

H2020 Programme

Lump sum pilot actions, Option II – Guidance note

1. Background

Lump Sum Pilot grants are used in a limited number of cases provided for in Horizon 2020 the work programme 2018-2020. They can be Coordination and Support actions (CSA-LS), Innovation actions (IA-LS) or Research and Innovation actions (RIA-LS). It means that the EC funding for lump sum pilot actions will not consist of the reimbursement of incurred costs but will be a fixed lump sum.

Funding based on reimbursement of incurred costs and scientific reporting, which is the main model applied in R&I programmes, brings about a considerable administrative burden to the project participants, project coordinators and the EC. Cost claims are subject to a detailed set of rules to which beneficiaries are not always familiar. Project audits often reveal costs incorrectly claimed. This has sometimes very serious consequences when incorrect payments are recovered from the project participants and it can lead to uncertainty among project participants. On the other hand, lump sum funding provides considerable **simplification potential** as it will remove all obligations on cost reporting. It enables a **shift from focus on financial management and checking costs to focus on scientific and technical content of the projects**.

2. Funding concept

The projects selected in the framework of lump sum pilot actions - Option II will be paid in the form of **lump sum contractually agreed in the Grant Agreement**.

The lump sum will be determined for each grant by the Commission/Agency on the basis of the principles and methodology detailed by the **Commission Decision C(2017)7151**¹:

- The lump sum must be an approximation of the beneficiary's underlying actual costs
- The applicants must propose the amount of the lump sum on the basis of their estimated direct and indirect project costs, following the methodology described in the Commission Decision C(2017)7151 final (cf Practical implementation section below)
- The proposal may only contain costs that are eligible under H2020 rules
- The Commission/Agency will apply the methodology described in the Commission Decision C(2017)7151 final to fix the lump sum, based on the proposal and the evaluation result.

Payments do not depend on the costs actually incurred. One lump sum share is indeed fixed in the grant agreement for each work package and each beneficiary. This amount is paid by the Commission/Agency at the end of the reporting period, when the activities in the work package have been properly implemented in accordance with Annex 1 of the grant agreement.

¹ http://ec.europa.eu/research/participants/data/ref/h2020/other/legal/lump_sum/lumpsumdecision-2017-7151_en.pdf

3. Practical implementation

- **Grant proposal**

The forms and templates for proposal submission are largely the same as for standard H2020 actions. However, some lump sum specificities have been implemented for lump sum pilot actions. The proposal should be prepared using the templates published for the relevant call topic on the Funding & Tenders Portal.

In the Part A of the proposal, applicants have to tick the boxes regarding subcontracts and the use of their own accounting practices.

Applicants must provide in their proposal a **breakdown of the lump sum showing the share per work package** (and, within each work package, the share assigned to each participant and linked third party). This breakdown will become part of the grant agreement as Annex 2.

The proposal must **describe precisely the activities that are covered by each work package**. Payment of the lump sum shares is indeed linked to the completion of work packages (and not on a successful outcome). Therefore, it is recommended to design work packages in a way that enables to clearly identify whether the action has been completed. When designing horizontal work packages, this specificity may be an important consideration.

The proposal must contain the **resources and a detailed cost estimate per work package and per participant and linked third party** (part B, section 3).

In addition, and for evaluation purposes, applicants must fill in a **detailed budget table** (excel table published for the relevant call topic on the Funding & Tenders Portal) which shows the cost of each participants in the following categories:

- personnel costs, separately for each category of staff
- costs of providing financial support to third parties, when the possibility is provided for in the topic
- travel costs
- costs of equipment, infrastructure, and other assets (depreciation costs)
- costs for consumables
- costs of other goods and services
- capitalised and operating costs of “large research infrastructures”
- costs of internally invoiced goods and services
- costs of subcontracting

It may only include costs that would be eligible for an actual costs grant and must exclude costs that are ineligible under the H2020 rules. Indirect costs should be calculated by applying a flat rate of 25% to the direct cost categories that qualify for indirect costs under the H2020 rules.

- **Proposal Evaluation**

Proposals will be evaluated according to the standard Horizon 2020 evaluation procedures with the help of **independent experts**. The evaluation criteria will be the same as for other Horizon 2020 projects. The experts will assess the quality of the proposals in terms of scientific and technological

excellence, expected impact and quality and efficiency of the implementation. **Experts with the necessary financial know-how will also check the budget estimate** and look whether the resources proposed and split of lump sum shares allow completing the activities and achieving the expected outputs.

Based on the recommendations of the experts, the cost items may be adapted and the lump sum and the lump sum breakdown could be modified accordingly in grant preparation.

4. Specific provisions related to Lump sum pilots in the Grant Agreement

The Model Grant Agreement is largely the same as for standard H2020 projects, but there some provisions that are specific for the lump-sum pilot.

Please refer the Lump sum pilots Model Grant Agreement² and to the dedicated section of the Annotated Grant Agreement³.

The main adaptations of the Model Grant Agreement are related to:

- **Lump sum share transfers** (art. 4): Transfers of Lump Sum Pilot shares are only possible via a formal amendment. The transfer may be within the same work package or between work packages. Transfers between work packages can only be accepted in exceptional circumstances, if duly justified and after a project review.
- **Keeping records** (art. 18): Beneficiaries do not need to keep records of their actual costs (e.g. timesheets or invoices). They only need to keep appropriate and sufficient evidence (documentation, records, etc.) that the action tasks were properly carried out as described in Annex 1.
- **Reporting** (art. 20): Each report is composed of a technical and a financial report (like in the General MGA). However, in the financial report, beneficiaries do not declare costs but their lump sum shares (as set out in Annex 2), for the work packages completed during that reporting period.
- **Payments** (art. 21): The amount of the interim payments will be calculated by the Commission/Agency based on the financial statements and the payments already made. The calculation of the accepted EU contribution does not apply the reimbursement rate to the eligible costs, but simply sums up the lump sum shares for the accepted work packages for the reporting period.
- **Checks, reviews and audits** (art. 22): There will be no financial checks, reviews, or audits to check costs, since beneficiaries have no obligation to document the costs incurred for the action. Checks, reviews, and audits will focus on the technical implementation of the action or on other aspects of the grant agreement (promoting the action, visibility of EU funding, ethics and research integrity, dissemination and exploitation of results, management of intellectual property, obligations related to third parties, etc.).

² http://ec.europa.eu/research/participants/data/ref/h2020/mga/lumpsum/h2020-mga-lumpsum-pilot-multi_en.pdf

³ http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf (from p. 809)

Lump sum grant: ex-post controls

They **need**



- Technical documents
- Publications, prototypes, deliverables
- Who did what?
- ...any document proving that the work was done as detailed in Annex 1

They **don't need**



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Travel invoices
- ...actual costs