



HORIZON EUROPE



THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

LUMP SUM FUNDING IN HORIZON EUROPE: HOW DOES IT WORK? HOW TO WRITE A PROPOSAL?

EUROPEAN COMMISSION, DG RTD
Common Implementation Centre
20 October 2022

Why do we use lump sum funding?

Reducing the financial error rate

- Following the ECA annual reports 2019 and 2020, there is wide agreement that the error rate in the R&I Framework Programmes must be reduced
- Lump sums are a key measure to achieve this in Horizon Europe

Significant simplification potential

- Funding based on reimbursement of real costs remains complex and error-prone. Little scope for further simplification
- Lump sums remove the obligation to report actual costs and resources
- Easier to use for beneficiaries with limited experience

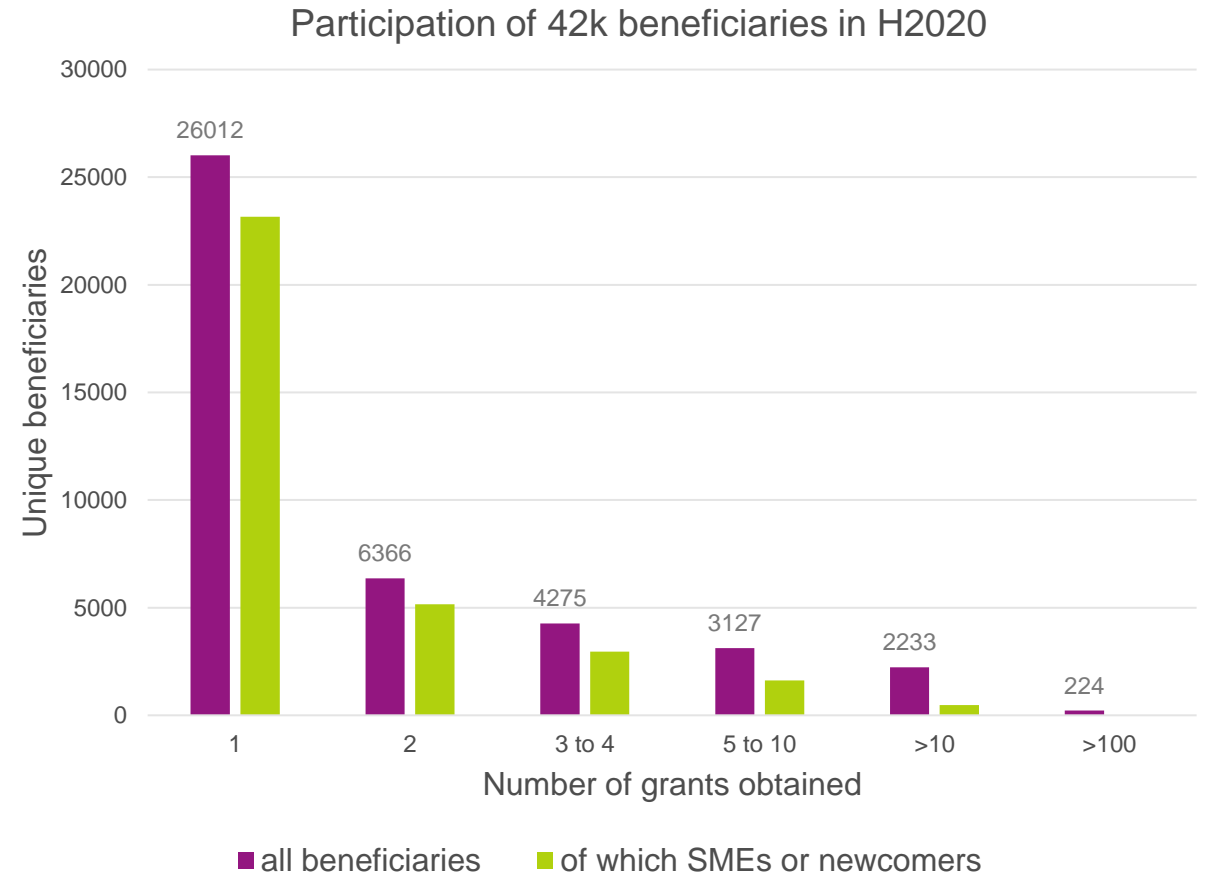
Focus on content

- Focus less on financial management and more on content

Why do we use lump sum funding?

Easier access to the programme

- Very small share of beneficiaries have more than 100 grants:
 - Large entities
 - Dedicated staff and procedures to deal with actual costs
- Vast majority of beneficiaries have only 1 or 2 grants per programme
 - Most of them SMEs or newcomers
 - Little or no previous experience
 - Need a simple funding model



Common understanding of lump sum funding needed

We are aware of concerns:

Higher financial risk; possible negative side effects (fewer newcomers, less ambitious proposals); less flexibility in grant management

We are aware of misunderstandings:

Lump sum payments depend on a successful outcome (not true); partially completed lump sum work packages will not be paid (not true); in actual cost grants, you only need correct invoices to be paid (not true)

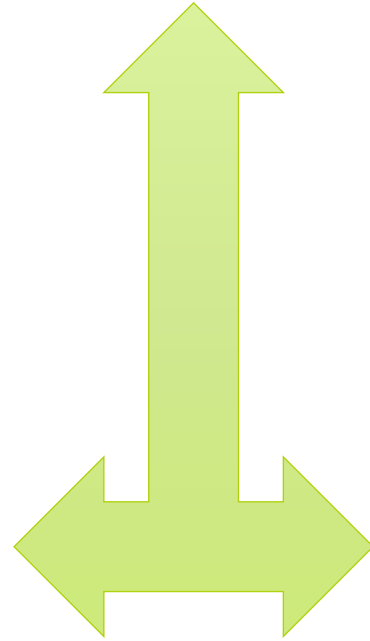
We need to explain more, but we see no blocking issues:

- Successful pilot under Horizon 2020
- Improved guidance and series of events to clarify how lump sum funding works

Two lump sum options

Type 1

Lump sum
fixed in the call
for proposal



Type 2

You define the
lump sum in
your proposal

Except ERC Proof of Concept, all topics in the 2022 Work Programme are type 2.

Writing a lump sum proposal

- To write a lump sum proposal, you:
 - Use the standard Horizon Europe application form
 - Present the objectives and methodology of your project and address the expected outcomes and impacts as in any Horizon Europe proposal
 - Describe in detail the activities covered by each work package.
- To define and justify the lump sum, you need to provide a **detailed budget table** with cost estimations.
- The detailed budget table is an **Excel file**. You must download it from the online submission system, fill it and submit it as an annex to the Part B of your application form.

Writing a lump sum proposal

- In this detailed budget table, you provide **cost estimations for each cost category** per beneficiary (and affiliated entity if any) and per work package.
- The cost estimations must be an **approximation of your actual costs**. They:
 - are subject to the same eligibility rules as in actual costs grants
 - must be in line with your normal practices
 - must be reasonable / non-excessive
 - must be in line with and necessary for your proposed activities.
- The cost estimations are used to generate in the detailed budget table a **breakdown of lump sum shares** per work package and per participant.
- Details and instructions on how to fill in the lump sum detailed budget table are provided in the [Funding & Tenders portal](#).

Project design – Work packages

Work package distribution



As many as needed but no more than what is manageable

A work package (WP) is a major sub-division of the work plan of your project.

- A single activity is not a WP
- A single task is not a WP
- A % of progress 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)

Work packages with a long duration may be split along the reporting periods (e.g., Management, Dissemination and Exploitation, etc.). In this way, the relevant activities can be paid at the end of the reporting period.

Evaluation of a lump sum proposal

- Your proposal will be evaluated by independent experts against the **standard evaluation criteria**: excellence, impact, and implementation.
- The cost estimations will be assessed against the proposed activities under the **implementation** criterion.
- Experts will:
 - ensure that the cost estimations are **reasonable and non-excessive**
 - evaluate whether the proposed resources and the split of the lump sum **allow completing the activities described in the proposal**.
- If the experts find overestimated costs, they make **concrete recommendations** on the budget that are recorded in the Evaluation Summary Report. This will be reflected in a modified lump sum amount in the grant agreement.
- Cost estimations that are clearly overestimated or underestimated lead to a **decreased score** under the implementation criterion.

Grant preparation

- We follow the **standard process to prepare the grant agreement**.
- The grant agreement for your project will be based on the [Model Grant Agreement for lump sum grants](#).
- The **'no negotiation' principle** applies. The grant agreement is prepared on the basis of the proposal you submitted. However, some changes might be necessary:
 - correcting obvious errors and inconsistencies
 - other changes necessary to comply with applicable rules
 - adjustment of the lump sum to the amount specified in the Evaluation Result Letter
- The **breakdown of lump sum shares per beneficiary and per work package** is included in the grant agreement as Annex 2. The submitted detailed lump sum budget table is not part of the lump sum grant agreement.
- Once the lump sum is fixed in the grant agreement, **it will not be questioned** if the prices for goods or services change later on.

Budget allocation

Budget allocation (annex 2 to the grant agreement)

	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

Shares of the lump sum per beneficiary

Shares of the lump sum per WP

Lump sum = Maximum grant amount

You can **use the budget as you see fit** as long as the project is implemented as agreed. The actual distribution of the lump sum is invisible to us.

Budget transfers between work packages and/or partners require an amendment if the consortium wants to reflect them in the grant agreement.

Payment schedule

Types of payments:



Pre-financing payment

- Same function and same rules as for other grants
- Coordinator distributes the amount according to consortium agreement



Interim payment(s)

- One or more
- We pay the shares of the lump sum set out in Annex 2 for the work packages 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 payment (1)

- Use the **standard reporting template**
- The coordinator declares work packages as **Completed** or **Not Completed**. This should be justified by the technical periodic report.
- An incomplete work package can be completed and paid in a subsequent reporting period.
- At the final reporting period, it is possible to declare **Partially Completed** work packages, and to enter the percentage of completion.

Status of completion SAVE

Number	Title	Lead Beneficiary	Status of Completion	Completion %
WP1	wp1	AST GmbH	Partially Completed	60.00
WP2	wp2	AAA	Completed	100.00
WP3	wp3	AST GmbH	Partially Completed	50.00
WP4	wp4	AAA	Not Completed	0.00
WP5	wp5	AST GmbH	Not Completed	0.00

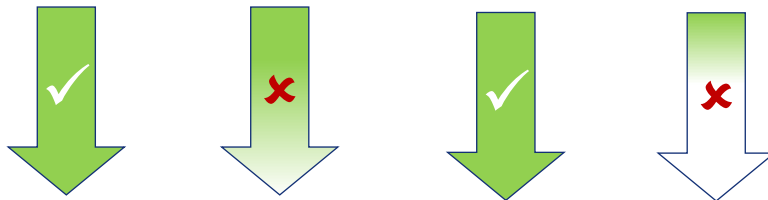


The completion of work packages is not based on a successful outcome, but on the **completion of activities** as described in the description of action.

Reporting and payment (2)

- The financial report is much **simplified** and to a large extent automated.
- The financial statement for all beneficiaries is **automatically generated** (based on the accepted work packages and the corresponding lump sum shares).

	WP1	WP2	WP3	WP4	WP5
Beneficiary A	250.000			50.000	300.000
Beneficiary B		250.000	350.000	50.000	
Beneficiary C	100.000	100.000		50.000	
Beneficiary D		120.000		50.000	
Total	350.000	470.000	350.000	200.000	300.000



$$\text{Payment} = 350\ 000 + 0 + 350\ 000 + 0 = 700\ 000\ \text{€}$$

Interim payments pay the lump sum shares for completed work packages.

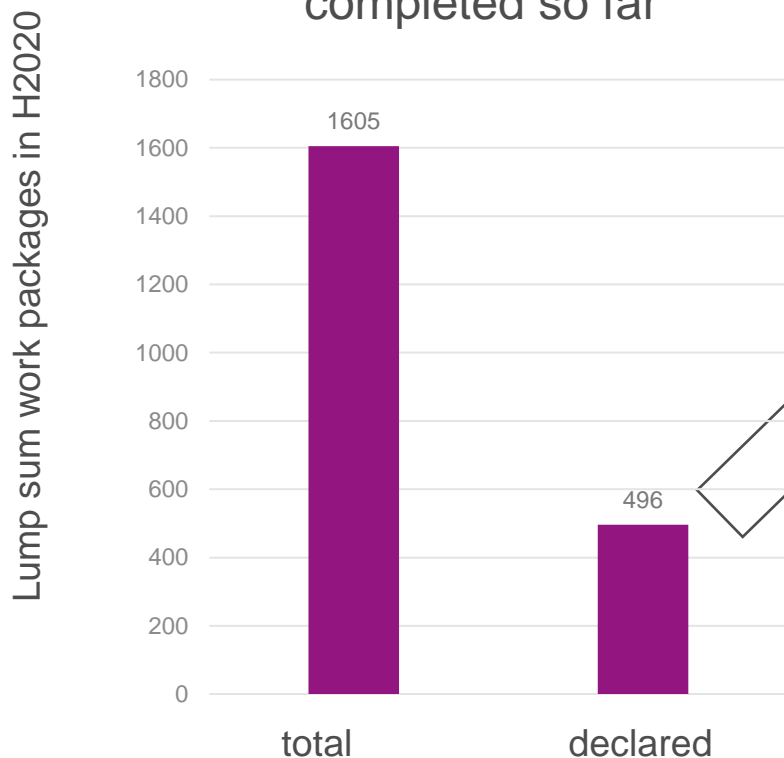
Final payments can also pay partially completed work packages.

Acceptance of work packages

- Work packages are **accepted if the activities have been carried out**. We can also accept them when all essential tasks have been completed, when equivalent tasks have been carried out, or when deviations have been justified.
- **Lump sum projects can be amended** according to scientific-technical needs (or deviations can be justified in the reports). Use these mechanisms to make completion of work package feasible.
- Before a lump sum work package (that you declared completed) is rejected as incomplete, you are invited to **respond to the observations of the project officer**.
- If the rejection is upheld the lump sum share concerned is not paid at that point in time. You should **complete the work package later** and declare it at the end of any subsequent reporting period.
- If it is not possible to complete a work package by the end of the project (e.g., for technical reasons or due to force majeure), the **lump sum is paid partially** in line with the degree of completion. The decision on the partial amount is taken on a case-by-case basis. You will be able to provide observations.

Acceptance of work packages – in practice

31% of all lump sum work packages were declared completed or partially completed so far



- **99% were accepted** and paid in full (490 work packages).
- 5 work packages were declared partially completed. There were paid partially as declared.
- 1 lump sum project was terminated for reasons unrelated to lump sums. The project was paid partially as declared.
- No contentious cases so far.

Ex-post controls

Checks, reviews and audits for:



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



Compliance with the other non-financial obligations of the grant, e.g.



IPR obligations

Ethics and integrity

Open science

Dissemination

Etc.



No financial checks, reviews and audits by EU services

Keeping records

You need (e.g.)



- Technical documents
- Publications, prototypes, deliverables
- Documentation required by good research practices such as lab books
- ...any document proving that the work was done as detailed in Annex 1



Same as for all Horizon Europe grants

You don't need



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Invoices
- ...any documents proving the actual costs incurred

Resources available

One dedicated [lump sum page](#) on the Funding &Tenders Portal with:

Guidance documents

- [What do I need to know? & Quick guide](#)
- [Frequently asked questions](#)
- [Detailed guidance for participants](#)
- [Lump sum briefing slides for experts](#)

Reference documents

- [Model Grant Agreement Lump Sum](#)
- [Decision authorising the use of lump sum contributions under the Horizon Europe Programme](#)

Studies

- [European Commission assessment](#) (October 2021)
- [European Parliament \(STOA\) study on lump sums in Horizon 2020](#) (May 2022)

Events

- Future events
- Past events and recordings

Funding opportunities

- List of Horizon Europe topics using lump sum funding



Next steps

Improvements coming soon

- Higher page limit for lump sum proposals (from work programme 2023)
- Personnel cost dashboard for experts
- Improved Excel tool for lump sum budget table

General

- Continuous monitoring of lump sum grants, adjustments if necessary
- Ongoing survey to collect best practices; summary will be published
- Stepwise phasing in:
 - 27 lump sum topics in 2022
 - First significant wave of lump sum topics in 2023-2024

Lump sum topics still open in 2022

Work programme part	Topic	Opening date	Deadline
Cluster 3	HORIZON-CL3-2022-FCT-01-04 Public spaces are protected while respecting privacy and avoiding mass surveillance	30-06-2022	23-11-2022
	HORIZON-CL3-2022-INFRA-01-01 Nature-based Solutions integrated to protect local infrastructure		
	HORIZON-CL3-2022-INFRA-01-02 Autonomous systems used for infrastructure protection		
	HORIZON-CL3-2022-SSRI-01-01 Increased foresight capacity for security		
	HORIZON-CL3-2022-SSRI-01-02 Knowledge Networks for security Research & Innovation		
	HORIZON-CL3-2022-SSRI-01-03 Stronger grounds for pre-commercial procurement of innovative security technologies		
Cluster 5	HORIZON-CL5-2022-D3-03-03 Efficient and circular artificial photosynthesis	06-09-2022	10-01-2023
	HORIZON-CL5-2022-D3-03-07 Development of algal and renewable fuels of non-biological origin		
	HORIZON-CL5-2022-D3-03-08 Development of digital solutions for existing hydropower operation and maintenance		
	HORIZON-CL5-2022-D3-03-09 Recycling end of life PV modules		
	HORIZON-CL5-2022-D4-02-01 Designs, materials and solutions to improve resilience, preparedness & responsiveness of the built environment for climate adaptation (Built4People)		



Thank you!

HorizonEU

<http://ec.europa.eu/horizon-europe>



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