



Lump Sum Grants

in Horizon Europe

Why do we need them
and how do they work
in practice?

Lump sum grants in Horizon Europe – Why do we need them and how do they work in practice?

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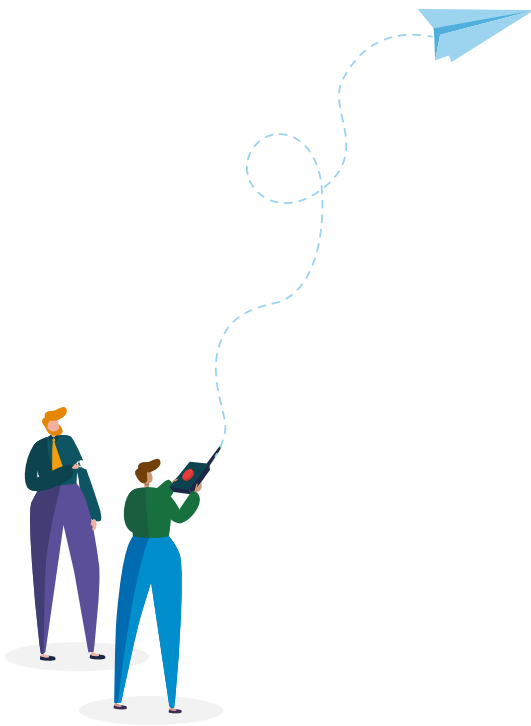
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Why do we need them &
how do they work in practice?





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SUMMARY

Horizon Europe uses lump sum funding to reduce administration and financial errors. Lump sums make the programme simpler by removing the need to report actual costs. Access to the programme becomes easier too, especially for small organisations and newcomers, who often lack the experience and capacity to cope with the complex rules for actual costs.

Lump sums are defined up-front and fixed in the grant agreement. They are paid out upon completion of the activities in work packages. Beyond that, the planning, evaluation, and execution of projects does not change much. In particular, the payment of lump sums does not depend on successful outcomes (which are never certain in research) and follows the standard payment schedule. Lump sum projects enjoy the same degree of flexibility as traditional actual cost projects, and their performance is judged by the same standards.

This document explains the advantages of lump sums and how they work in practice.

WHY DO WE USE MORE LUMP SUMS IN HORIZON EUROPE?

There is wide agreement that the EU's R&I framework programmes have become much simpler over the past 5 to 10 years. The Funding & Tenders Portal, the fully electronic management of grants, and a single set of rules were milestones on this way. Despite the achievements so far, there is room for further improvements. Lump sum funding will be the next milestone because it removes the need to report actual costs.

LEVEL PLAYING FIELD

Many users still quote the complexity of the programme as a hurdle for them to participate. The traditional system to provide funding based on actual costs is a significant part of this problem. Regrettably, the actual cost system will remain inherently complex, with many rules and procedures, because it needs to accommodate all different practices across Europe. The potential to simplify it is exhausted.

Especially SMEs and newcomers stand to benefit from lump sums. They frequently lack the experience and administrative capacity to handle actual costs as shown by relatively many errors. Small and new actors represent the large majority of beneficiaries in the programme. For example, more than 60% of the beneficiaries had only one single grant in FP7 or Horizon 2020, the previous R&I framework programmes. This means most beneficiaries have not developed the necessary experience and are not equipped to handle actual cost obligations efficiently. They need a system that is simple enough to use without previous experience.

On the other hand, there are some large beneficiary organisations that participate very frequently. They have the experience and resources, including dedicated staff, to handle actual cost grants smoothly, with relatively few errors. While these beneficiaries are able to meet the demands of actual cost reporting, they also benefit from simplification through lump sums. For example, there are no more time-sheets, which universities and research organisations often criticise as a burden and not in line with their usual practices.



Overall, the actual cost system requires significant experience and resources that only the biggest beneficiaries have in place. In contrast, lump sums work for all types of organisations. In this way they contribute to equal access to the programme and a level playing field for all.

LUMP SUMS MEAN SIMPLIFIED FUNDING, NO CHANGE TO THE REST

Lump sum grants do not have the burden of actual costs, but are otherwise the same as actual cost grants.

NO CHANGE IN FLEXIBILITY

It is clear that projects often need to change the original work plan, especially if they run for several years. This applies to lump sum projects as much as to any project. Lump sum grants can be amended in the same way as all grants in order to adapt the work plan to the needs of the project, new scientific developments, or simply to organisational changes. The amendment procedure is essentially the same.

Likewise, lump sum projects can report deviations from the work plan in the same way as all projects, using a dedicated section in the periodic report. Requests for amendments and deviations must be justified and are accepted on the same basis as for all grants. The main condition is that the changes do not question the original selection decision. For example, if a lump sum work package cannot be achieved for technical or scientific reasons, an amendment can make its completion feasible (e.g. by adjusting it to the latest state of the art).

Lump sum grants provide very high budget flexibility because the consortium can use the budget as they see fit as long as the project is implemented as agreed. The actual use of the lump sum is invisible to the Commission. Budget transfers between beneficiaries and/or between work packages require an amendment if the consortium wants to have these changes in the grant agreement.

NO HIGHER FINANCIAL RISKS FOR CONSORTIUM MEMBERS

In all collaborative grants, the consortium is collectively responsible for the project. If a project is not implemented as agreed, the 'unhappy path' can lead to a grant reduction that affects all beneficiaries. In practice, there is no reason to expect more grant reductions in lump sum grants. In all grants, the work described in the grant agreement must be properly implemented before payments can be made. There is no intention and no basis for judging the performance of lump sum grants more strictly.

In case the project officer rejects a work package, you will not automatically lose the funding for the whole work package. Instead, you have time to complete the work package until the end of the project. Amending the work package can help you complete it (see above). If a work package cannot be accepted at the end of the project, this will likely lead to a partial payment in line with the degree of completion, not a rejection of the full amount for that work package. The partial payment would be defined in a formal grant reduction procedure, most likely with the help of external experts, and including a contradictory process where your views are heard. We expect such cases to remain quite rare.

STEPWISE INTRODUCTION OF LUMP SUMS & IMPROVEMENTS AS WE GO

What if lump sum funding has indirect, undesired effects? For example, applicants afraid of higher financial risks might submit less ambitious proposals and work only with partners they know and trust, to the disadvantage newcomers. However, we tested lump sum funding comprehensively under Horizon 2020 and found that proposal quality and the share of newcomers were not affected.

Lump sum funding will be rolled out in Horizon Europe step by step, with a moderate start in 2022 and the first significant wave in 2023. We will continue to monitor lump sum grants closely, with special attention to quality, participation, and the practice of lump sum payments. If necessary, we will fine-tune the lump sum method to ensure that lump sum grants can run smoothly.

The transition to lump sum funding requires a new mind-set based on clear guidance for participants, experts, and project officers. We need a common understanding of the new approach. To this end, we will step up our communication campaign on lump sums with additional trainings and events. This leaflet contains a concise summary of how lump sum funding works (quick guide, see below). This should help provide clarity and remove the perception of higher risks. We will follow up with detailed guidance for all external and internal users.

HOW DOES LUMP SUM FUNDING WORK IN PRACTICE? A QUICK GUIDE

01

LUMP SUM PROPOSALS

- Use the standard Horizon Europe proposal template. Address expected impacts and outcomes as in any Horizon proposal.
- No change in project design, except that work packages with a long duration may be split along the reporting periods. In this way, the relevant activities can be paid at the end of the reporting period.
- You need to provide a detailed breakdown of cost estimates to define and justify the lump sum. The estimates must be an approximation of your actual costs and meet the eligibility criteria of Horizon Europe. These cost details are needed to plan the budget of any proposal, even when they are not part of the proposal. The additional effort to include this information in a lump sum proposal should therefore be limited.

02

LUMP SUM EVALUATION

- We apply the standard evaluation criteria (excellence, impact, and implementation). The cost estimations are assessed against the proposed activities under the 'implementation' criterion. This ensures the estimates are reasonable and non-excessive.



- If the evaluation experts find overestimated costs, this is recorded transparently in the Evaluation Summary Report. We will reflected this in a modified lump sum amount in the grant agreement.
- Once the lump sum amount is finalised after evaluation, the detailed cost estimates are no longer relevant. This information is used to generate automatically a simple breakdown of lump sum shares per work package and per participant.
- If your lump sum proposal is selected for funding, we follow the standard process to prepare the grant agreement. The 'no negotiation' principle applies. The overall lump sum is fixed in the grant agreement. The breakdown of lump sum shares (but not the cost estimates) is also included in the grant agreement.
- Once the lump sum is fixed in the grant agreement, it will not be questioned in case prices for goods or services change later on.

03

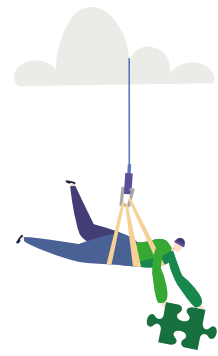
LUMP SUM GRANT MANAGEMENT

- Payments follow the standard schedule (i.e., a pre-financing and payments at the end of each reporting period).
- For reporting, use the standard template and tools.
- You have full flexibility on how the lump sum is used. Do not report actual costs and resources.
- At the end of a reporting period, declare which work packages have been completed. The technical report should justify this. The financial cost statements are generated automatically on this basis.
- Following confirmation by the project officer, the corresponding lump sum shares are paid.

04

FLEXIBILITY & ACCEPTANCE OF LUMP SUM WORK PACKAGES

- Deviations from the initial work plan are possible as in all Horizon Europe projects. Firstly, deviations can be reported in a dedicated section of the technical report. If duly justified, these deviations are accepted with the technical report. Secondly, the grant agreement can be amended to change the work plan, including all work packages that have not been completed and paid already. Both mechanisms can be used to adjust lump sum projects in line with new developments or according to scientific-technical needs. The key condition is, as for all grants, that the changes do not question the decision to fund the project.
- The project officer monitors lump sum projects in the same way as actual cost projects. There is no basis for and no intention to judge lump sum projects more strictly. Lump sum work packages are accepted and paid if their activities have been carried out, irrespective of a positive or negative outcome. Work packages can also be accepted and paid when some elements are missing (e.g., when all essential tasks have been completed, when equivalent tasks have been carried out, or when deviations have been justified). The level of flexibility and discretion is the same as for actual cost grants.



05

INCOMPLETE LUMP SUM WORK PACKAGES

- If a work package cannot be completed for scientific-technical reasons, you should introduce an amendment to make it feasible, including the possibility to extend the project duration.
- 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 and explain why it should be accepted. If the rejection is upheld the lump sum share concerned is not paid at that point in time. In this case, you should complete the work package later and declare it at the end of any subsequent reporting period. If accepted, the corresponding lump sum share will then be paid.
- If a work package is still incomplete at the end of the project, the lump sum share is paid partially in line with the degree of completion, and the grant is reduced by the corresponding amount. This amount is determined in a grant reduction process, including a contradictory procedure where all sides are heard. In practice, there is no reason to expect more grant reductions in lump sum grants. As is the case for actual cost projects, the vast majority of lump sum projects can expect to receive the full amount of funding fixed in the grant agreement.

06

CHECKS, REVIEWS & AUDITS

- As there is no financial reporting, there are no financial checks or audits. We do not impose any obligation to keep financial records in lump sum grants. It goes without saying that you still have to comply with record keeping obligations outside the grant agreement, e.g. under national law or internal procedures.
- Beyond this, the rules for checks, reviews, audits and investigations of lump sum grants are the same as for all grants.
- Controls can focus on the proper implementation of the work plan (of the activities) and on any non-financial obligation. This includes compliance with rules on intellectual property, ethics and integrity, visibility of EU funding, etc.
- You do not need any additional information or documentation for lump sum grants. What is needed to demonstrate proper implementation of a lump sum project is the same as for all Horizon Europe grants (e.g., for research activities, documentation required by good research practices such as lab books, technical documents, prototypes, publications, proceedings in conferences).

Horizon Europe uses lump sum funding to reduce administration and financial errors. Lump sums make the programme simpler by removing the need to report actual costs. Access to the programme becomes easier too, especially for small organisations and newcomers, who often lack the experience and capacity to cope with the complex rules for actual costs.

Practical information

