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# Lump Sum funded projects in Horizon Europe

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# Presentation outline

- What are lump sums?
- Why lump sum funding?
- Categories (options) of lump sum funding
- Benefits of lump sum funding
- Risks of lump sum funding
- Shift of focus due to lump sum funding
- EU assessment of the lump sum funding pilot
- Research-performing organisations' views on lump sum funding
- The EC's plans and objectives for lump sum funding in Horizon Europe
- What next?

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# What are lump sums?

- Fixed amount of funding for completed activities
  - For each completed WP (work package)
  - ERC PoC (Proof of Concept): € 150 000 for each completed project
- Approval of EU funding does not depend on successful outcome/results
  - Depends on having done what is agreed in the Grant Agreement

# Cash flow for lump sum funded projects

- Pre-financing
  - Same principle as for the General MGA
- Interim payments
  - Only for WPs that have been completed – and accepted as such by the EC
- Payment of the balance
  - Final payment
    - May possibly include partial payment for partially completed WPs
  - Release of amount retained for the Mutual Insurance Mechanism

# Approval av EU funding

- When does the EU funding become the property of the beneficiaries?
  - Reminder: The pre-financing is the property of the EC
- Preconditions for approval of EU funding:
  - **WP completed** within the respective **reporting period**, and accepted by the EC
    - Only then is the EU funding the property of the beneficiaries
  - Possible exception for the final period:
    - Partial funding for partially completed WP

# Why lump sum funding?

- Reduction of errors in financial reporting
- Recommendation by the European Court of Auditors<sup>1</sup>
- Potential for simplification during the project implementation stage

<sup>1</sup> See: *Special report No 28/2018: "The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist"*, <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=47542>

# Categories (options) of lump sum funding

## ○ Option 1

- Funding amount Fixed in the call for proposals

## ○ Option 2

- Project consortium proposes a lump sum based on a detailed estimation of costs
  - Detailed cost estimate using Excel file that must be uploaded with proposal
    - [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/temp-form/af/detailed-budget-table\\_hels-euratom\\_en.xlsm](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/temp-form/af/detailed-budget-table_hels-euratom_en.xlsm)
  - Breakdown of lumps sum
    - per WP
    - per beneficiary
- Amounts are assessed during evaluation, based on:
  - Advice by experts
  - Personnel cost dashboard
    - Under development during 2022
    - Containing accepted costs per country and type of organization
- Lump sum amounts are fixed during grant preparation

# Lumps sum Excel budget for Option 2 - Beneficiary

BENEFICIARY CALCULATION SHEET		BENEFICIARY 1: Beneficiary 1		
summary	COST CATEGORY	UNITS	COST PER UNIT	BE TOTAL COSTS
	JUNIOR SCIENTISTS (or equivalent in the private sector)			0,00
	TECHNICAL PERSONNEL (or equivalent in the private sector)			0,00
	ADMINISTRATIVE PERSONNEL (or equivalent in the private sector)			0,00
	OTHERS			0,00
	<b>A.2 Natural Persons under direct contract</b>			0,00
	<b>A.3 Seconded Persons</b>			0,00
	<b>A.4 SME owners and natural person beneficiaries</b>		5 080,00	0,00
	<b>B. DIRECT SUBCONTRACTING COSTS</b>			0,00
	<b>C. DIRECT PURCHASE COSTS</b>			0,00
	<b>C.1 Travel and subsistence</b>			0,00
	<b>C.2 Equipment (complete 'Depreciation costs' sheet)</b>			0,00
	<i>Equipment</i>			0,00
	<i>Infrastructure</i>			0,00
	<i>Other assets</i>			0,00
	<b>C.3 Other goods, works and services</b>			0,00
	<i>Consumables</i>			0,00
	<i>Services for meetings, seminars</i>			0,00
	<i>Services for dissemination activities (including website)</i>			0,00
	<i>Publication fees</i>			0,00
	<i>Other (shipment, insurance, translation, etc.)</i>			0,00
	<b>D. OTHER COST CATEGORIES</b>			0,00
	<b>D.1 Financial support to third parties (if applicable in the topic specific conditions)</b>			0,00
	<b>D.2 Internally invoiced goods and services</b>			0,00
	<b>D.3 Transnational access to research infrastructure unit costs (if mentioned as eligible in the topic specific conditions)</b>			0,00
	<b>D.4 Virtual access to research infrastructure unit costs (if mentioned as eligible in the topic specific conditions)</b>			0,00
	<b>D.5 PCP/PPI procurement costs (if mentioned as eligible in the topic specific conditions)</b>			0,00
	<b>TOTAL DIRECT PERSONNEL COSTS AND PURCHASE COSTS (A+C)</b>			0,00
	<b>TOTAL DIRECT COSTS (A+B+C+D)</b>			0,00
	<b>E. INDIRECT COSTS (25% * (A+C))</b>			0,00
	<b>F. TOTAL COSTS (A+B+C+D+E)</b>			0,00
<b>SUMMARY</b>				



# Lumps sum Excel budget for Option 2 - WP

SUM OF ALL BENEFICIARIES (including AFFILIATED ENTITIES) FOR ALL THE WORK PACKAGES							
COST CATEGORY	ALL BENEFICIARIES (without affiliated entities)		ALL AFFILIATED ENTITIES		ALL BENEFICIARIES (with affiliated entities)		BE+AE TOTAL COSTS
	UNITS	BE TOTAL COSTS	UNITS	AE TOTAL COSTS	UNITS (TOTAL)	AVERAGE COST PER UNIT	
<b>COSTS WORK PACKAGE: 1 Work Package 1</b>							
<b>A. DIRECT PERSONNEL COSTS</b>							
<b>A.1 Employees (or equivalent)</b>							
SENIOR SCIENTISTS (or equivalent in the private sector)	0,00	0,00			0,00		0,00
JUNIOR SCIENTISTS (or equivalent in the private sector)	0,00	0,00			0,00		0,00
TECHNICAL PERSONNEL (or equivalent in the private sector)	0,00	0,00			0,00		0,00
ADMINISTRATIVE PERSONNEL (or equivalent in the private sector)	0,00	0,00			0,00		0,00
OTHERS	0,00	0,00			0,00		0,00
<b>A.2 Natural Persons under direct contract</b>	0,00	0,00			0,00		0,00
<b>A.3 Seconded Persons</b>	0,00	0,00			0,00		0,00
<b>A.4 SME owners and natural person beneficiaries</b>	0,00	0,00			0,00		0,00
<b>B. DIRECT SUBCONTRACTING COSTS</b>							
	0,00	0,00			0,00		0,00
<b>C. DIRECT PURCHASE COSTS</b>							
<b>C.1 Travel and subsistence</b>	0,00	0,00			0,00		0,00
<b>C.2 Equipment (complete 'Depreciation cost' sheet)</b>							
Equipment	0,00	0,00			0,00		0,00
Infrastructure	0,00	0,00			0,00		0,00
Other assets	0,00	0,00			0,00		0,00
<b>C.3 Other goods, works and services</b>							
Consumables	0,00	0,00			0,00		0,00
Services for meetings, seminars	0,00	0,00			0,00		0,00
Services for dissemination activities (including website)	0,00	0,00			0,00		0,00
Publication fees	0,00	0,00			0,00		0,00
Other (shipment, insurance, translation, etc.)	0,00	0,00			0,00		0,00
<b>D. OTHER COST CATEGORIES</b>							
D.1 Financial support to third parties (if applicable in the topic specific conditions)	0,00	0,00			0,00		0,00
D.2 Internally invoiced goods and services	0,00	0,00			0,00		0,00
D.3 Transnational access to research infrastructure unit costs (if required in the topic specific conditions)	0,00	0,00			0,00		0,00
D.4 Virtual access to research infrastructure unit costs (if required in the topic specific conditions)	0,00	0,00			0,00		0,00
D.5 PCP/PPI procurement costs (if mentioned as eligible in the topic specific conditions)	0,00	0,00			0,00		0,00
<b>TOTAL DIRECT PERSONNEL COSTS AND PURCHASE COSTS (A+C)</b>		0,00			0,00		0,00
<b>TOTAL DIRECT COSTS (A+B+C+D)</b>		0,00			0,00		0,00
<b>E. INDIRECT COSTS (25% * (A+C))</b>		0,00			0,00		0,00
<b>F. TOTAL COSTS (A+B+C+D+E)</b>		0,00			0,00		0,00
<b>SUM OF ALL WORK PACKAGES FOR ALL BENEFICIARIES</b>							
	UNITS	BE TOTAL COSTS	UNITS	AE TOTAL COSTS			

# Benefits of lump sum funding

- Reduction of errors in financial reporting
  - Yes, by default, since there will be no reporting of actual (or unit) costs
    - The financial statement will be generated automatically, based on lump sums and completed WPs
- No financial audit
  - But there will be checks, reviews and audits of
    - Proper implementation
    - Compliance with the other obligations of the grant
- Potential for simplification during the project implementation stage
  - Less focus on financial management as far as EU requirements are concerned
  - More focus on completion of project activities
  - However, still a need for financial management and monitoring for internal purposes

# Risks of lump sum funding

- Reduced budget change flexibility during the project implementation stage
- Consortium risk
- WP structure

# Reduced budget flexibility during implementation

- No budget reallocations (transfers) possible without an amendment of the GA
  - See LS MGA (Model Grant Agreement - Lump Sum Grants). Article 5.5<sup>1</sup>
- Budget reallocations between WPs only possible if the WPs have not been completed
- Budget calculations at the proposal stage much more critical
- Budget negotiations between beneficiaries at the proposal stage more critical
- Excel budget file
  - Even though it is quite detailed, it lacks flexibility for calculating several items within one cost category
  - Also necessary to have your own Excel/budget calculation tool(s)
- Financial knowledge, skills and staff capacity must be redirected
  - from the project implementation stage
  - to the proposal stage

<sup>1</sup> See: *Model Grant Agreement - Lump Sum Grants, Version 1.0, 01 June 2021*, Article 5.5, p.17. [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/aqr-contr/ls-mga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/aqr-contr/ls-mga_en.pdf)

# Consortium risk

- There is a need to trust partners during the proposal stage
  - Budget calculations
  - Budget negotiations
- There is a need to trust partners during project implementation
  - One underperforming partner is enough to threaten the approval of the entire WP
    - Either other partners have to take over, or no EU funding for that WP
  - Collaborate only with "old friends"?
    - Partners you have collaborated with in the past, and you know they will deliver high quality on time
    - Partners recommended by your contacts
  - Increased obstacle to entry for partners you do not know?
  - Increased obstacle to partners from countries with low participation in the H2020 / HE?

# WP structure

- Incentives to adapt WP structure to Lump Sum funding rules
  - WP duration
    - Start and end WP within one reporting period
    - For interim payments: Potentially improved cash-flow
    - To reduce financial uncertainty related to approval of WPs – and, thus, ultimate approval of funding
  - Beneficiary WP participation
    - Minimize participation of beneficiaries in the same WP
    - Minimization of financial risk due to under-performing partners
- Risk-minimizing, cash flow maximizing project structure
  - One WP per partner per reporting period
- Incentives for a project structure which is sub-optimal from a project management perspective
- Not necessarily minimization of risk from the point of view of project implementation
  - Risk of fragmentation, less integrated project implementation, less incentive for collaboration
  - Less incentive for close collaboration during implementation

# Shift of focus due to lump sum funding

- Financial knowledge, skills and staff capacity must be redirected
  - from the project implementation stage
  - to the proposal stage
  - however, still a need for financial management and monitoring for internal purposes
- Researchers and non-financial staff
  - Proposal stage
    - Need to invest substantial time and effort in understanding the budget implications of tasks and deliverables, and vice versa
  - Project implementation stage
    - Less focus on financial issues
    - Focus on the completion of tasks and deliverables

# EU assessment of the lump sum funding pilot

- Assessment report published by the EC 5 October 2021<sup>1</sup>
- Conclusions from the report
  - "...our **lump sum approach works in practice and is fit for wider use** in Horizon Europe."
  - "...the **lump sum pilot delivered on its main goals**, to simplify administration and shift the focus to the content of projects."
  - "...there is wide agreement that **further improvements are needed.**"

<sup>1</sup> See: "Assessment of the Lump Sum Pilot 2018 2020. Analysis of qualitative and quantitative feedback", [https://ec.europa.eu/info/news/lump-sum-funding-works-practice-assessment-pilot-horizon-2020-2021-oct-06\\_en](https://ec.europa.eu/info/news/lump-sum-funding-works-practice-assessment-pilot-horizon-2020-2021-oct-06_en)



# Questions regarding the EC's Assessment

- Too early to draw conclusions
  - Does not cover the full project life-cycle, the lump sum funded projects are still running
- How representative is the survey in terms of respondents?
  - SMEs constituted 27,6% of respondents (69% of 40%)
    - Reflecting the nature of the calls that were subject to lump sum funding
  - According to the H2020 Dashboard, SMEs accounted for 19,66% of the participations
  - Overall, SMEs expressed a more positive attitude towards lump sum funding
- Are all conclusions as clear-cut?

# Research-performing organisations' views on lump sum funding

- Statement by [LERU](#) (The League of European Research Universities), 16.12.2021<sup>1</sup>
  - "LERU warns against a too hasty increase"
  - "...prepare guidance and training material..."
  - "Monitor potential negative side effects"<sup>2</sup>
- Joint statement by [EUA](#), [CESAER](#) and [EARTO](#), 22.11.2021<sup>3</sup>
  - "Broader use of lump sum funding is therefore premature and we call
    - (i) for caution on the interpretation of the interim analysis, and
    - (ii) to await the final and thorough evaluation of the pilot."

1 See: "Recommendations for the further roll-out of lump-sums in Horizon Europe", <https://www.leru.org/news/increased-use-of-lump-sums-in-horizon-europe-dont-throw-out-the-baby-with-the-bathwater> and <https://www.leru.org/files/News/LERU-Note-Recommendations-for-the-further-roll-out-of-lump-sums-in-Horizon-Europe.pdf>

2 See: <https://www.leru.org/news/increased-use-of-lump-sums-in-horizon-europe-dont-throw-out-the-baby-with-the-bathwater>

3 See: "Caution needed on interim analysis of lump sum pilot", <https://eua.eu/downloads/content/cesaer-earto-eua%20joint%20statement%20-%20caution%20needed%20on%20interim%20analysis%20of%20lump-sum%20-%202022%20nov%202021.pdf>

# The EC's plans for lump sum funding in Horizon Europe

- A gradual increase in lumps sum funding share of calls to be expected
- Each cluster or programme part decides which calls will use lump sum funding
- Work programme 2022
  - A limited number of lump sum calls planned for Work programme amendment in April 2022
- Work programme 2022 – 2024
  - A "substantial share" of lump sum calls planed for 2023.

# What next?

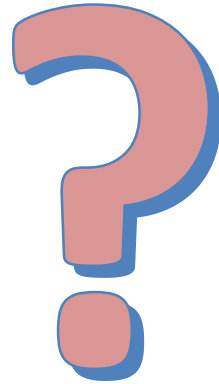
- Consortium Agreements
  - DESCA template for Horizon Europe
    - No lump sum specific provisions (text) yet, in v. 1.0<sup>1</sup>
- Wider implementation of lump sum funding to be expected
- Need for exchange of experiences and ideas among beneficiaries and RMAs
- The detailed budget table
  - When will this be integrated into the EU portal proposal submission module?
- The personnel cost dashboard
  - How accurate and representative will it be?
  - How will its data be interpreted and used during implementation?
- Further changes in rules concerning Grant Agreement amendments?
- Will there be an opening for budget changes without GA amendments?

<sup>1</sup> See: <https://www.desca-agreement.eu/desca-model-consortium-agreement/>

# Where to look for clues and guidance?

- Annotated Model Grant Agreement
  - Current version:
    - Pre-draft (HE) , v. 0.2, incl. update for all programmes, published 30 November 2021
    - [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga_en.pdf)
- Corporate (General) Model Grant Agreement (MGA)
  - Current version: v. 1.1, published 15 December 2021
  - [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/general-mga\\_horizon-euratom\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/general-mga_horizon-euratom_en.pdf)
- Funding scheme specific Model Grant Agreement (MGA)
  - Model Grant Agreement – Lump Sum Grants ([JUST/REC Lump Sum MGA— Multi & Mono])
  - Current version: v. 1.0, published 01 June 2021
  - [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/lsmga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/lsmga_en.pdf)
- EU Online Manual (2021 – 2027 EU programme period)
  - <https://webgate.ec.europa.eu/funding-tenders-opportunities/display/OM/Online+Manual>
- Proposal template
- Call specific updates from the EU in the EU portal or by e-mail

# Questions?



# Thank you for your attention!