Lump Sum Pilot

The Work Programme of Horizon 2020 foresees for the period between 2018 and 2020 the establishment of a Lump Sum Pilot. The Lump Sum Pilot is one of the main elements of the second wave of simplification of H2020. The pilot will test two options for lump sum funding in 2018, and will be evaluated in view of the post-2020 successor programme.

Why is the Lump Sum Pilot useful?

*Major simplification potential:*

Funding based on reimbursement of incurred costs requires extensive financial reporting and is prone to error. Lump sum funding on the other hand provides considerable simplification potential. It will remove all obligations on cost reporting, and remove the need for timesheets and for financial ex-post audits on costs incurred – removing a big part of the administrative burden on beneficiaries.

*Focus on performance:*

It will shift the focus on financial management and checking costs to the scientific-technical content of the projects.

How would the Lump Sum Pilot work?

*Option I:*

The lump sum per project is fixed by the Commission in the work programme

Proposals describe the efforts and resources that the applicants commit to mobilise for the pre-defined lump sum amount. Applicants must also provide the proposed split of the lump sum per work package and per beneficiary. Proposal evaluation – and competition between proposals – ensures that an appropriate level of resources is committed.

Test project: “Digital ‘plug and produce’ on-line equipment platforms for manufacturing” (IA) within the NMBP part of the work programme.
**Option II:**

*The lump sum is defined by applicants in their proposal*

Applicants propose a lump sum based on a detailed estimation of costs. Following evaluation of the proposal and taking into account expert advice, an individual lump sum is fixed in each grant agreement.

Proposals contain a detailed budget that resolves the direct costs of each beneficiary in the following categories:

- personnel costs, separately for each category of staff,
- costs of subcontracting,
- costs of providing financial support to third parties,
- travel costs
- costs of equipment, infrastructure, and other assets (depreciation costs),
- costs of other goods and services,
- capitalised and operating costs of ‘large research infrastructure’,
- special unit costs

Indirect costs are added by applying the 25% flat rate to the direct costs that qualify for indirect costs. The lump sum is calculated by applying the applicable reimbursement rate to the sum of direct and indirect costs. In addition, applicants must provide a split of the lump sum per beneficiary and per work package.

Test project: “New anti-infective agents for prevention or treatment of neglected infectious diseases” (RIA) within the Health part of the work programme

**Main principles:**

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

- Same evaluation criteria
- Same pre-financing and payment scheme
- Reporting periods and technical reporting as today, focusing on completion of work packages
- One (sub-) lump sum is fixed in the grant agreement for each work package. This amount is paid when the activities in the work package are completed. Payment does not depend on a successful outcome.
- For each work package, the grant agreement defines how the lump sum is split among the beneficiaries participating in it. Hence, the financial liability of beneficiaries is limited to their contribution.
- Consortium is jointly liable for implementation as today.
- No actual cost reporting, no timesheets and no financial audits.