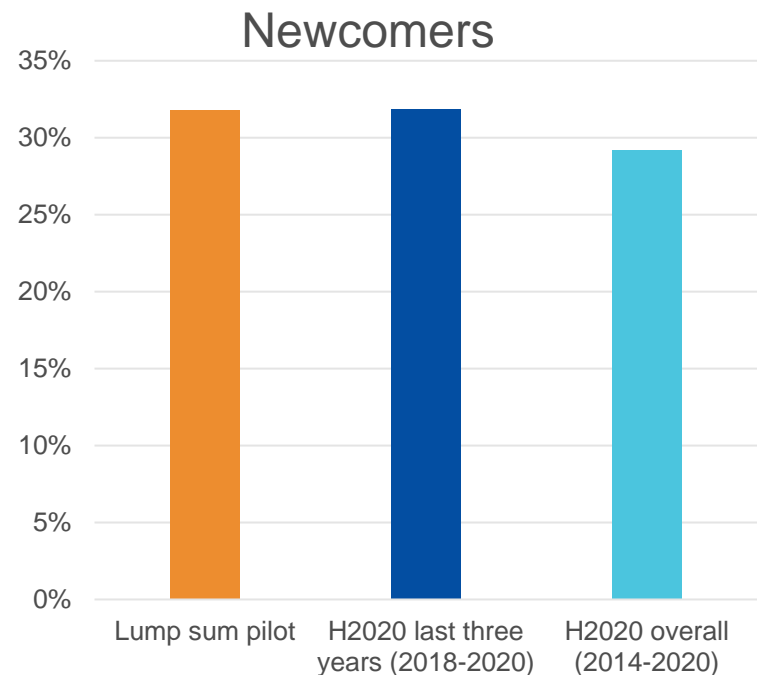
Additional effort is limited and **offset by savings**

- More budget details are requested, but applicants need these in any case for a correct budget
- Use of two-stage calls, where possible, so that only applicants with good chance of funding need to provide budget details
- Other steps similar; financial reporting much easier

# Additional clarifications (2)

Newcomers and SMEs are not discouraged

- Same distribution of applying organisations, normal share of newcomers and SMEs
- Feedback from SMEs and newcomers is the most positive



# Additional clarifications (3)

Lump sum grants are **flexible**

- Inherent flexibility; no need for consecutive work packages
- Inherent full flexibility on use of the funding
- Flexibility for adapting work packages and technical content is the same as in standard cost reimbursement grants
- Amendment process was simplified for lump sum grants under Horizon Europe – now very similar to standard amendment (no technical review needed)

# Additional clarifications (4)

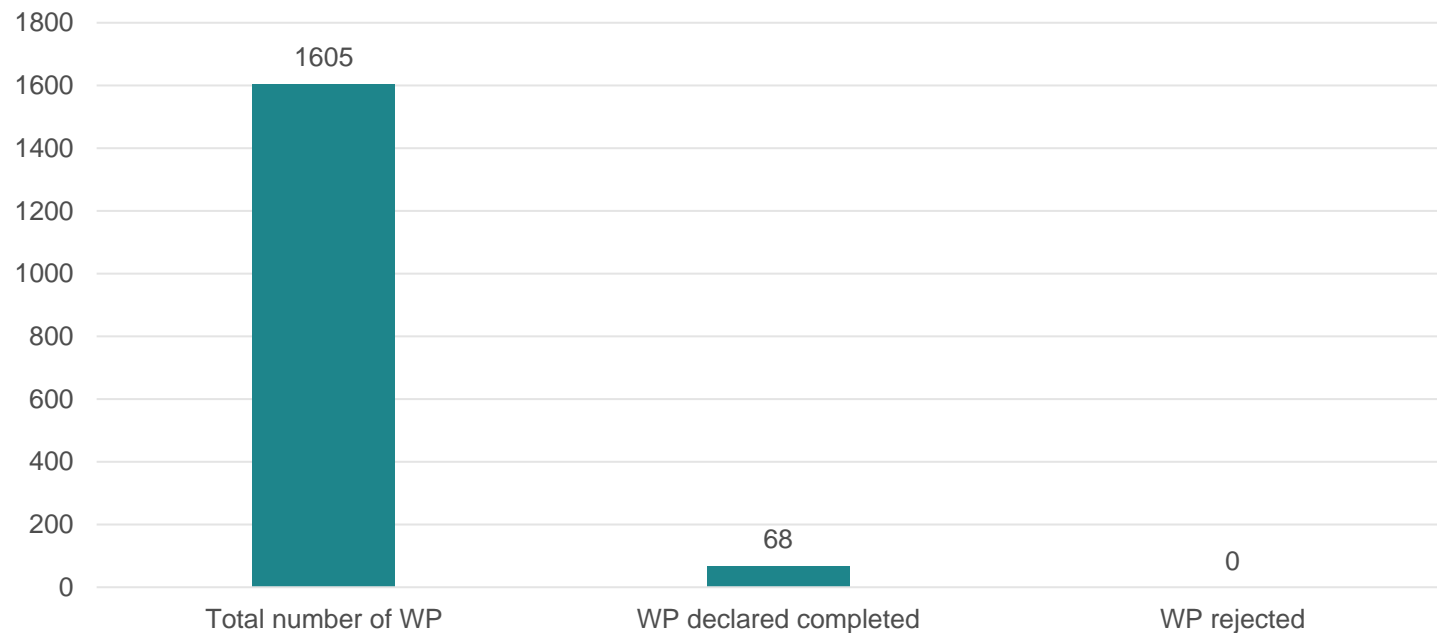
## Equal level of control

- Higher assurance on the maximum grant amount (= lump sum) signed in the GA
- Equal level of checking that project implementation is adequate
- Stronger focus on content is part of the method. This will help Horizon Europe reach its objectives.
- Grant reductions are very rare (majority of grants exploit the maximum amount)

# Additional clarifications (5)

Financial risk not increased, limited **liability** towards other partners

- Liability is limited for each partner to the indicative share per work package (annex 2 to the GA)
- Only relevant if a WP (or part) is finally rejected; no intention to be stricter; no cases so far



# Additional clarifications (6)

## Audit approach yet unknown

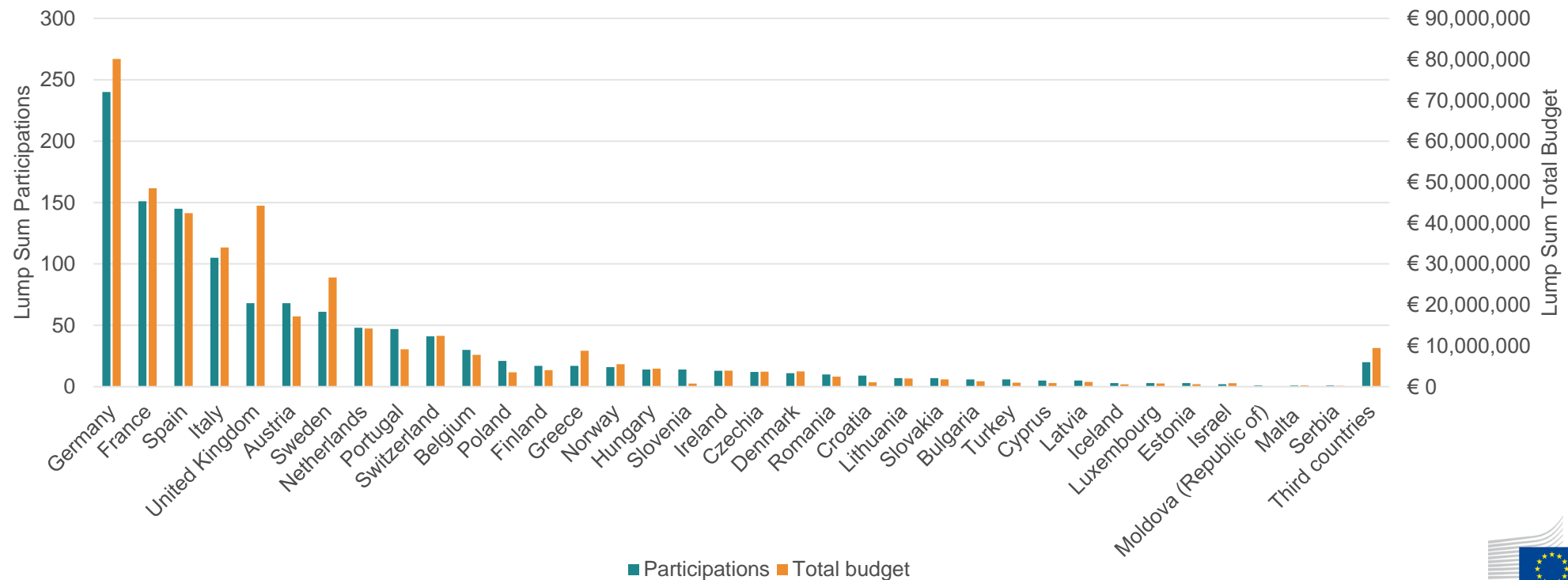
- True, but the European Court of Auditors is positive about lump sums
- Exchanges with the Court ongoing
- Analysis of the lump sum methodology in the H2020 pilot to be launched



# Additional clarifications (7)

## Level of funding does not change

- No change of funding streams or funding levels is intended or expected
- Current practice of indicative amounts in the work programme is not far from lump sums



# Next steps

# Rollout of lump sums in Horizon Europe

- Stepwise phasing in of lump sums, not overnight
  - Such major simplification of the EU funding system will take time to be fully established in any case
  - Moderate increase in Q3/Q4 2022; successively wider use from 2023
- No evidence for any detrimental effects so far, but we continue monitoring
  - Lump sum method will be fine-tuned based on lessons learned

# Which calls will use lump sums?

- Each cluster or programme part decides their lump sum calls
  - This is part of preparing the work programme.
  - A final list of lump sum calls is not yet available.
- Work programme 2022
  - A limited number of lump sum calls will be introduced with the work programme amendment in April 2022.
  - To allow enough time for applicants, this will mostly concern calls that open in September 2022 or later.
- Work programme 2023-2024
  - A substantial share of 2023 calls will use lump sum funding.
  - The share is not fixed, but we expect a significant contribution to a lower error rate.
  - E.g., 50% lump sum funding could reduce the error rate from 4% to 2%.

# Next Steps towards lump sums

- Improve lump sum IT implementation, guidance, training, and support
  - Budget table in the Portal
  - Guidance on e.g. lump sum budget set-up, reporting and payments
- Complete series of meetings for widest possible endorsement
  - Internal Horizon governance already endorsed our approach
  - Programme Committees and NCPs
  - Joint workshop with STOA committee (EP)

# Reference documents on the Portal

- [Model Grant Agreement Lump Sum](#)
- [Decision authorising the use of lump sum contributions under the Horizon Europe Programme](#)
- [Detailed lump sum budget table](#)
- [Standard slides for applicants](#)
- [Frequently Asked Questions at the Funding & Tenders Portal](#)

# Thank you



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