

LUMP SUM FUNDING: lessons learned and update

Meeting of the WG 2 Finance
COST Targeted Network TN1302: BESTPRAC

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Partly based on different presentations from EARTO and UCRO

European Commission introduced lump sums pilot in WP 2018-2020 with 2 options to be tested :

Option 1: standard lump sum pre-fixed by the Commission: (DT-NMBP-IA-20-2018)

Applicants in the project proposal provide a breakdown of the lump sum showing

- the **share per workpackage** and within each WP,
- the **share assigned to each beneficiary**.

The proposal must **describe**, for each WP, the **activities** that are covered by the lump sum share.

Evaluators (and competition between proposals) check that the adequate resources are committed

Option 2: the amount of the lump sum is proposed by the applicants: (Health – RIA)

Project proposals provide detailed estimation of eligible direct costs and indirect costs. **Beneficiaries must make a declaration that they have followed their own accounting practices.**

Experts evaluate costs comparing them to the statistical data on costs and resources from the previously funded, comparable projects and they make recommendations.

During GA preparation the **EC adapts estimated costs and modifies the lump sum and lump sum breakdown considering the recommendations of the experts.** The final lump sum as the maximum grant is calculated applying the reimbursement rate set out in the H2020 rules.

Approved Lump Sum projects 2018-2020

Option 1: DT-NMBP-20-2018

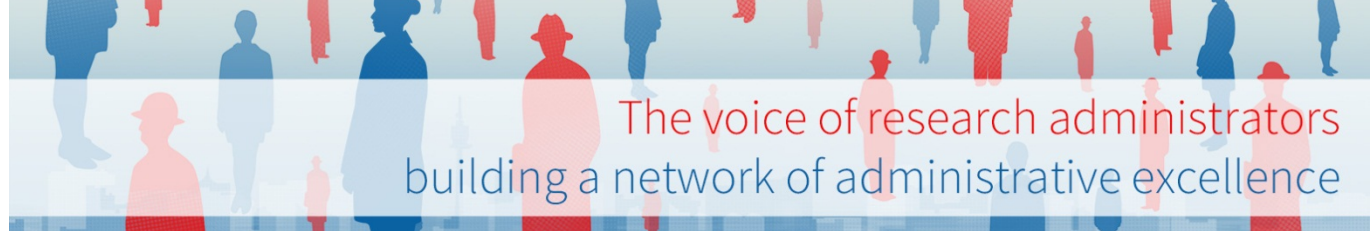
Project Acronym & EU Contribution

MARKET4.0	€7,500,000
WeldGalaxy	€7,500,000

Option 2: SC1-BHC-15-2018

Project Acronym & EU Contribution

HELP	€8,713,395
SHIGETECVAX	€8,603,990
CRUZIVAX	€8,391,240
Vacc-iNTS	€6,871,189
VASA	€6,619,342
TT4CL	€3,753,136



Lessons learned

WELD GALAXY project experiences presented by University of Leicester at the UCRO annual conference 2019

Option 1: standard lump sum pre-fixed by the Commission: (NMBP-IA)

POSITIVES

- Familiar costing methodology.
- Generous pre-financing.
- Light touch financial reporting.
- Negates CFS.
- Simplified Grant Agreement.
- Better way to engage SME's.
- Simplified methodology for platform type grants that issue further calls.
- Exchange rate reporting eliminated.
- Focussed on completion of planned activities

NEGATIVES

- Innate joint liability.
- Greater emphasis on technical reporting.
- Higher risks associated with financial commitments e.g. staff.
- Detailed budget required at proposal stage.
- Assessment of risk of non-completion of planned activities required at proposal development stage.
- No adjustments to previously reported costs.

FINANCIAL STATEMENT FOR [BENEFICIARY [name]/ LINKED THIRD PARTY [name]] FOR REPORTING PERIOD [reporting period]

	Lump sum shares (per work package)											EU contribution
	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	WP9	WP10	WP [XX]	Requested EU contribution
[short name beneficiary/linked third party]												

The beneficiary/linked third party hereby confirms that:

The information provided is complete, reliable and true.

The work packages have been completed and that they and the action in general have been fully and properly implemented (see Article 7)

The proper implementation can be substantiated by adequate records and supporting documentation that will be produced upon request or in the context of checks, reviews, audits and investigations (see Articles 17, 18 and 22).

Periodic reports: Can only claim lump sum amounts corresponding to fully executed work packages.

Final reports: Can claim partial sums for incomplete work packages with PO approval

VASA project experiences presented by University of Cambridge at the UCRO annual conference 2019

Option 2: the amount of the lump sum is proposed by the applicants: (Health – RIA)

- Detailed budget at the proposal stage e.g. n. of people travelling to a conference, n. for consumables etc. >>>>> highly scrutinized by the experts during the evaluation
- Detailed Description of the work to be done >>>>> highly scrutinized by the experts during the evaluation
- Budget Breakdown tables: trouble uploading in the portal before submission

Think about your **cash flow** already **at proposal stage**:

- Assuring WP alignment with reporting period
- Split WP (25 WPs in VASA)
- Budget reduced at evaluation stage and during grant preparation (for VASA was around -20%)
- Consortium agreement – DESCAs standard template does not apply

Experiences from The Group of European Practitioners for Framework Programme Simplification (GEPS)

Some challenges from Pilot Project – first hand experience.

1. Only WPs that are finished within a RP are accepted.
2. Detail per WP staff contracted, per participant is needed in GA.
3. Section 5 CA – liability. Decided to limit to WP.
4. Last MGA stated no timesheets were required, but these are kept ‘just in case’.

Feedback: What actions are more suitable for Lump Sums?

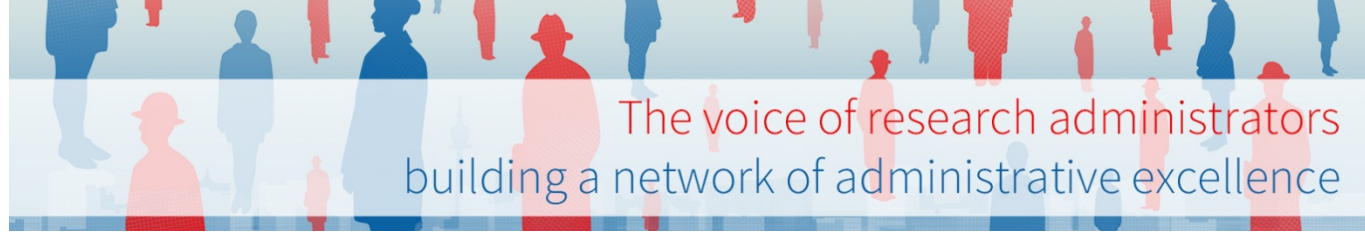
- ✓ Mono-beneficiary, although not ERC.
- ✓ 2-stage submissions.

Feedback: What is the actual benefit from Lump Sum vs current approach?

- Disadvantage – need to invest more time to prepare proposal: different WPs, detail staff PM, plan WPs that finish sooner.
- Benefit – It is not clear, possibly researchers may benefit the most.

Feedback: Which financial/legal aspect might be most impacted?

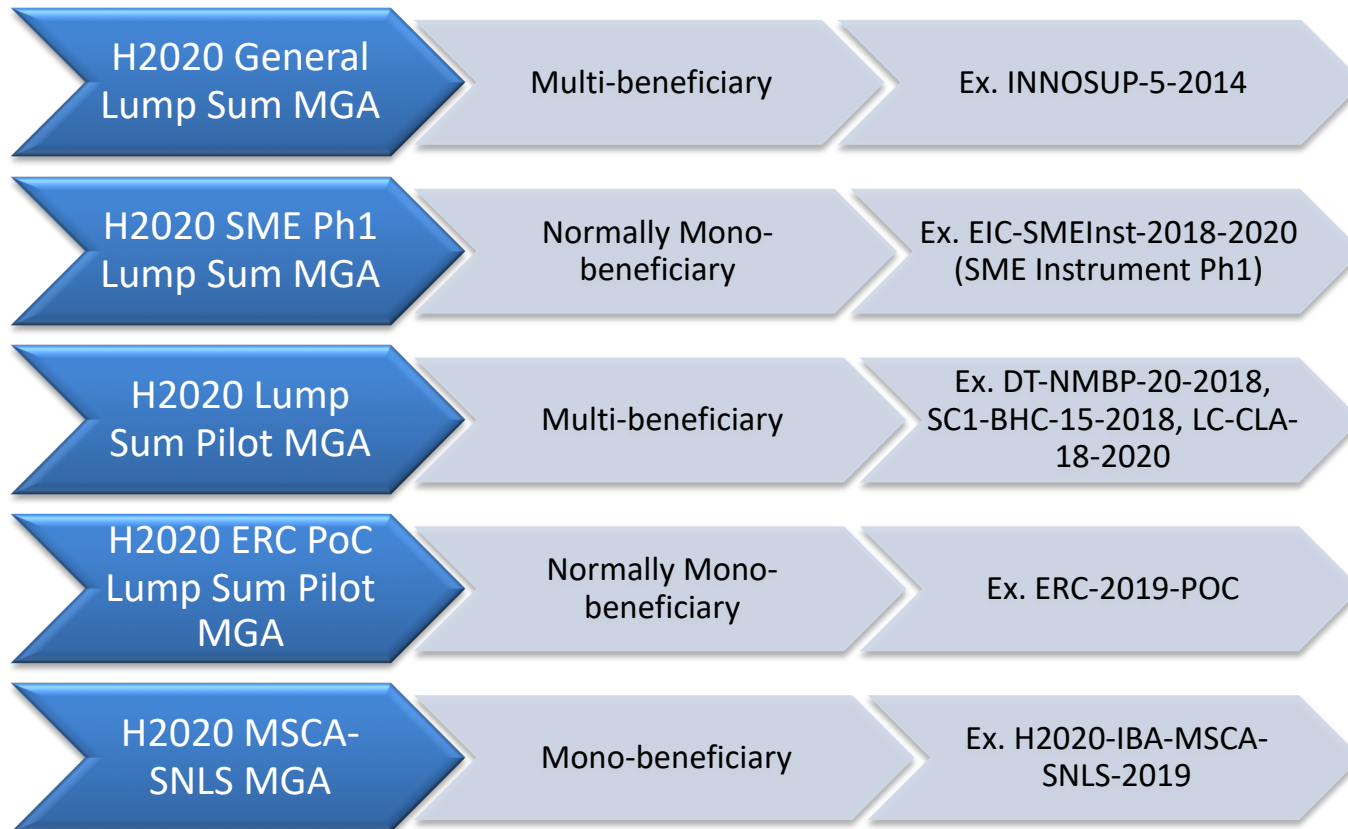
- Proposal development.



EARTO Experiences published on 30 April 2019

Phase	Issues
Proposal & Evaluation	<ul style="list-style-type: none">• Projects split into many slimmer independent work packages (ex. 22) in order to reduce payment risk• Careful choice of partners can be a barrier to welcome newcomers• Cost and paperwork of making proposals is increased: for instance 900 pages for one proposal, or 47 pages for the cost breakdown for another proposal
Financial Aspects	<ul style="list-style-type: none">• Underfinancing of the project is now possible: a backup financing is necessary• Cuts of the planned budget were demanded by the EC without providing detailed information on the reasons.• Ethics work packages were added by the EC without additional funding

AMGAs for Lump Sums



Major differences between «general» MGA and Lump Sum MGAs (1)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Budget transfers among beneficiaries and cost categories (Art.4.2.)	No GA amendment needed <i>*given the work foreseen in Annex 1 the same</i>	n/a	GA amendment needed to transfer lump sum shares among beneficiaries and/or WPs <i>*transfers between WPs possible only for on-going WPs and subject to exceptional circumstances</i>

Major differences between «general» MGA and Lump Sum MGAs (2)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Form of grant, reimbursement rates and forms of costs (Art. 5.2.)	Funding rate and eligible forms of costs listed	Single lump sum amount subject to applicable funding rate	No funding rates No cost forms
Eligible costs (Art. 6.1.)	Extensive list of eligibility criteria	Correspond to Annex 2 Implementation according to Annex 1	n/a <i>*Correspond to Annex 2 Implementation according to Annex 1</i>

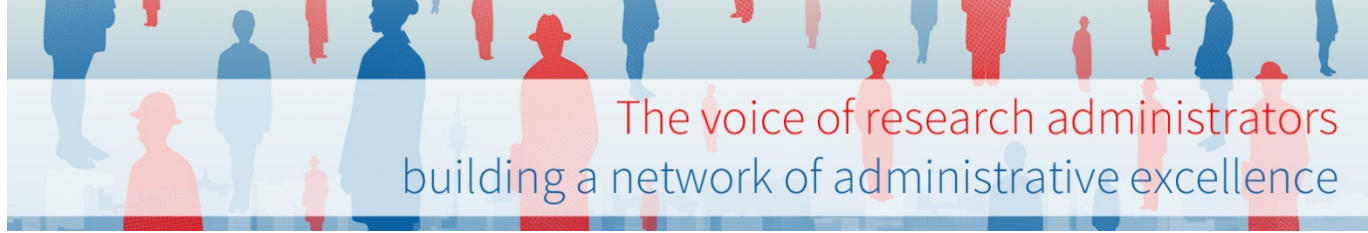


Major differences between «general» MGA and Lump Sum MGAs (3)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Subcontractors (Art.13.)	Cost and tasks must be set out in Annex 1 In case of non-compliance – cost ineligibility MfV verification ex-post	Only tasks must be set out in Annex 1 In case of non-compliance – grant reduction No (?) MfV verification	Only tasks must be set out in Annex 1 In case of non-compliance – grant reduction MfV verification ex-ante
Keeping records on costs (Art. 18.1.2.)	Keep full records for the costs declared	No cost records	No cost records

Major differences between «general» MGA and Lump Sum MGAs (4)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Reporting – financial (Art. 20)	Periodic and final cost reporting	No interim financial reporting, only statement on use of pre-refinancing One final statement for the whole consortium prefilled by the system	Interim reports linked to technical report on completed WPs Claims for lump sum shares of completed WPs Final report exceptionally may contain claims for partially completed WPs



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Major differences between «general» MGA and Lump Sum MGAs (5)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Payments (Art.21.)	<p>Prefinancing</p> <p>Interim payments</p> <p>Final payments</p>	<p>Prefinancing (can be several subject to statement on use of pre-refinancing)</p> <p>No interim payments</p> <p>Final payment</p> <ul style="list-style-type: none"> • No Limit to the max. grant amount • No Calculation of receipts & deduction of profit • Final step: Grant reduction only for breaches other than non-implementation 	<p>Prefinancing</p> <p>Interim payments for completed WPs</p> <p>Final payment</p> <ul style="list-style-type: none"> • No Limit to the max. grant amount • No Calculation of receipts & deduction of profit • Final step: Grant reduction only for breaches other than non-implementation

Major differences between «general» MGA and Lump Sum MGAs (6)

Provisions	General MGA	General Lump Sum MGA	Lump Sum Pilot MGA
Checks, reviews and audits (Art.22)	Technical and financial checks, reviews and audits Full set of documentation on costs declared, proper implementation and other aspects	No <i>financial</i> checks, reviews, or audits on costs Only proper implementation and other aspects	No <i>financial</i> checks, reviews, or audits on costs Only proper implementation and other aspects
Recovery of undue amounts (Art. 44)	Responsibility on beneficiary's level	Coordinator's responsibility	Responsibility on beneficiary's level

Changes of AMGA on Lump sums since Belgrade meeting (September, 2018)

Version 5.1., publ. date 06.12.2018

- New ERC Lump Sum Pilot PoC model grant agreement and annotations
- Minor change in annotations on Article 4 of Lump sum pilot MGA

Version 5.2., publ. date 26.06.2019

- none

Open consultation of implementation of HE

The European Commission opened another [consultation](#) about the **implementation strategy linked to Horizon Europe's strategic planning**, to ensure from the start that implementation properly supports the programme's policy objectives.

The questionnaire covers the entire project life cycle, from the organization of calls, proposal submission and evaluation up to efficient reporting and exploitation of results. **The Commission invites anyone with an interest to participate in the consultation until 15 September 2019.**