

# Horizon Europe

## Institutional and L&F concerns implementing Lump Sum projects

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Lisboa

- **Lump Sum projects**
- **Legal Context of R&I projects → Liability on R&I projects**
- **Budgeting Lump Sum projects**
- **Reporting in Horizon Europe**

# Lump Sum Rationale

# Lump Sum Rationale

## ECAS Report 2018

The European Court of Auditors has highlighted the potential of lump sums, as a **major step to decrease administrative burden for beneficiaries**, and has already called for an intensification of the testing on lump sums in the course of Horizon 2020.



### Special Report

**The majority of simplification measures brought into Horizon 2020 have made life easier for beneficiaries, but opportunities to improve still exist**

(pursuant to Article 287(4), second subparagraph, TFEU)

# Lump Sum Rationale

## Financial regulation

### Preamble

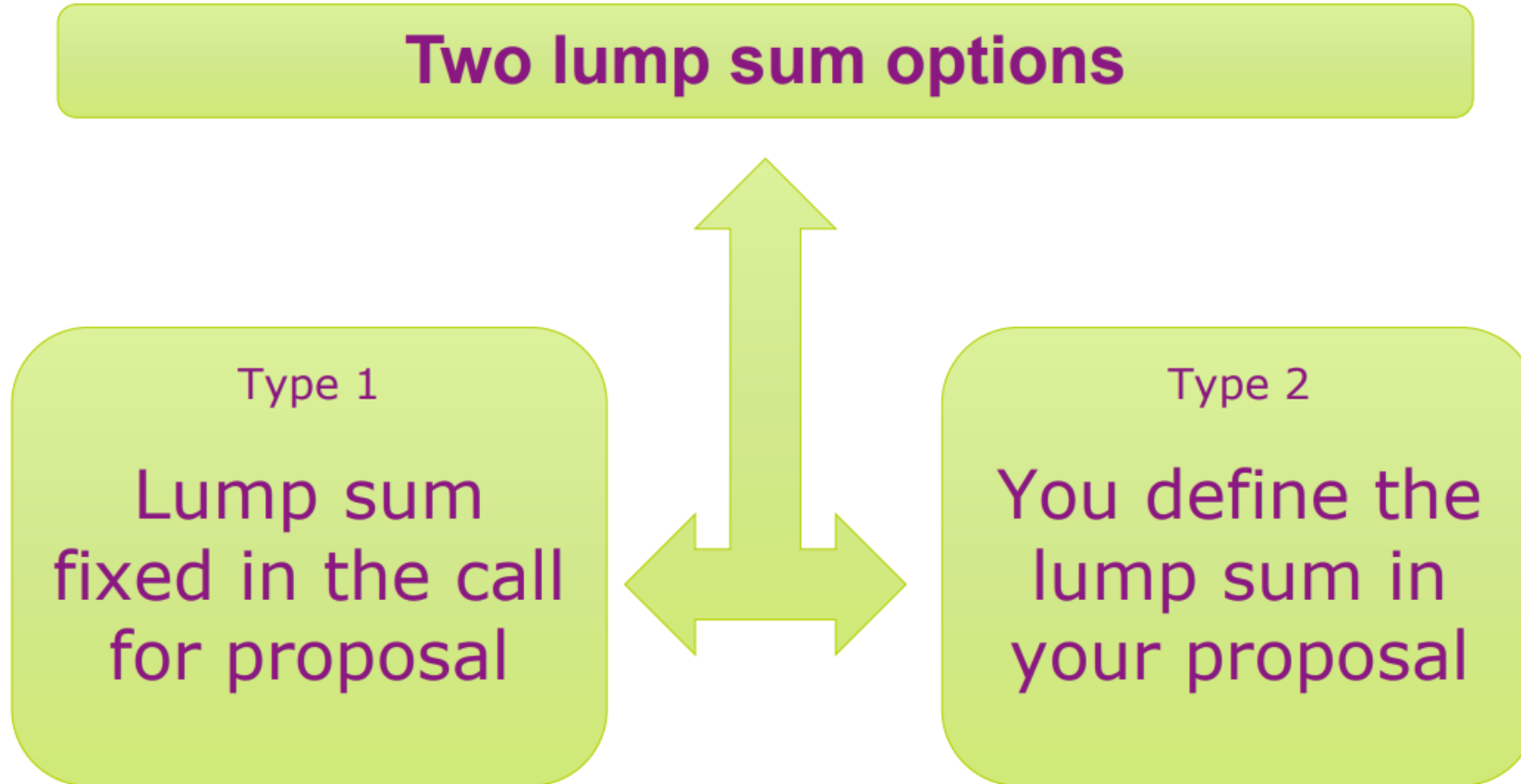
(56) More emphasis should be put **on performance and results of projects financed from the budget**. It is thus appropriate to define an additional form of financing not linked to costs of the relevant operations in addition to the forms of Union contribution already well established (reimbursement of the eligible costs actually incurred, unit cost, **lump sums** and flat-rate financing). The additional form of financing should be based on the fulfilment of certain conditions ex ante or on the achievement of results measured by reference to previously set milestones or through performance indicators.

### **Article 181 Lump sums, unit costs and flat-rate financing**

1. Where the grant takes the form of lump sums, unit costs or flat-rate financing as referred to in point (c), (d) or (e) of the first subparagraph of Article 125(1), this Title shall apply, with the exception of the provisions or parts of the provisions related to the verification of eligible costs actually incurred.

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# Lump Sum options in Horizon Europe



**Legal Context of R&I  
projects → Liability on  
R&I projects**

- Technical and Scientific Responsibility →
  - Most part of Horizon Europe projects are based on collaborative projects
    - **All partners share the responsibility of a proper implementation of the project tasks**
  
- Financial liability
  - **Mutual insurance mechanism (previous Guarantee Fund)**
    - E.g. Bankruptcy



# Liability on Horizon Europe projects → Grant Agreement

## CHAPTER 4 GRANT IMPLEMENTATION

### SECTION 1 CONSORTIUM: BENEFICIARIES, AFFILIATED ENTITIES AND OTHER PARTICIPANTS

#### ARTICLE 7 — BENEFICIARIES

**They are jointly responsible for the technical implementation of the**

**action.** If one of the **beneficiaries fails to implement their part of the action, the other beneficiaries must ensure that this part is implemented by someone else** (without being entitled to an increase of the maximum grant amount and subject to an amendment; see Article 39). The financial responsibility of each beneficiary in case of recoveries is governed by Article 22

## ▪ Liability on the Grant Agreement

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### **ARTICLE 11 — PROPER IMPLEMENTATION OF THE ACTION**

#### **11.1 Obligation to properly implement the action**

The beneficiaries must implement the action as described in Annex 1 and in compliance with the provisions of the Agreement, the call conditions and all legal obligations under applicable EU, international and national law.

#### **11.2 Consequences of non-compliance**

If a beneficiary breaches any of its obligations under this Article, the grant may be reduced (see Article 28).

Such breaches may also lead to other measures described in Chapter 5.



# Liability → Consortium Agreement → DESCA

## 5.2 Limitations of contractual liability

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No Party shall be responsible to any other Party for any indirect or consequential loss or similar damage such as, but not limited to, loss of profit, loss of revenue or loss of contracts, provided such damage was not caused by a wilful act or by a breach of confidentiality.

A Party's aggregate liability towards the other Parties collectively shall be limited to **Insert: once or twice** the Party's share of the total costs of the Project as identified in Annex I of the EC-GA provided such damage was not caused by a wilful act **or gross negligence**.

The terms of this Consortium Agreement shall not be construed to amend or limit any Party's statutory liability.



# Identify potential risks on the proposal

Table 3.1e: Critical risks for implementation #@RSK-MGT-RM@#

Description of risk (indicate level of (i) likelihood, and (ii) severity: Low/Medium/High)	Work package(s) involved	Proposed risk-mitigation measures

were o

**Definition critical risk:**

A critical risk is a plausible event or issue that could have a high adverse impact on the ability of the project to achieve its objectives.

**Level of likelihood to occur: Low/medium/high**


The likelihood is the estimated probability that the risk will materialise even after taking account of the mitigating measures put in place.

**Level of severity: Low/medium/high**

The relative seriousness of the risk and the significance of its effect.

# Drafting a lump sum proposal

# Drafting a lump sum proposal

- Part B is the same
- Activities detailed by Work Package
- Detailed budget according to excel
- Budget estimates generate the budget by beneficiary (or affiliated entity) and by work package
- Estimates will be evaluated under the principle of reasonableness based on the institution's practices and the level of costs presented by it.
- **HE eligibility rules apply at this stage** 

# Lump sum budget → Personnel Costs

COST CATEGORY	BE1 name		
	UNITS	COST PER UNIT	BE TOTAL COSTS
<b>COSTS WORK PACKAGE 1: WP1 name</b>			
<b>A. DIRECT PERSONNEL COSTS</b>			
<b>A.1 Employees (or equivalent)</b>			
SENIOR SCIENTISTS (or equivalent in the private sector)			0,00
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

- More detailed than a regular proposal
- Set units → According to institution's practices and the level of costs presented by it
- Dashboard → <https://webgate.ec.europa.eu/dashboard/sense/app/8137d1f5-1742-48cb-91be-9ddef367eab1/sheet/4304a311-3099-4fe1-97ed-41f6f2782651/state/analysis>

# Horizon Europe dashboard

Portugal average and median personnel costs rate

20th Percentile

2 460 €

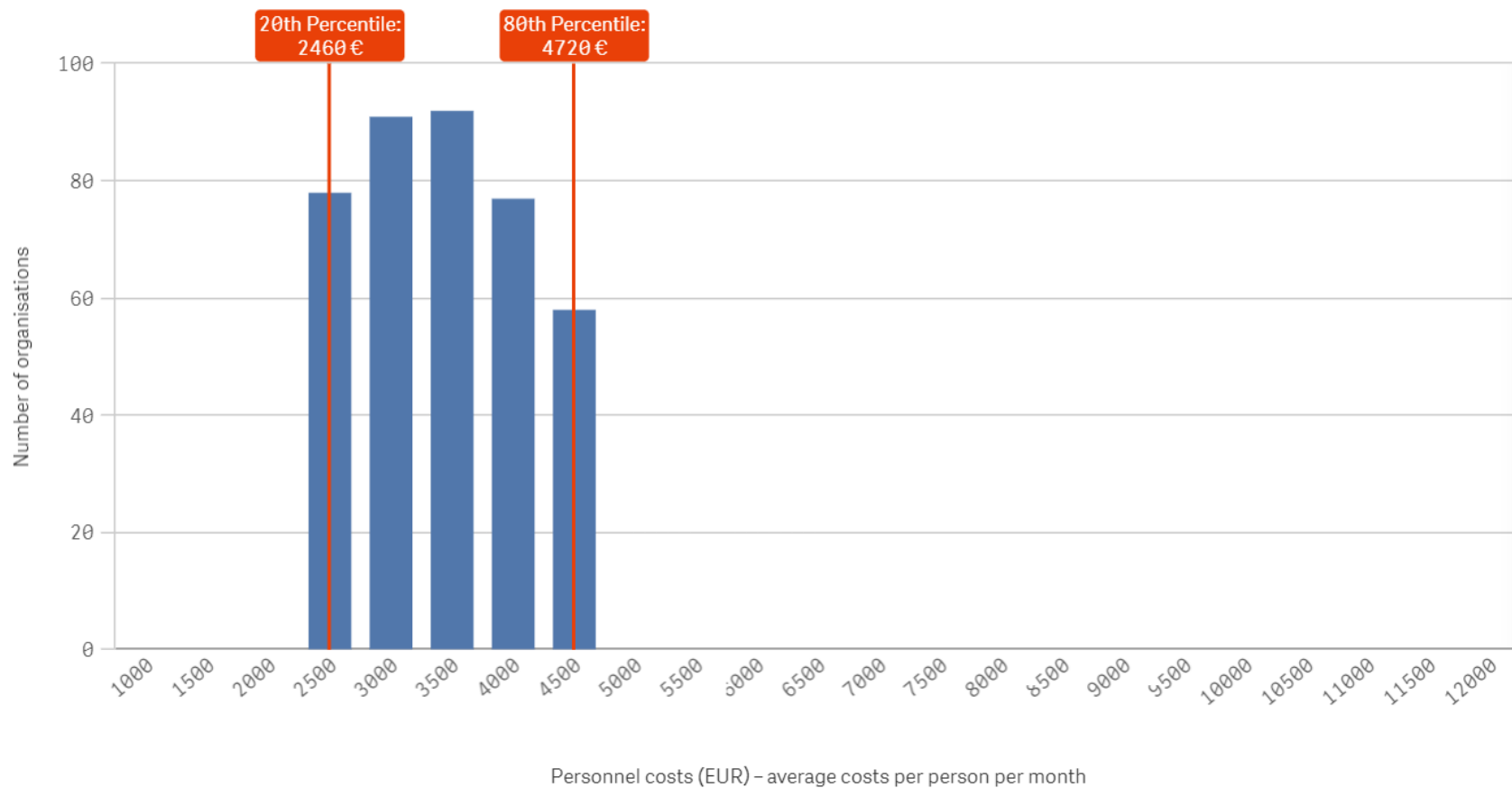
Median Monthly Personnel Cost

Median

3 520 €

80th Percentile

4 720 €





# Lump sum budget

COST CATEGORY	BE1 name		
	UNITS	COST PER UNIT	BE TOTAL COSTS
<b>COSTS WORK PACKAGE 1: WP1 name</b>			
<b>B. DIRECT SUBCONTRACTING COSTS</b>			0,00
<b>C. DIRECT PURCHASE COSTS</b>			
<b>C.1 Travel and subsistence</b>			0,00
<b>C.2 Equipment (complete 'Depreciation costs' sheet)</b>			
<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>			
<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

- Subcontracting → Best Value for money and/or lowest price
- **Travel → Institution practices**
- **Equipment → depreciation**

# Lump Sum spreadsheet – DEPRECIATION

**TOOL: DEPRECIATION COSTS LIST**

<i>BE nr</i>	<i>Beneficiary name</i>	<i>WP nr</i>	<i>Work Package name</i>	<i>Resource type</i>	<i>Short name of the investments</i>	<i>Date of purchase (real or planned date of purchase)</i>	<i>Purchase cost</i>	<i>% used for the project</i>	<i>% of useful life of the equipment in the project</i>	<i>Charged depreciation costs per investment</i>	<i>Justification: Needed info for depreciation</i>
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# Lump sum budget

COST CATEGORY	BE1 name		
	UNITS	COST PER UNIT	BE TOTAL COSTS
<b>COSTS WORK PACKAGE 1: WP1 name</b>			
<b>D. OTHER COST CATEGORIES</b>			
D.1 Financial support to third parties (if applicable in the topic specific conditions)			0,00
D.2 Internally invoiced goods and services			0,00
D.3 Transnational access to research infrastructure unit costs (if mentioned as eligible in the topic specific conditions)			0,00
D.4 Virtual access to research infrastructure unit costs (if mentioned as eligible in the topic specific conditions)			0,00
D.5 PCP/PPI procurement costs (if mentioned as eligible in the topic specific conditions)			0,00
<b>TOTAL DIRECT PERSONNEL COSTS AND PURCHASE COSTS (A+C)</b>			<b>0,00</b>
<b>TOTAL DIRECT COSTS (A+B+C+D)</b>			<b>0,00</b>
<b>E. INDIRECT COSTS (25% * (A+C))</b>			<b>0,00</b>
<b>F. TOTAL COSTS (A+B+C+D+E)</b>			<b>0,00</b>

- D. OTHER COST CATEGORIES → when foreseen on topic text
- E. INDIRECT COSTS → 25%

# Reporting in Horizon Europe

# There is no Financial Report on lump sum project, but the actual costs projects have...

## Article 6.1

- The auditor must verify that the costs declared comply with the general eligibility rules set out in the Grant Agreement.

In particular, the costs must:

- **not be covered by another EU grant (see below ineligible costs)**

# Actual costs analysis

For personnel costs:

- personnel costs have been charged and paid in respect of the **actual time devoted (including correct conversion to day-equivalents)**
- personnel costs (and the daily rate, if applicable) were calculated on the **basis of gross salary, wages or fees**
- the work was carried out **during the period of implementation** of the action
- the personnel costs are **not covered by another EU grant**
- for in-house consultants and seconded personnel: the conditions set out in the Grant Agreement are met (i.e. that the person works under conditions **similar to those of an employee**, that the result of the work carried out belongs to the participant (unless agreed otherwise), and that the **costs are not significantly different from those for personnel performing similar tasks under an employment contract**).

## Actual costs analysis

for equipment:

- the equipment is purchased, rented or leased at **normal market prices**
- public bodies have complied with the **national rules on public procurement**
- the equipment is written off, **depreciation has been calculated according to the applicable tax** and accounting rules and **only the portion of the depreciation corresponding to the duration of the action has been declared** (except if the Grant Agreement allows for full purchase costs)
- the **costs are not covered by another EU grant** (see below ineligible costs).

## Useful links:

- **F&T Portal lump sum** - <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/horizon/lump-sum/>
- **Lump Sum GA** - [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/ls-mga\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/agr-contr/ls-mga_en.pdf)
- **Reporting process** - <https://webgate.ec.europa.eu/funding-tenders-opportunities/pages/viewpage.action?pagelId=8913115>
- **Horizon dashboard for lump sum evaluations** - <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/horizon/lump-sum/dashboard>



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