

**DECISION authorising the use of lump sum contributions under the Horizon Europe Programme – the Framework Programme for Research and Innovation (2021-2027) – and in actions under the Research and Training Programme of the European Atomic Energy Community (2021-2025)**

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013<sup>1</sup>, and in particular Articles 7(9) and 21 thereof,

Having regard to Council Regulation (Euratom) 2021/765 of 10 May 2021 establishing the Research and Training Programme of the European Atomic Energy Community for the period 2021-2025 complementing Horizon Europe – the Framework Programme for Research and Innovation and repealing Regulation (Euratom) 2018/1563<sup>2</sup>, and in particular Articles 6 and 9 thereof,

Having regard to Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union<sup>3</sup>, and in particular Articles 125 and 181 thereof,

Whereas:

- (1) Simplification as a central aim of the Horizon Europe Framework Programme and the Euratom Programme needs to be reflected in its design, rules, financial management and implementation,
- (2) Simpler funding rules reduce the administrative costs for participation and contribute to the prevention and reduction of financial errors. In this respect, the use of lump sum contributions is necessary to simplify the calculation of grant amounts, leading to a significant decrease in the workload of both beneficiaries and the granting authority as well as to accelerated payment procedures.
- (3) Lump sum funding strongly increases the focus on the scientific/technical performance and output of projects. This is desirable in the Horizon Europe Framework Programme and Euratom Programme in order to improve the monitoring quality of results and their further dissemination and exploitation.

THE FOLLOWING HAS BEEN DECIDED:

#### *Sole Article*

The use of the Union contribution in the form of lump sum contributions is authorised for actions under the Horizon Europe Framework Programme and for actions under the Euratom Programme, for the reasons and under the conditions set out in the Annex.

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<sup>1</sup> OJ L 170, 12.5.2021, p. 1.

<sup>2</sup> OJ L 167I, 12.5.2021, p. 81–100.

<sup>3</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p.1).

Done at Brussels,

*Jean-Eric PAQUET*  
*Director-General of DG R&I*

## **Annex**

### **1. Forms of Union contribution and categories of costs covered**

The Union contribution for actions under the Horizon Europe Framework programme and for actions under the Euratom Programme complementing Horizon Europe may take the form of a lump sum contribution, for calls or topics specified in the relevant Horizon Europe Work Programme over the period 2021-2027 or in the relevant Euratom Work Programme over the period 2021-2025.

The lump sum contribution will be determined for each grant by the granting authority on the basis of the following principles:

- (a) The lump sum contribution must be an approximation of the beneficiaries' underlying actual costs;
- (b) The applicants must propose the amount of the lump sum contribution on the basis of their estimated direct and indirect project costs and in accordance with the method described in point 3;
- (c) The proposal must show the costs and categories of costs covered by the lump sum contribution, may contain only costs that would be eligible for an actual costs grant and must exclude costs that are ineligible under the Horizon Europe rules. Depending on the type of action, these costs and categories of costs may be the following;
  - Personnel costs:
    - Employees (or equivalent)
    - Natural persons working under direct contract
    - Seconded persons by a third party against payment
    - SME owners and natural person beneficiaries
  - Subcontracting costs
  - Purchase costs:
    - Travel and subsistence costs
    - Equipment (depreciation or full capitalised costs depending on call conditions);
    - Other goods, works and services
  - Other cost categories:
    - Financial support to third parties (if any)
    - Internally invoiced goods and services
    - Transnational access to research infrastructure costs (if any)
    - Virtual access to research infrastructure (if any)
    - PCP/PPI procurement costs (if any)
    - Euratom Cofund staff mobility costs
    - ERC additional funding

- ERC additional funding (subcontracting, financial support to third parties, internally invoiced goods and services)
- (d) The granting authority will apply the method in point 3 to fix the lump sum contribution, based on the proposal and the evaluation result.
- (e) The Horizon Europe 25% flat rate for indirect costs, where applicable, and reimbursement rates are included in the calculation of the lump sum contribution (see point 3).

Payments do not depend on the costs actually incurred.

The lump sum contribution will be paid by the granting authority, if the corresponding work packages of the action have been properly implemented in accordance with Annex 1 of the grant agreement (and provided that all other obligations under the grant agreement have been complied with).

Lump sum contributions per work package, whose conditions have been met during a reporting period, are paid to the coordinator.

Lump sum contributions per work package, whose conditions have not been met during a reporting period, are not paid, but could be paid in the subsequent reporting period if the conditions are met.

Lump sum contributions per work package, whose conditions are not met in any reporting period, are not paid and the grant is reduced by an amount up to the value of the lump sum contributions per work package concerned, following a contradictory procedure with the coordinator or beneficiary concerned.

The amounts of the lump sum contributions per work package to be used shall be calculated in accordance with point 3.

## **2. Justification**

The use of lump sum and unit contributions considerably simplifies, streamlines and reduces the time needed for the financial management of actions, both at granting authority as well as beneficiary levels. The European Court of Auditors has highlighted the potential of lump sums, as a major step to decrease administrative burden for beneficiaries, and has already called for an intensification of the testing on lump sums in the course of Horizon 2020<sup>4</sup>.

### **2.1. Nature of the supported actions**

Lump sum contribution may be used in all actions under the Horizon Europe and the Euratom programmes as a way of achieving further simplification and stronger focus on the scientific/technical implementation of funded activities and their outputs generated.

Under the Horizon 2020 Programme – the Framework Programme for Research and Innovation (2014-2020), a H2020 lump sum pilot was launched to assess the feasibility and appropriateness of using full budget-based lump sum contribution to cover a single action, including collaborative actions.

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<sup>4</sup> See Special report available at:  
[https://www.eca.europa.eu/Lists/ECADocuments/SR18\\_28/SR\\_HORIZON\\_2020\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/SR18_28/SR_HORIZON_2020_EN.pdf).

The H2020 lump sum pilot was thoroughly assessed based on continuous feedback and systematic surveys. The results indicate that lump sum funding can be used for any type of action, including for large multi-beneficiary projects, without increasing burden or decreasing satisfaction of users. Beyond the positive feedback overall, more in-depths analyses reveal an even more positive attitude of SMEs towards lump sum funding, and more positive feedback associated with small to mid-sized budgets and small to mid-sized consortia. This observation does not exclude lump sums for large and complex grants but may well be taken into account when identifying suitable programme parts for lump sum funding.

On the basis of data collected (up to June 2021), the lump sum pilot received nearly 1,600 proposals across 16 topics in the Horizon 2020 work programmes of 2018 – 2020, covering all types of action. These proposals include approximately 4 000 applying organisations, which show a very similar distribution of organisation types as in Horizon 2020 overall. There were 524 signed lump sum grants, most of which started in 2019 or 2020.

This pilot experience shows that there is wide agreement among participants and experts involved in the lump sum pilot, that the Commission provided clear and sufficient information on the lump sum approach. This includes the briefing for experts. In addition, a majority of expert evaluators involved consider that the detailed estimation of costs in lump sum proposals is sufficient, and that the tools provided to enter the cost details and calculate the lump sum is clear and appropriate to perform a sound evaluation of the lump sum budget. Furthermore, most of the participants found that budgetary changes, if recommended by the experts, were precise enough to properly implement them (i.e., changes to the lump sum requested as a result of the evaluation).

Taken together, these survey results suggest that the financial aspects of the lump sum scheme are handled properly during evaluation, and they highlight the necessity of sufficient financial expertise in the lump sum evaluation.

In that respect, calls or topics in the most suitable areas for using lump sum contribution will be identified in the relevant Horizon Europe Work Programme including the work programmes of the European Research Council, the European Innovation Council and the Institutionalised European Partnerships over the period 2021-2027 or in the relevant Euratom Work Programme over the period 2021-2025. Careful attention will continue to be given to briefing to evaluators, in particular to ensure appropriate and sound upfront financial evaluation of the action estimated costs.

## 2.2. Risks of irregularities and fraud and costs of control

The granting authority will verify at the time of preparation of the grant, during the implementation of the action or afterwards (through technical checks, reviews or audits), compliance with the conditions for using lump sum contributions per work package.

As a direct consequence of removing all obligations on cost reporting and financial ex-post audits, financial error rates will be minimised.

Pre-financing will follow the standard Horizon Europe rules, and will be fixed in the grant agreement. Between 5 and 8 % of the total lump sum is retained as contribution to the Mutual Insurance Mechanism.

There is no report of actual costs, and there are normally no financial checks, reviews, or audits. Beneficiaries have no obligation vis-à-vis the granting authority to document costs incurred for the action but they remain subject to the accounting rules under the applicable national law.

Checks, reviews and audits will focus on the technical implementation of the action, in particular on the fulfilment of the conditions for releasing lump sum contributions per work package, or on other aspects of the grant agreement such as ethics and research integrity, dissemination and exploitation of results, management of intellectual property, and gender equality.

If such controls reveal that the conditions for payment of the lump sum contribution per work package had not been met (e.g. a particular work package had not been completed), and that an undue payment was made to a beneficiary, the granting authority is entitled to recover up to the amount of the grant.

### **3. Method to determine and update the amount of the Union contribution in the form of lump sum contributions**

Applicants shall propose the amount of the lump sum contribution on the basis of their estimated direct and indirect costs. They shall provide a breakdown of the lump sum contribution showing the share per work package and, within each work package, the share assigned to each beneficiary and affiliated entity (if any). The proposal shall describe in detail the activities covered by each work package and all related resources.

The detailed cost estimation per work package and per beneficiary and affiliated entity (if any) shall include only costs that would be considered eligible in an actual costs grant. Ineligible costs shall not be included. Where relevant, applicants shall declare that they have followed their own accounting practices for the preparation of the estimated budget.

The estimated eligible costs for the action shall be broken down by budget category:

- A. Personnel costs
- B. Subcontracting costs
- C. Purchase costs
- D. Other cost categories
- E. Indirect costs.

Indirect costs shall be calculated by applying a flat rate of 25% to the direct cost categories that qualify for the calculation of indirect costs under the Horizon Europe rules.

Applicants must prepare their detailed budget by using the relevant templates published by the granting authority. Their estimated eligible costs for the action must be broken down for the above-mentioned budget categories and for any related sub-categories mentioned in those relevant templates.

As a general rule, proposals shall be evaluated according to the standard Horizon Europe procedures with the help of external independent experts. The experts shall assess the quality of the proposals in terms of excellence, expected impact and quality and efficiency of the

implementation. For each work package, experts with the necessary financial knowhow shall, in addition, check the budget estimate on the basis of relevant benchmarks on costs and resources such as market prices, statistical data or historical data on previously funded and comparable actions, and assess whether the resources proposed and the split of lump sum shares allows achieving the activities and expected outputs. Experts shall verify that proposals include the declaration by beneficiaries of having used their own accounting practices.

Following proposal evaluation, the authorising officer will establish the amount of the lump sum taking into account the findings of the assessment carried out (including in case of recommendations from the experts). If cost items are adapted, the lump sum contribution and the lump sum breakdown shall be modified accordingly during grant preparation.

The final lump sum contribution shall be included in the grant agreement as the maximum grant amount. It shall be calculated by applying the reimbursement rate set out in the Horizon Europe rules to the total estimated eligible costs in the detailed budget table, in compliance with Article 34 of the Regulation establishing Horizon Europe – the Framework Programme for Research and Innovation.

#### **4. Sound financial management and co-financing principles and absence of double financing**

The methodology described in point 3 complies with the sound financial management and co-financing principles and ensures the absence of double financing as required by Regulation (EU, Euratom) No 2018/1046.

Sound financial management is ensured because the costs estimate in the proposal shall be detailed and subject to an in-depth check by the evaluation committee to ensure that it represents an approximation of the actual eligible costs, as described in point 3 above. Any actions that generate revenue will have those revenues included as part of the estimated budget and will be taken into account when calculating the maximum amount of the grant. The external independent experts shall assess the breakdown of shares and ensure that the described activities correspond well to the estimated budget. Compliance with the co-financing principle will be ensured during evaluation of the budget by checking that the total estimated costs of the action is greater than the estimated Union contributions. Moreover, where the EU contribution covers partially the total costs of the actions, the reimbursement rates set out in Article 34 of the Horizon Europe Rules for Participation will be reflected in the calculation of the lump sum.

Double funding is avoided by identifying the project costs that are covered by the lump sum contributions and is also effectively prevented through controls at the evaluation, grant agreement preparation, implementation, interim and final payment stages by the granting authority and the Commission.