Lum sum funding: a researchers’ dream come true?

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What happened so far?

Long standing considerations about “Lump Sum Funding” e.g. Survey 2011

As regards potential scenarios for future EU funding rules, the scenario providing reimbursement of actual costs but with major simplifications to the eligibility rules gathers the most positive views, if combined with a harmonised application of the rules and improved communication and assistance to participants. Other two scenarios (output-based funding with project-specific lump sums for entire projects and extended use of flat rates, lump sums and scales of units) are perceived as alternatives for specific projects/partners or if proposed as options alongside the actual cost scenario (p.15-16).

When expressing their views, respondents favour mainly 1st and 3rd scenarios, sometimes both together (totals by rows may be more – or less – than 100%), and are against 2nd scenario:

<table>
<thead>
<tr>
<th></th>
<th>Lump-sums for entire projects (970 responses)</th>
<th>More lump-sums and flat-rates (579 responses)</th>
<th>Simplified actual costs (580 responses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In favour (best option / less burden)</td>
<td>48%</td>
<td>27%</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>Best for personnel costs</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Best for indirect costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Against (lower than real costs / no simplification / financial risk)</td>
<td>24%</td>
<td>42%</td>
<td>18%</td>
</tr>
<tr>
<td>Dubitative (Simplification difficult to evaluate)</td>
<td>24%</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>No trust (it will not work in practice)</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Survey on administrative costs for participants in the 7th EU Framework Programme for Research and Technological Development (FP7)
Lump sum funding – why?

• Huge simplification potential.
• Despite all simplification, funding based on reimbursement of incurred costs stays complex and error-prone.
• 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)
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
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.’
(Horizon 2020 Proposal template)

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.
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
Periodic report

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

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

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

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
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