



Brussels, 18.9.2018  
C(2018) 5960 final

## **COMMISSION DECISION**

**of 18.9.2018**

**on authorising the use of reimbursement on the basis of a lump sum for ERC Proof of Concept actions under the Horizon 2020 Framework Programme for Research and Innovation**

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### **on authorising the use of reimbursement on the basis of a lump sum for ERC Proof of Concept actions under the Horizon 2020 Framework Programme for Research and Innovation**

THE EUROPEAN COMMISSION,

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

Having regard to the Regulation (EU) No 1291/2013 of the European Parliament and of the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)<sup>1</sup>, and in particular Article 10 thereof,

Having regard to the Regulation (EU) No 1290/2013 of the European Parliament and of the Council laying down the rules for participation and dissemination in Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020)<sup>2</sup>, and in particular Article 28.6 thereof,

Having regard to Regulation (EC, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union<sup>3</sup>, and in particular Article 124 thereof,

Whereas:

- (1) Article 182 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union<sup>4</sup> contains detailed rules regarding lump sums,
- (2) Simplification as a central aim of the Horizon 2020 Framework Programme needs to be reflected in its design, rules, financial management and implementation,
- (3) 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 sums is appropriate to simplify the calculation of grant amounts, to significantly decrease the workload of both the beneficiaries and the Commission as well as to accelerate payment procedures,
- (4) The use of lump-sum financing should therefore be authorised for actions under the Horizon 2020 Framework Programme,

HAS DECIDED AS FOLLOWS:

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<sup>1</sup> OJ L 2013, 20.12.2013, p. 104-173.

<sup>2</sup> OJ L 2013, 20.12.2013, p. 81-103

<sup>3</sup> OJ L 2012, 26.10.2012, p. 1-96

<sup>4</sup> Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

*Article 1*

The use of grants reimbursing eligible costs on the basis of a lump sum is authorised for ERC Proof of Concept actions under the Horizon 2020 Framework Programme for Research and Innovation (2014-2018), for the reasons and under the conditions set out in the Annex.

Done at Brussels, 18.9.2018

*For the Commission*  
*Carlos MOEDAS*  
*Member of the Commission*

## **EN** **ANNEX**

### **1. Form of grant and categories of costs covered**

Grants to be awarded under the action Proof of Concept of Horizon 2020 ('ERC PoC action'), ERC Work programmes 2019 and 2020, shall exclusively take the form of a standard lump sum pre-fixed by the Commission.

ERC Proof of Concept grants concern activities aimed at verifying the innovation potential of ideas arising from ERC funded projects (e.g. by validating results, clarifying IPR or knowledge transfer strategies, making market analysis, etc.).

This lump sum will cover the beneficiaries' following direct and indirect eligible costs for such actions: personal costs, subcontracting, other direct costs and indirect costs.

Indirect costs are included as a flat-rate of 25% to the direct cost categories that qualify for indirect costs under the H2020 rules.

The amount of the lump sum for each grant is fixed at 150.000 EUR following the methodology set out in Section 3.

The applicants must also provide in their proposal a breakdown of the lump sum showing the share per beneficiary (and linked third party). This estimated lump sum breakdown will become part of the grant agreement (Annex 2).

The lump sum will be paid by the Agency, if the action has 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).

### **2. Justification**

Simplification as a central aim of the Horizon 2020 Framework Programme needs to be reflected in its design, rules, financial management and implementation.

Lump sum funding, when compared to reimbursement of actual costs, provides considerable simplification potential. It removes all obligations on cost reporting and financial audits, thus removing a major part of the administrative burden on beneficiaries and enabling efficiency gains in the implementation of Horizon 2020. At the same time, lump sum funding strongly increases the focus on the quality of the scientific-technical performance and output of projects rather than on accounting compliance. This is desirable in Horizon 2020 in order to improve the quality of results and their exploitation.

Furthermore, lump sums are fully in line with the Commission's initiative Budget Focused on Results and the underlying principles of the proposal for the revision of the Financial Regulation.

## 2.1. Appropriateness of lump sum costs with regard to the nature of the actions to be supported under the action Proof of Concept in the ERC Work Programmes 2019 and 2020

The action is part of a pilot exercise for a pre-defined fixed lump-sum and has been chosen because of the homogenous nature of the ERC PoC projects for which a lump-sum scheme would imply significant administrative simplification. The costs of the Proof of Concept projects can be well estimated on the basis of the ERC historical data and therefore these projects are appropriate for this pilot.

## 2.2. The risks of irregularities and fraud and costs of control

The Agency 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 lumps sums.

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 H2020 rules and will be fixed in the grant agreement, 5% of the lump sum is retained as contribution to the Guarantee Fund.

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

Checks, reviews, and audits will focus on the technical implementation of the action, in particular on the fulfilment of the conditions for releasing lump sums, 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 had not been met (e.g. the action had not been completed) and that an undue payment was made to a beneficiary, the Agency is entitled to recover up to the amount of the grant.

## **3. Method to determine the amount of the lump sum**

According to Article 124(2) of Regulation (EC, Euratom) No 966/2012, the method chosen to determine the lump sum may be based on "statistical data or similar objective means".

The ERC PoC action has been implemented since 2011 and there is a consolidated experience on the main objectives and structure of the related projects.

The projects to be funded aim at turning research outputs into a commercially or socially valuable proposition. A typical ERC PoC action includes one single activity which consists in verifying the innovation potential of ideas arising from ERC funded projects, e.g. by validating results, clarifying IPR or knowledge transfer strategies, identifying customers and societal benefits.

The projects have a duration of 18 months.

In order to establish the amount of the pre-fixed lump sum, the statistical data of all H2020 funded PoC projects were analysed. At the date of calculation, September 2017, the database consisted of 441 H2020 PoC projects, of which 143 were already closed.

These projects had comparable objectives and were also comparable in terms of their eligible costs, EU funding and total costs.

The analysis focused on the budget and resources allocated to the projects.

The projects belonged to the following calls for proposals:

1. H2020: ERC Proof of Concept 2014;
2. H2020: ERC Proof of Concept 2015;
3. H2020: ERC Proof of Concept 2016.

### 3.1. Statistical analysis

Graph 1 summarises the budget request of all funded H2020 PoC projects (441 individual projects) at the proposal stage:

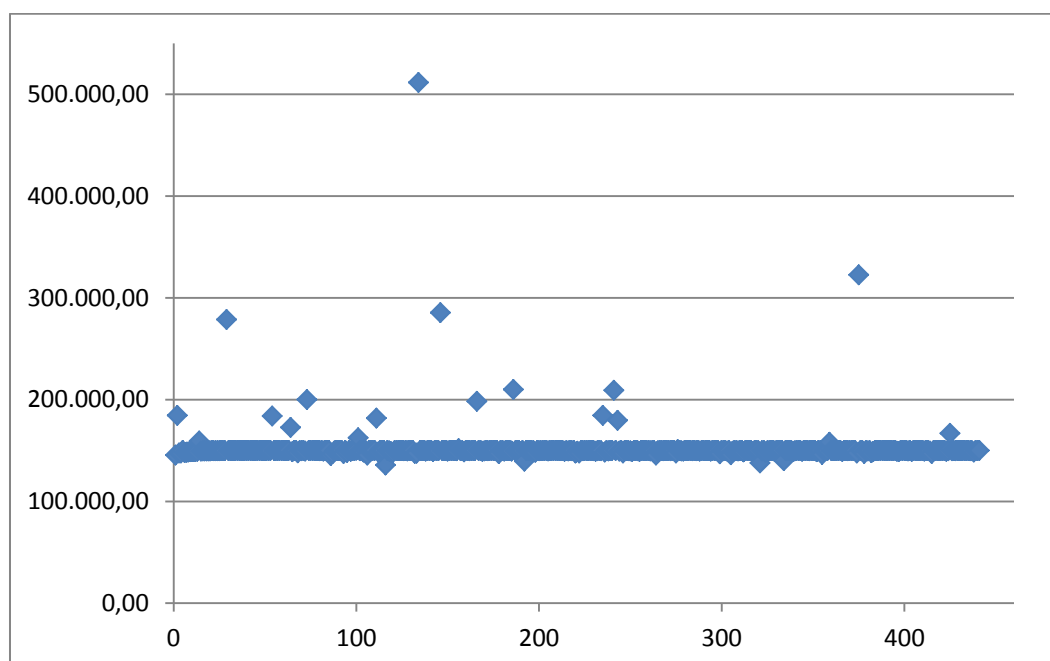


Table 2: Average and median estimated costs of the H2020 441 individual project proposals

Average:	152,382 euro
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Median:	149,995 euro
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The analysis showed that some beneficiaries indicated a higher planned budget for their projects despite of the maximum available EU contribution for a PoC project (150,000 euro). This resulted in a higher amount for the average size of a planned project, but a typical request for a PoC project is close to the current maximum of 150,000 euro.

Table 3: Evolution of total projects costs in € of H2020 143 completed and paid PoC projects

<b>RESULTS</b>	
<b>Completed projects (Final payments processed)</b>	<b>143</b>
average maximum EU contribution as per GA	148.948,83
average accepted eligible costs	146.758,80
median maximum EU contribution as per GA	149.967,00
median accepted eligible costs	150.000,00

The table shows that the typical accepted cost for a H2020 PoC project is eventually 150,000 euro.

Analysing the data, the following aspects also need to be taken into account:

- The financial reporting system allows the beneficiaries to report all their eligible costs, even higher costs, if that is the case, than the maximum EU contribution. Though, beneficiaries do not report them systematically, as they know that they will be reimbursed up to the maximum EU contribution, typically 150,000 euro.
- The data of all the 178 projects financed from the FP7 programme were also analysed. They showed similar characteristics as of the 441 H2020 projects, i.e. the grant agreements had a typical (median) maximum EU contribution of 149,759 euro and the typical size of eligible costs reached 148,762 euro.

### 3.2. Summary

Taking into consideration that:

- the typical amount of a PoC project is estimated at 150,000 euro by the beneficiaries and
- the typical amount of costs accepted at the stage of final reports is 150,000 euro and
- the magnitude of refused claimed costs is not significant,

it is proposed to use a lump sum of 150,000 euro pre-fixed by the Commission for the implementation of the ERC PoC action.

#### **4. No-profit and co-financing principles and absence of double financing**

The methodology described in Section 3 complies with the principles of no-profit, co-financing and absence of double funding as required by the Financial Regulation.

The usual conditions for ensuring that the no-profit, co-financing and absence of double funding principles are complied with also apply to lump sum costs:

- The lump sum is based on statistical data;
- The risk of profit is limited because the lump sum is fixed at the typical funding level of previous ERC PoC projects, and because there is traditionally high over-subscription in ERC PoC calls for proposals. Applicants will therefore face high competition, which is a factor discouraging proposals with a lower value;
- The reimbursement rate of 100% as set out in Article 28 of the H2020 Rules for Participation is reflected in the calculation of the lump sum;
- Double-funding is avoided by the fact that the beneficiaries are requested to describe in a narrative way the resources planned to use for the implementation of the project. In addition, the lump sum will cover all direct and indirect eligible costs of the action;
- Proposals will be evaluated according to the standard Horizon 2020 evaluation procedures with the help of outside experts. These experts will assess the quality of the proposals in terms of the excellence of their innovation potential, of the expected effects or benefits to the economy, society, culture, public policy or services as well as the quality and efficiency of the proof of concept plan.