Webinar on
Introduction to Lump Sum funding in Horizon 2020

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Who are we?

A key objective of the NCP Academy project is to provide harmonised training of high quality to all Horizon 2020 National Contact Points (NCP) in the areas of four modules:

• Legal and financial issues
• Synergies between Horizon 2020, multilateral Initiatives, European Structural and Investment Funds and other measures
• Cross-cutting issues such as ethics, gender and others and
• SME and innovation issues.
Visit our website
Aim of our webinar

To give you an overview of the most important aspects of the lump sum funding scheme so you can guide your clients better.

NON-aims

To discuss the pros and cons related to lump sums.
To discuss lump sum in FP9.
How will we reach this aim?

Outline

• Lump sum as a funding concept
• The two models
• Payments
• How to (re)think Work Packages
• What about budget (transfers)
• Controls
Lump sum funding – why?

Huge simplification potential.

Despite all simplification, funding based on reimbursement of incurred costs stays complex and error-prone.

Lump sum project funding removes all obligations on actual cost reporting and financial ex-post audits – i.e. a major reduction of administrative burden.
Lump sum funding – why?

Focus on performance.

Shift from focus on financial management and checking costs to focus on scientific-technical content of the projects.
Lump sum funding – how?

Pilot consists of 2 topics in 2018:

1. A digital ‘plug and produce’ online equipment platform for manufacturing (Innovation Action – NMBP)

2. New anti-infective agents for prevention and/or treatment of neglected infectious diseases (Research and Innovation Action – Health)
A digital ‘plug and produce’ online equipment platform for manufacturing (DTY-NMBP-20-2018)

A fixed lump sum per project is defined in the call for proposals (7.5M).

Proposals describe the efforts and resources that the applicants commit to mobilise for this amount.

Applicants must also provide the proposed split of the lump sum per work package and per beneficiary.

The evaluation – and competition between proposals – ensure that adequate resources are committed.
New anti-infective agents for prevention and/or treatment of neglected infectious diseases (SC1-BHC-15-2018)

Proposals provide a detailed estimation of costs (stage 2 only).

Experts assess the cost details during evaluation and make recommendations.

Based on this, the lump sum is fixed during grant preparation.
Lump sum funding – how?

Lump sum evaluation and grant agreement follow the standard approach as much as possible:

– Same evaluation criteria.

– Same pre-financing and payment scheme.

– Reporting periods and technical reporting as today, though focusing on completion of work packages.
Lump sum funding – how?

One (sub-)lump sum is fixed in the grant agreement for each work package.

This amount is paid when the activities in the work package are completed.

As today, payment does not depend on a successful outcome, but on the completion of activities.
Lump sum funding – how?

For each work package, the grant agreement defines how the lump sum is split among the beneficiaries participating in it.

This limits their financial liability.

Consortium is jointly liable for implementation as today.

No actual cost reporting and no financial audits.
Lump sum funding – how?

Costs actually incurred are not relevant.

Who does the work still is!

As in the General MGA:
- Linked third parties and international partners must be named in the grant agreement.

Annex 1 must detail the tasks to be:
- Attributed to each linked third party
- Attributed to each international partner
- Subcontracted
Budget allocation

Annex 2

Lump sum = Maximum grant amount

Max. liability of the beneficiary after payment of balance

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Remember that indirect costs (overheads) are included in these amounts.

Share of the lump sum per WP
How many work packages?

As many as needed but no more than what is manageable

‘Work package means a major sub-division of the proposed project.’

Therefore:

- A single activity is not a WP.
- A single task is not a WP.
- A % of progress of work is not a WP (e.g. 50 % of the tests).
- A lapse of time is generally not a WP (e.g. activities of year 1).
- WP management may be a special case.
The NMBP pilot – content

• Aim: to create a digital market place for manufacturing services and related services.

• Main activity: design and development of ICT platform and its validation by users and suppliers (SMEs).

• Chosen because of substantial industrial participation.
The NMBP pilot - justification

• Pre-defined fixed lump sum (7.5M euro) – remember that this is an innovation action (reimbursement rate 70 %) so the project must have a total budget of 10M euro corresponding to 800 person months depending on the beneficiaries in the consortium.

• Lump sum amount is based on experience from 14 EU projects.

• The costs of digital online platforms can be well estimated based on the envisaged output of the projects.
The NMBP pilot – WP structure (ex)

- Market analysis
- Technical requirements
- Applicable standards

Business Analysis

Technical Development
- Software creation
- Testing

Operation
- Experimentation
- Involvement of end-users

Horizontal Activities
(project management and administration, dissemination and training)
The Health pilot – content and why

• Aim: Bridge the gap between late preclinical and early clinical (up to phase 1) development of already existing lead candidates of drugs or vaccines against neglected bacterial and parasitic diseases.

• Relevant research tasks can be grouped in relatively concrete and sequential "Work Packages"
The Health pilot – content and why

• This allows break-down of overall lump sum to smaller sub-lump-sums corresponding to each WP (= better management of pre-financing and liability issues)

• This allows for setting up specific 'gating criteria' that would allow for a "go/no go" decision between sequential work packages.
The Health pilot – WP structure (ex)
Distribution of funds

Distribution of funds does not change financial liability of Annex 2
Budget transfers
Transfer amounts between Work Packages is only acceptable if:

- Work Packages are **not** already completed (and declared)
- Justified by the technical and scientific implementation of the action
- A review confirms that it does not call into question the decision awarding the grant or breach the principle of equal treatment.

**All budget transfers require an amendment**

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Payments

Pre-financing payment:
- Same functioning that in the general MGA
- Coordinator distributes the amount according to consortium agreement

Interim payment(s):
- One or more
- Pay the shares of the lump sum set out in Annex 2 for the WPs completed & approved in the reporting period

Payment of the balance:
- Closes the financial aspects of the grant
- Uncompleted WPs will (generally) NOT be paid
- Releases the guarantee fund
Reporting

Periodic report

✓ Submitted by coordinator max. 60 days after end of the period

1 Periodic Technical Report

✓ explanation of the work carried out
✓ overview of progress of the work & plan for the exploitation dissemination of results
✓ summary for publication
✓ questionnaire

2 Periodic Financial Report

✓ financial statement (individual & summary): no cost categories; only lump sum shares
✓ use of the resources: only to report subcontracts not in Annex 1
Reporting

Each beneficiary declares its share of the lump sum allocated to Work Packages **fully** completed in the reporting period.

![Diagram showing completion percentages for different beneficiaries on Work Package 8.]

- **Tasks Beneficiary A**: 100%
- **Tasks Beneficiary B**: 100%
- **Tasks Beneficiary D**: 65%

**WP 8 NOT fully completed**
Reporting and payments

Sum of the shares of the lump sum allocated to Work Packages fully completed in the reporting period.

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Annex 2

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State of play at the end of the reporting period
Reporting and payments

**Sum of the share of the lump sum** allocated to Work Packages fully completed in the reporting period.

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Payment = 350 000 + 0 + 350 000 + 0 = 700 000 €

Limited to 90% of the total grant.
This is how your budget will look

### ESTIMATED LUMP SUM BREAKDOWN

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**Notes:**
- Maximum grant amount² is calculated based on the estimated lump sum shares per work package. 
- Adjustments may be necessary based on actual project outcomes and funding availability.
Final payment

All work completed as indicated in Annex 1:
The Commission pays the remaining amount up to the total lump sum (and releases the Guarantee Fund)

Some WP not completed as indicated in Annex 1:

- WP rejected (in full or in part)
- Grant reduced
- Consortium loses the share allocated to that WP
- The Guarantee Fund does NOT intervene

⚠️ As in General MGA, other reductions (e.g. for breach of obligations) may also apply
Controls

**Checks, reviews and audits for:**
Proper implementation of the action (e.g. technical audit)

Compliance with the other obligations of the grant:
- IPR obligations
- Obligations related to third parties (e.g. financial support)
- Other obligations (e.g. ethics, visibility of EU funding, etc.)

👋 Bye, bye, financial audits
Control

**You need**

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

**You don't need**

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

⚠️ *Already the case under the general MGA*
This project has received funding from the European Union’s Horizon 2020 research and innovation programme under grant agreement No. 633563.