

Univerza v Ljubljani



LUMP SUM FUNDING: lessons learned

*Staska Mrak Jamnik, Head of the University Office for Research
University of Ljubljana
BESTPRAC network*

*Partly based on presentation at BESTPRAC meeting in 2019
on different presentations from EARTO and UCRO
on Assessment of the Lump Sum Pilot 2018-2020, 5. October 2021
on a study A reimbursement system based on a fixed lump sum, May 2022*

BESTPRAC

BESTPRAC was started in 2014 as a COST Targeted Network that gathered administrative, financial and legal staff at universities and research-driven institutions who are carrying out different tasks to support transnational external competition based (in particular EU funded) research projects.

The BESTPRAC network has found a new home under the umbrella of the EARMA association. It is still **open to all research support staff working at Research Performing Organisations** and you are free to join by registering on EARMA's website and joining the [BESTPRAC Thematic group platform](#). If you wish to be included on the mailing list, please fill out this [form](#). (note: members are added to the mailing list once per month)

Within the Financial Working Group we also discussed the topic **Lump sum funding pilots in Horizon 2020 and lessons learned** and we addressed this issue in the learning materials including [Financial Management of H2020 Projects: Guide to Best Practice](#)

Lump sum pilot in Horizon 2020

One of the main elements of the second wave of simplification of H2020.

The pilot tested two options for lump sum funding in 2018-2020 work program

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.

First approved Lump Sum projects 2018-2020

Option 1: DT-NMBP-20-2018

Project Acronym & EU Contribution

MARKET4.0 €7,500,000

Weld Galaxy €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

- 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.

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
- Budget reduced at evaluation stage and during grant preparation (for VASA was around -20%)
- Consortium agreement – DESCAs standard template does not apply

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

- Assuring WP alignment with reporting period
- Split WP (25 WPs in VASA)

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• Carefull 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 Acpects	<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

Lump sum pilot assessment

H2020 Lump Sum Pilot was evaluated for the first time in 2021 – *Assessment of the Lump Sum Pilot 2018-2020, European Commission:*

- *Collected feedback from stakeholders during the R&I Days 2020*
- *4 online surveys among the main groups (applicants and beneficiaries, expert evaluators, EU staff implementing LS pilots, NCPs)*

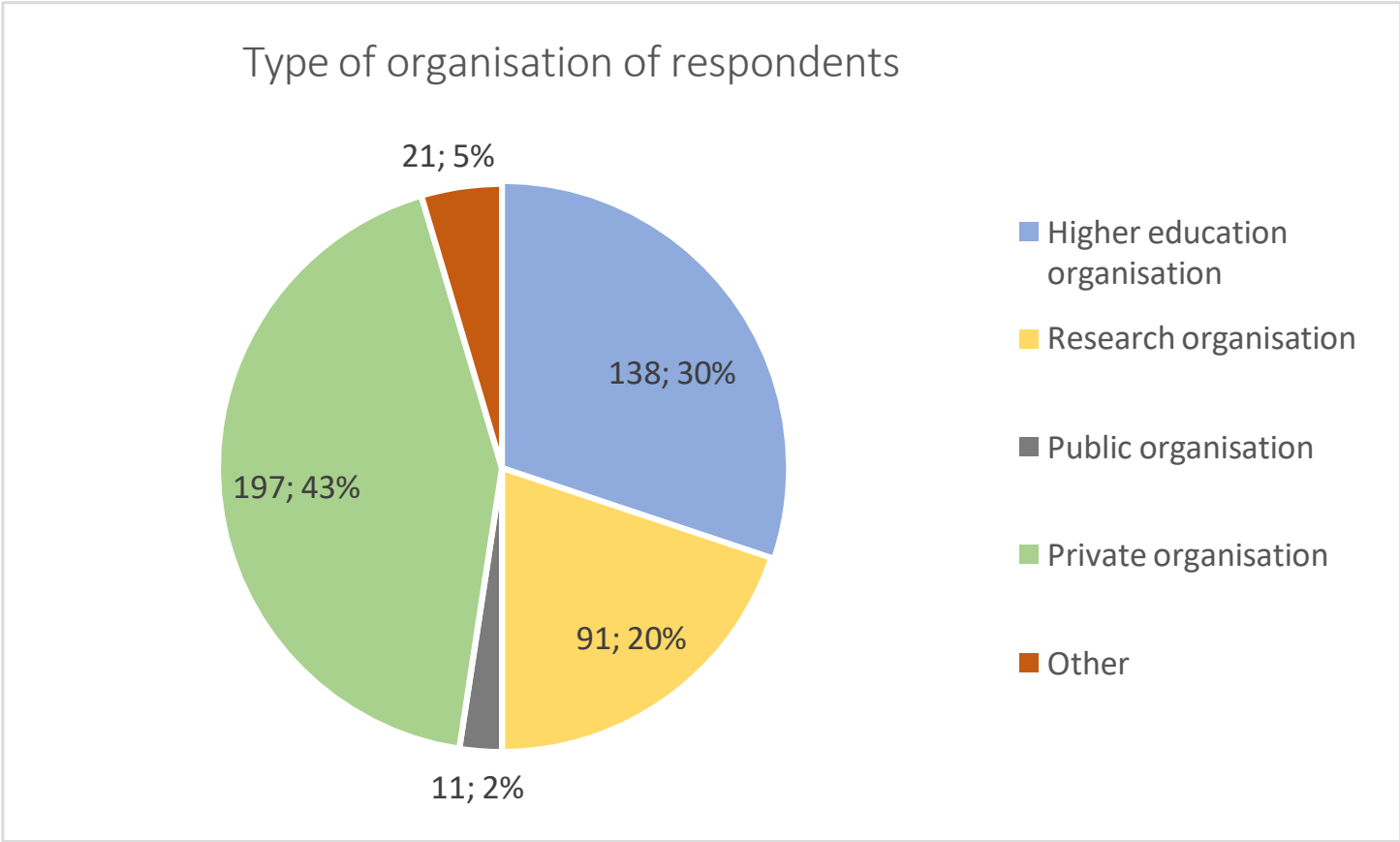


Figure b. Most of the externals respondents are from private organisation, higher education organisation and research organisation.

Among the respondents, a majority submitted an option 2 lump sum proposal, meaning that the amount of the lump sum was proposed by the applicants

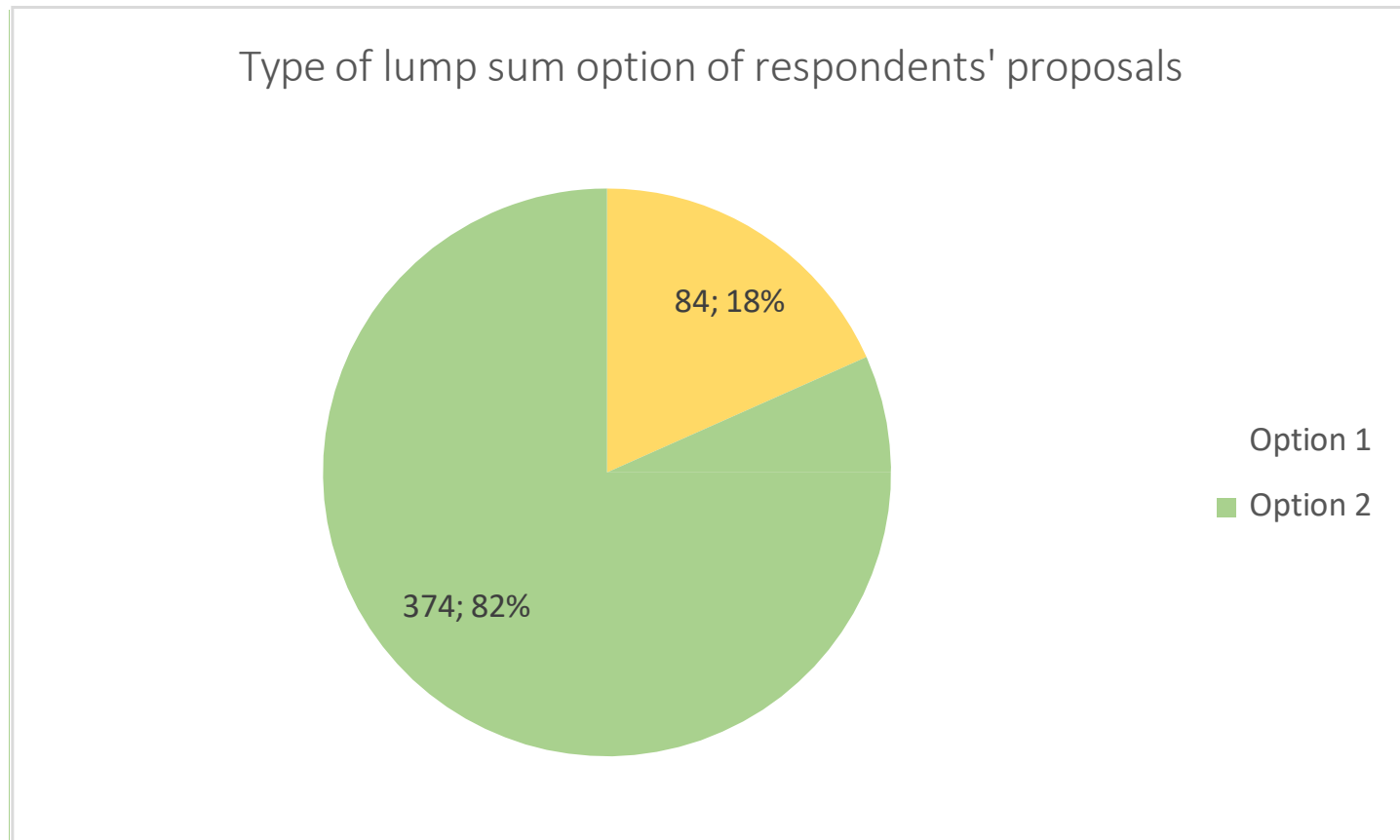
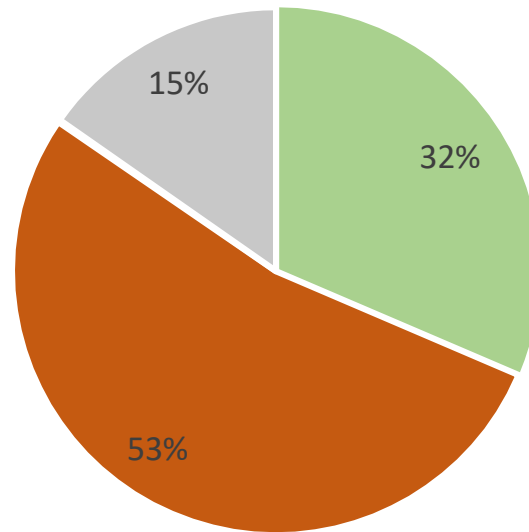


Figure c. More than 80% of the respondents have submitted an option 2 lump sum proposal

Status of respondent's proposal after evaluation



■ Successful ■ Unsuccessful ■ Evaluation ongoing

Figure f. Half of the respondents were unsuccessful

Main RESULTS of the Lump Sum pilots assessment

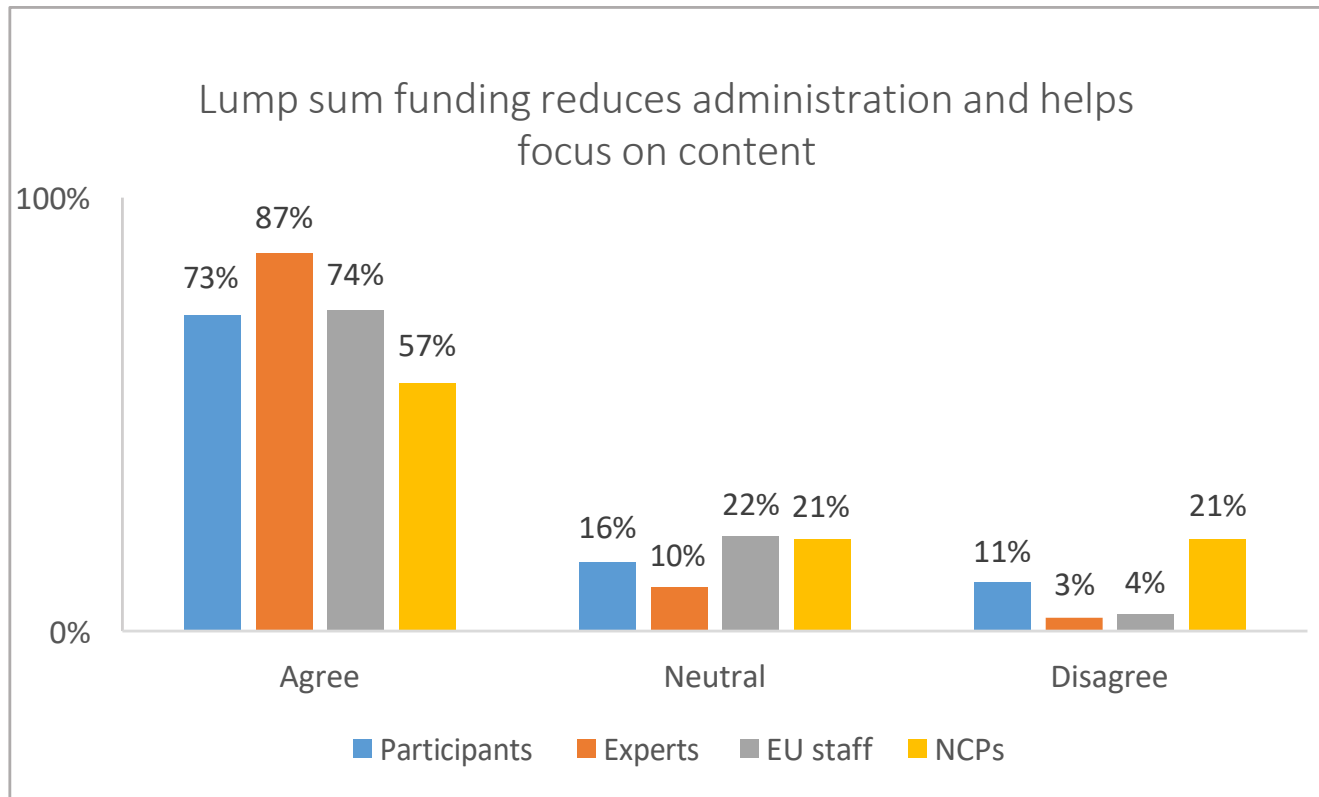


Figure 1. In all 4 surveys, a clear majority agreed that lump sum funding delivers on its two main goals, to reduce administrative burden and to shift the focus from financial controls to the content of the projects funded.

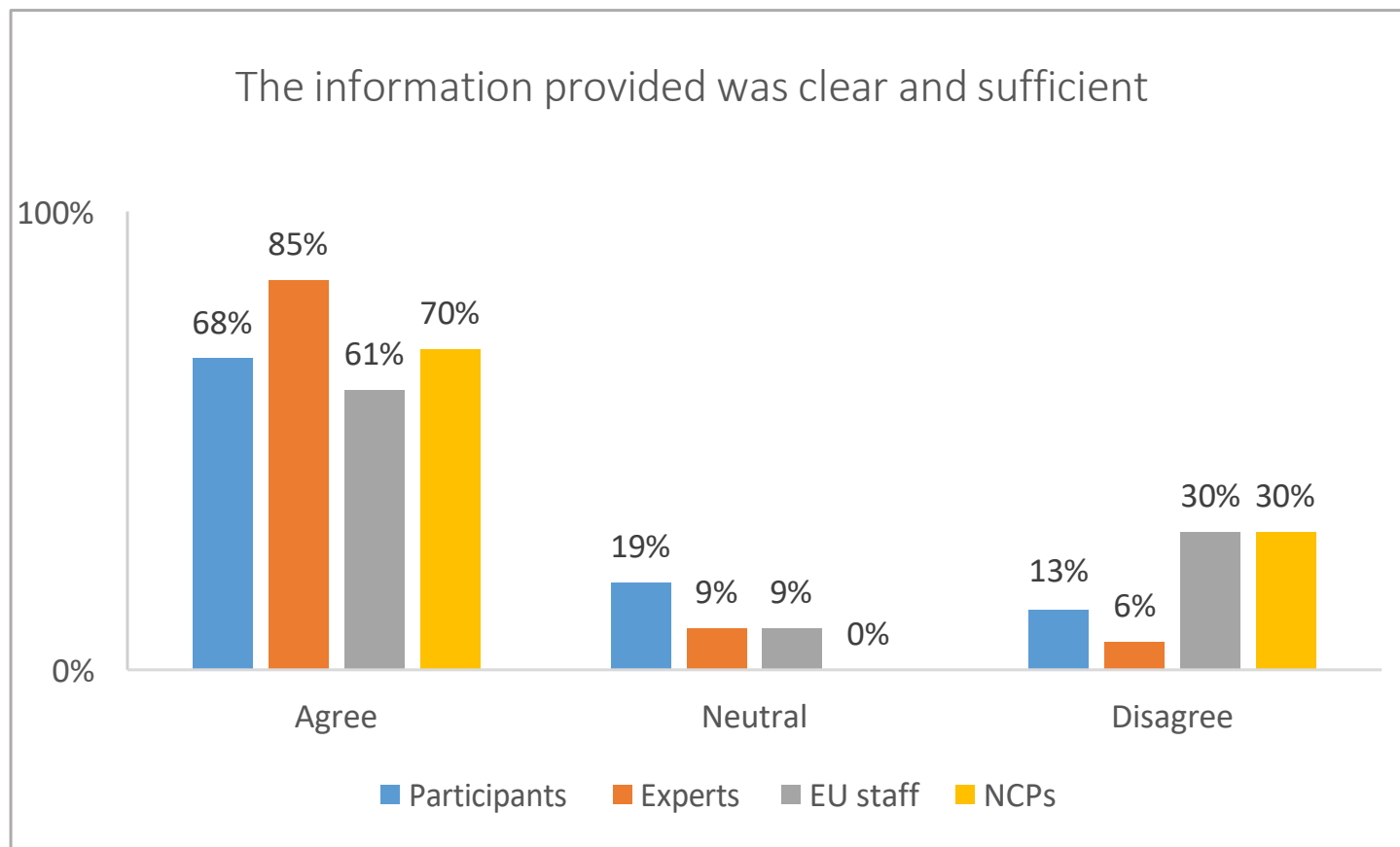


Figure 6. *There was wide agreement that the information on lump sum funding is sufficient. The specific questions were tailored to each group (see section VI- Appendices for details). For example, the questions for participants and experts focused on the call text, the Funding & Tenders Portal, and the expert briefing, respectively.*

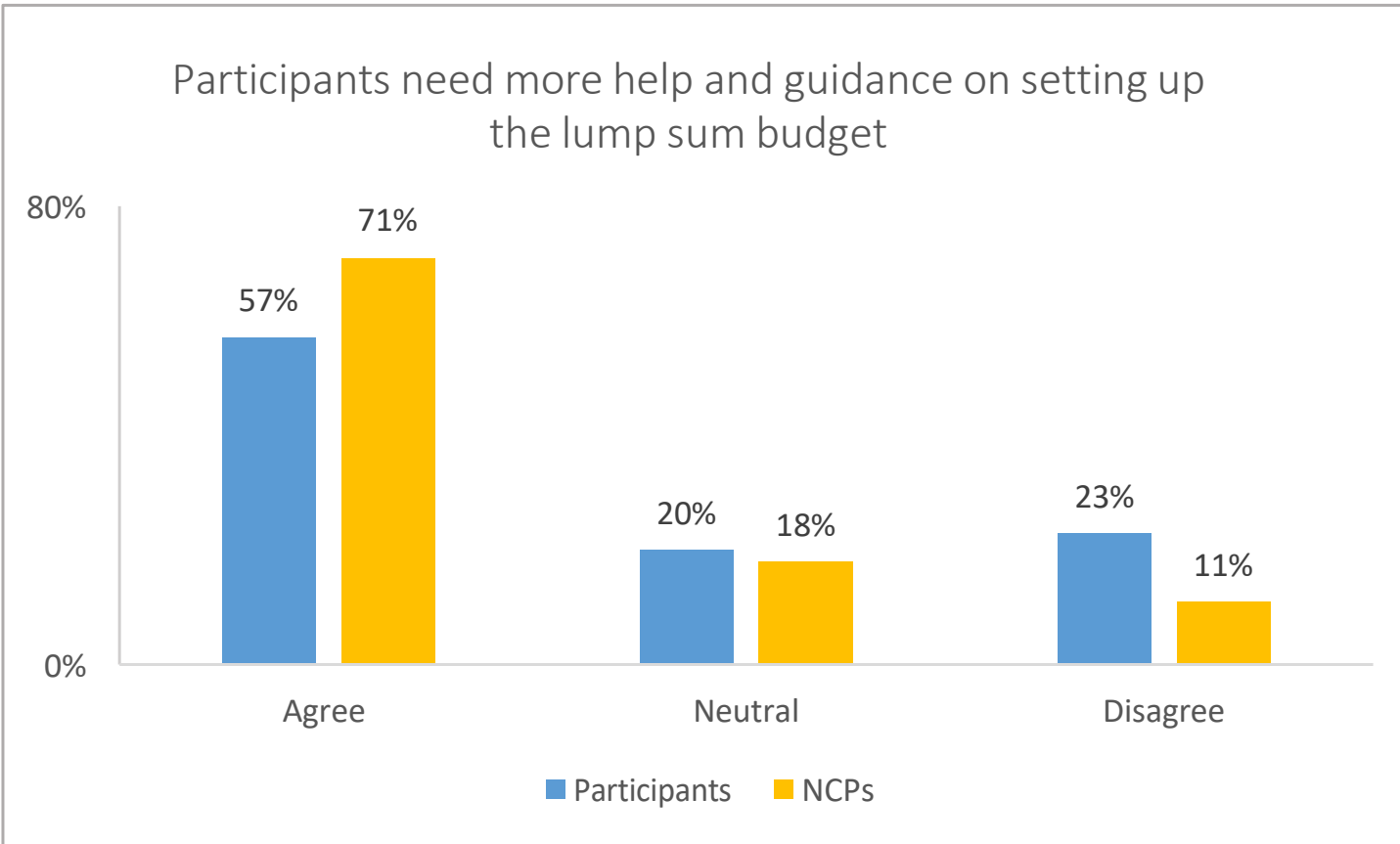


Figure 8. *There is a strong agreement from the participants and the NCPs that they need more guidance and help to set-up their budget*

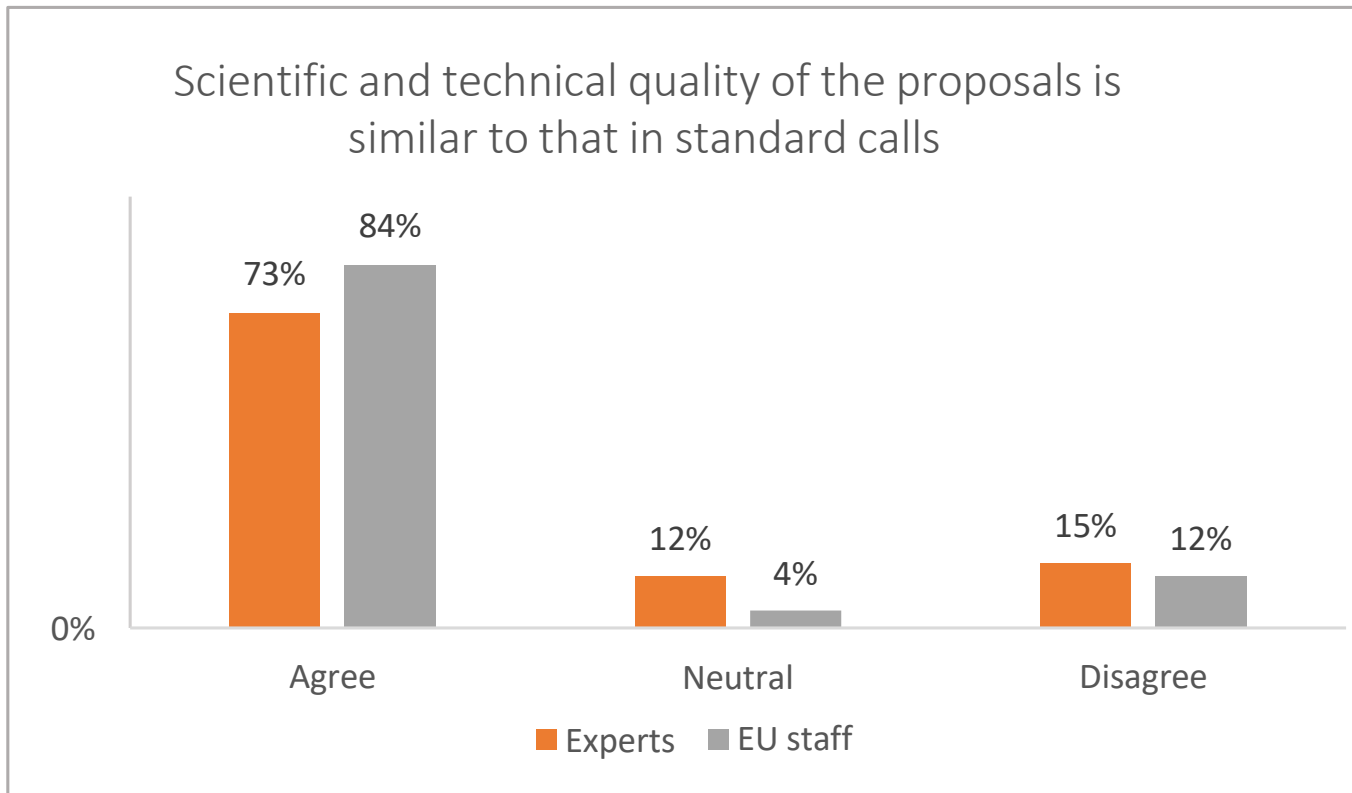


Figure 9. Expert evaluators and EU staff involved in the lump sum pilot agree that the lump sum approach does not affect the scientific and technical quality of proposals.

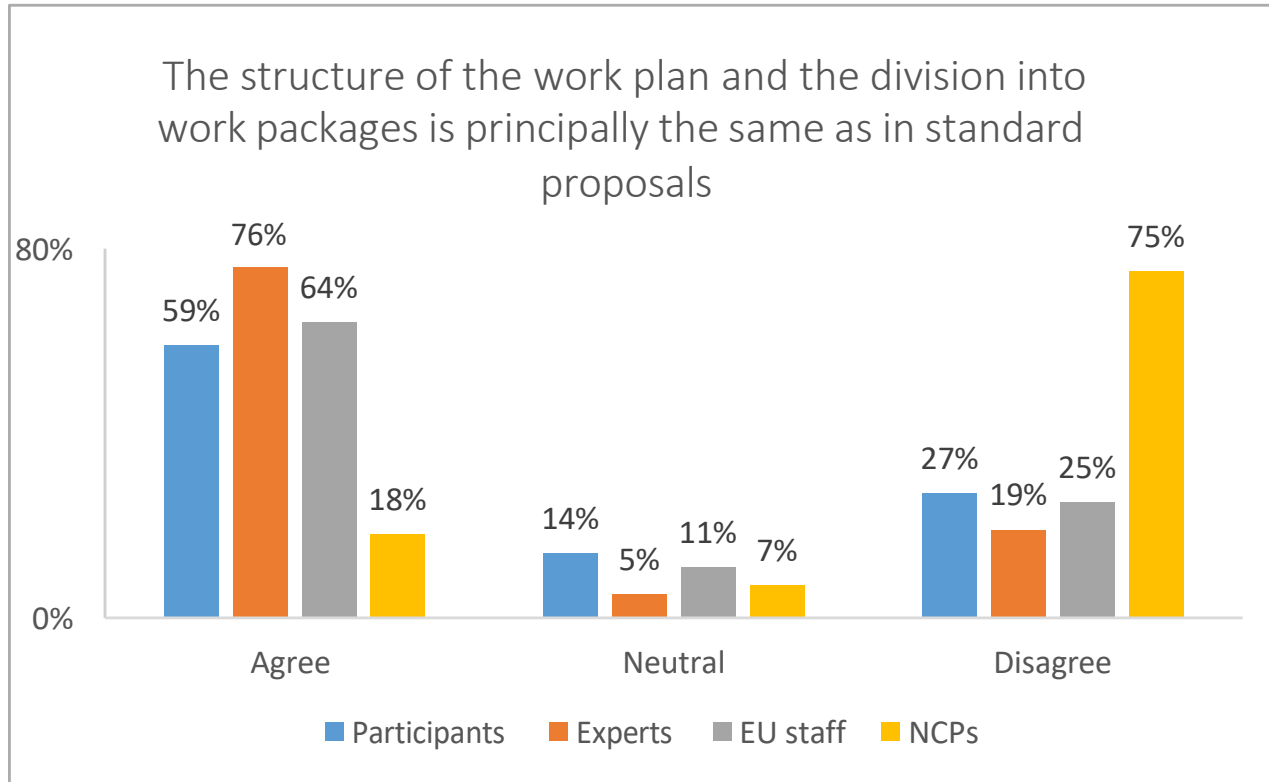


Figure 11. *There is a wide agreement that the structure of the work packages and the division into work packages is principally the same in lump sum and standard proposals. Interestingly, the NCPs have a diverging opinion on this point.*

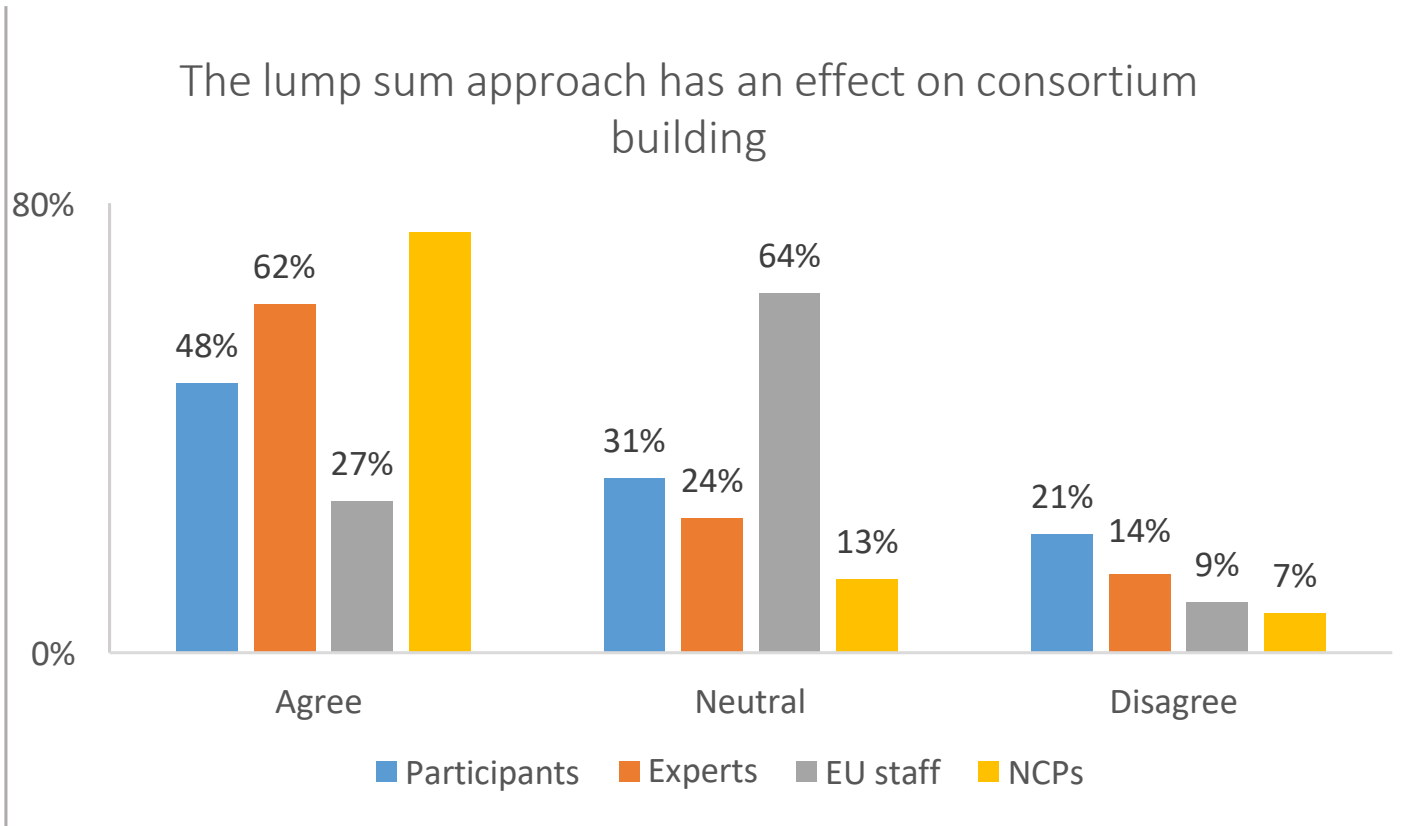


Figure 12. *The lump sum approach has an effect on consortium building. Participants prefer to choose well-known partners, to reduce the financial risk*

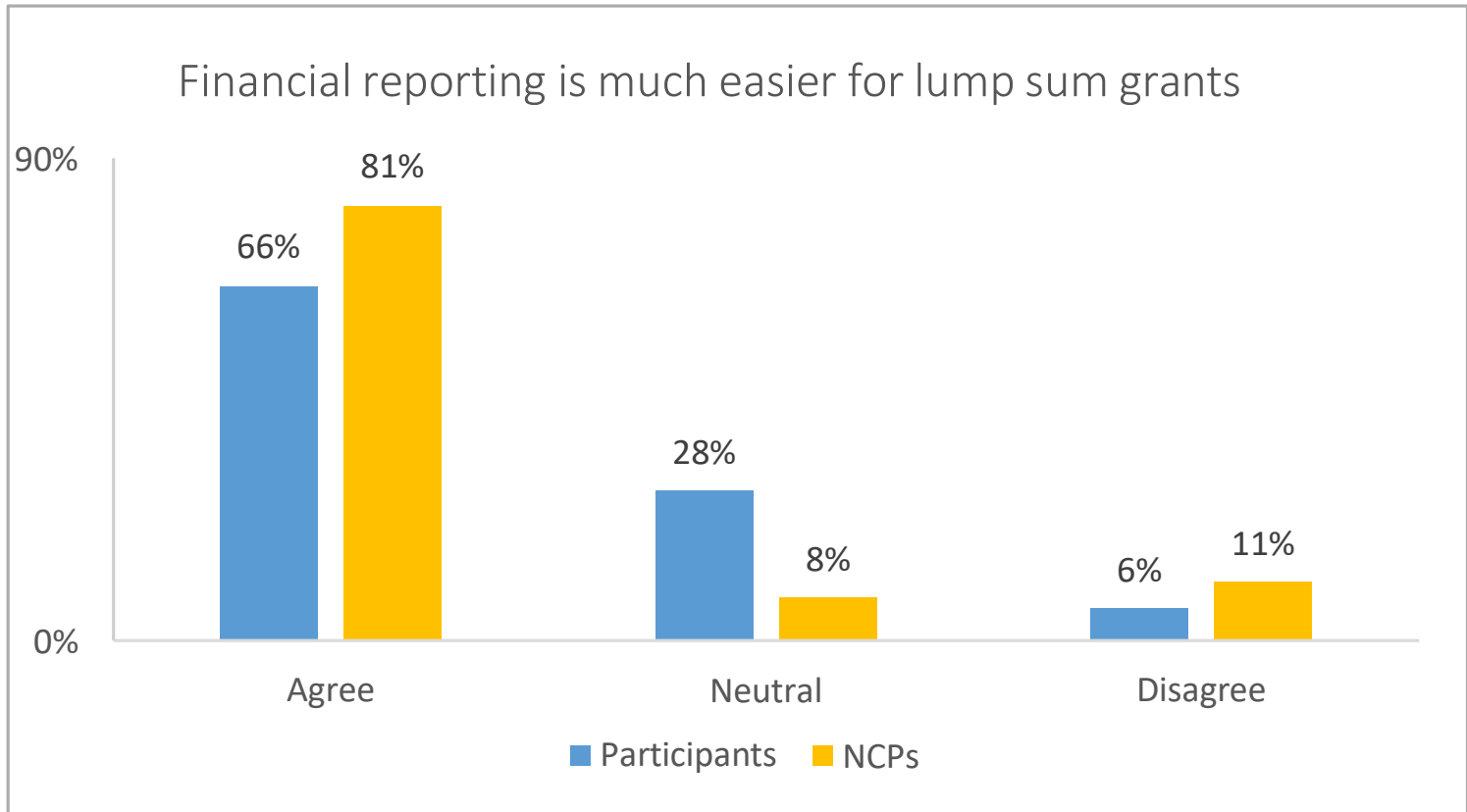


Figure 19. Participants and NCPs strongly agree that the financial reporting is easier for lump sum grants compared to standards grants.

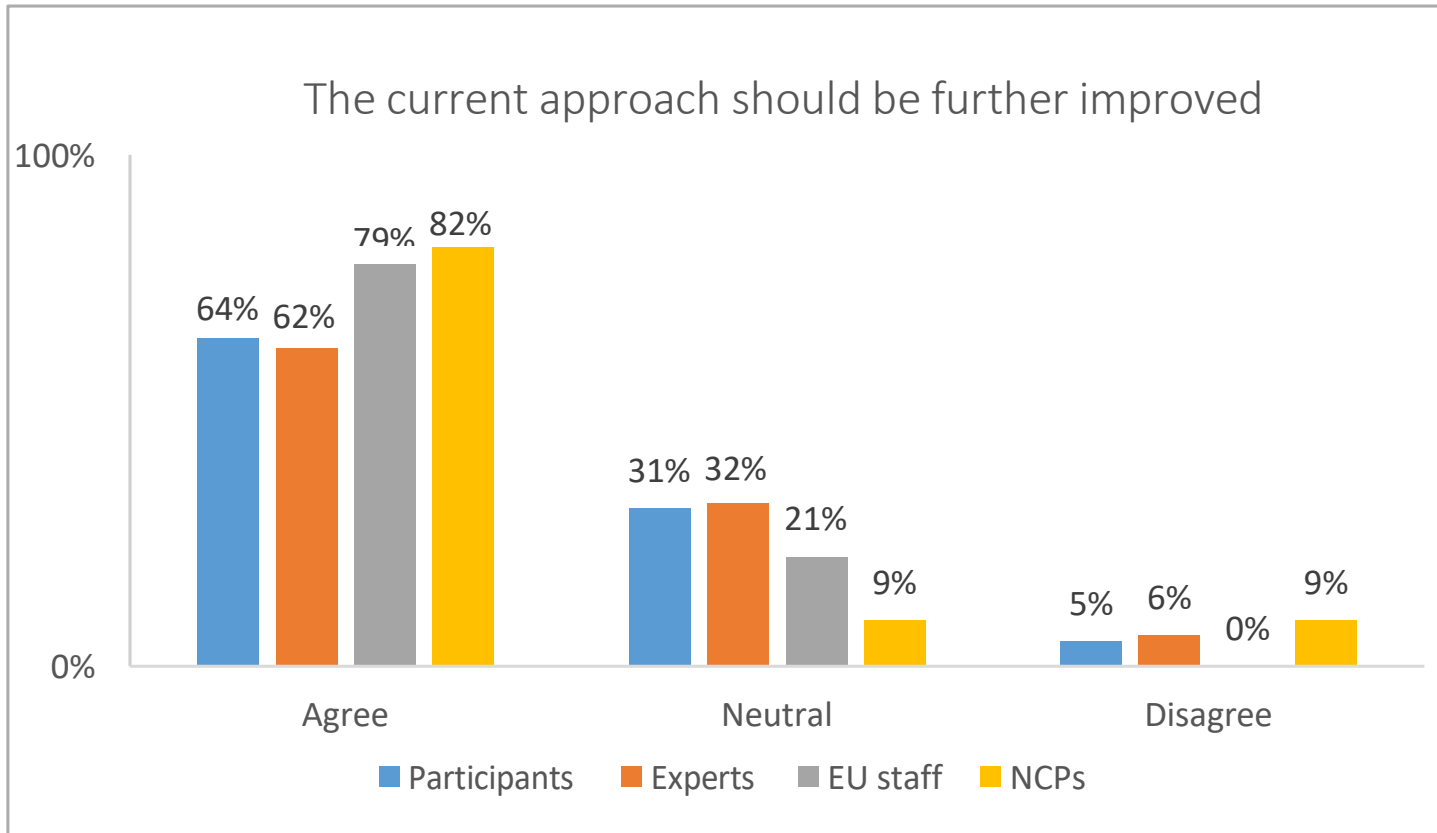


Figure 2. A consistent majority in all four surveys believes that the lump sum funding approach should be further improved.

Lump sum funding should be used more widely in suitable parts of Horizon Europe.

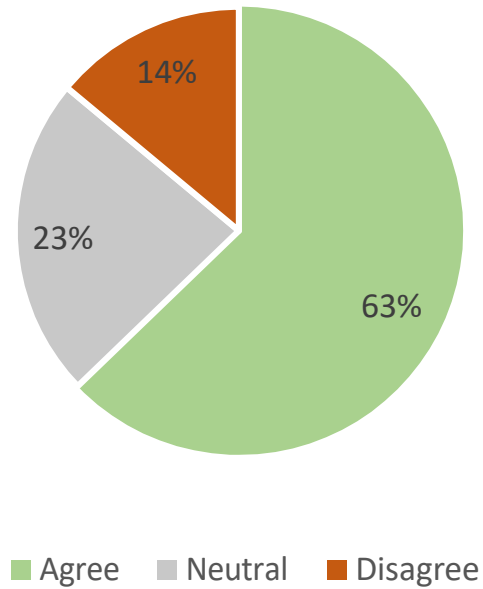


Figure 3. The majority of NCPs agree with a wider use of lump sum funding under Horizon Europe.

Main issues raised

- **lump sum consortia prefer known and trusted partners** in order to minimise their **financial liability risk**
- standard **consortium agreements** cannot be used for lump sum grants
- lump sum consortium agreement **needs to address additional points**
- It is **not always easy to find suitably qualified experts** for the **sound evaluation of the financial details** and the lump sum as a whole
- Lump sum funding gives beneficiaries more flexibility in project management, but individual comments **raised concerns about the amendment process** for lump sum grants
- **payments are triggered by the completion of work packages**, and this can lead to an **increase in the number of work packages**. To allow intermediate payments for management, communication and dissemination tasks, the corresponding work packages should be split according to the reporting periods.

Conclusions – next step to further improve LS funding

- In the context of **reducing the financial error rate** in the R&I framework programmes, **lump sum funding is one of the key options** available to tackle the problem.
- EC would provide **more guidance** to applicants on how to write a lump sum proposal through webinars, trainings and tools
- EC would investigate the possibility to provide best practices and FAQ on **how to set up the consortium agreement** for lump sum grants
- EC will develop more targeted **guidance to support experts** in the evaluation of the budgetary aspects of lump sum funding
- The approach to auditing lump sum grants needs to be **clarified with the Court of Auditors** (through pilot audits)

Lump sum assessment

Study in April 2022:

A reimbursement system based on a fixed lump sum – Is it the right tool for the EU Framework Programme for research? STOA, European Parliament Research Services and RISE (Research Institutes of Sweden):

- input (by survey) from 167 individuals from 29 countries, working at universities, research and technology organisations, small and large corporations, government organisations and European institutions
- 5 respondents were interviewed to give a more in-depth understanding

Figure 7 : Attitude towards LS system compared with traditional system (Q7)

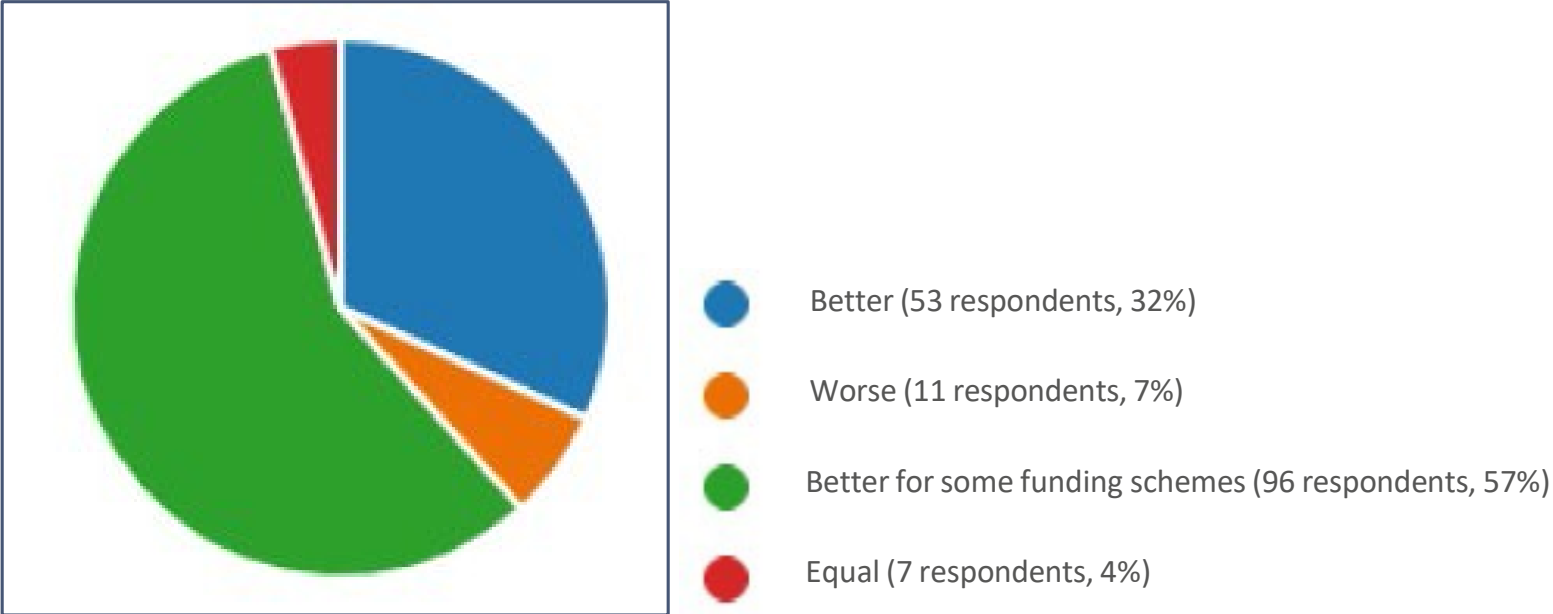


Figure 17: Response to positive effects of implementing the LS system (Q11)

(In order of agreement rate.)

■ 1=Completely disagree ■ 2 ■ 3=Neither/ unsure ■ 4 ■ 5=Completely agree

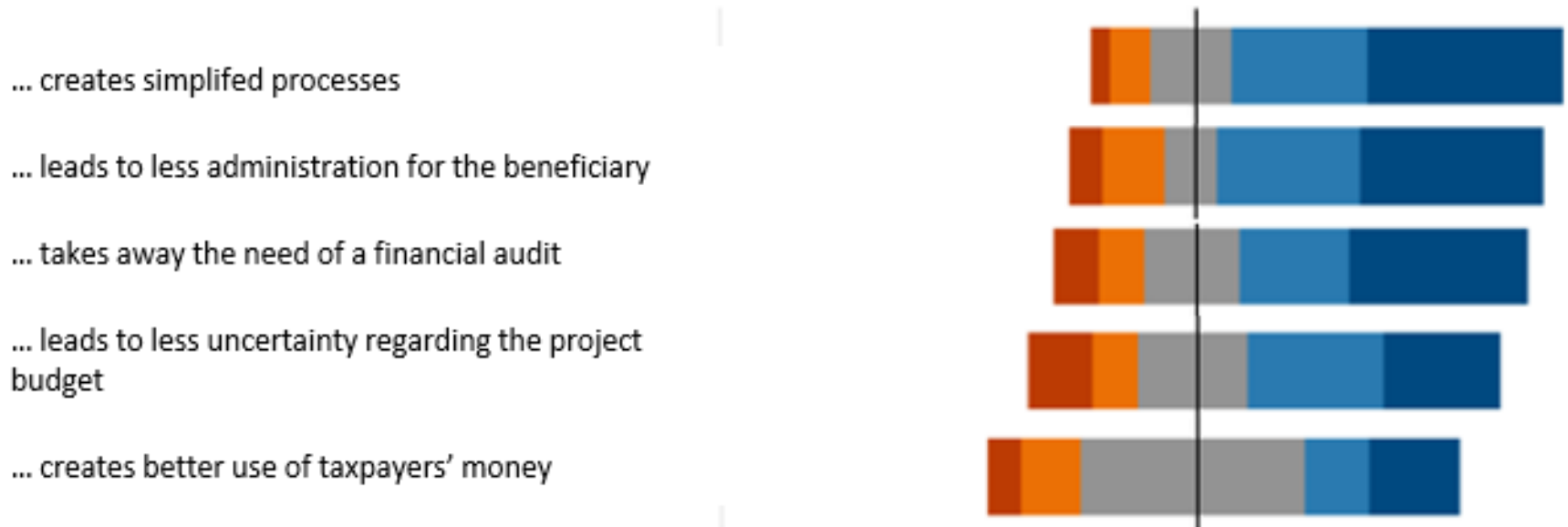


Figure 18: Response to negative effects of implementing the LS system (Q11)

(In order of agreement rate.)

1 = Completely disagree 2 3 = Neither/ unsure 4 5 = Completely agree

... requires more trust between project partners

... puts a higher demand on consortium coordinators

... creates difficulty defining work packages

... makes it difficult to adapt projects when necessary

... creates more complex grant preparation

... creates more complex evaluation processes

... increases demands on EC project officers

... leads to competition on pricing rather than excellence, impact and quality of consortium

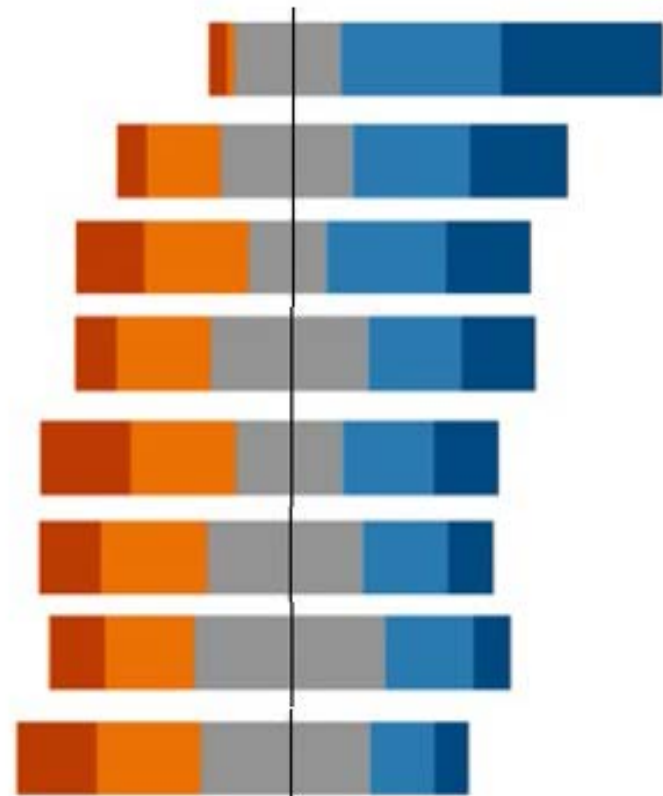


Figure 19: Response to neutral effects of implementing the LS system (Q11)

(In order of agreement rate).

■ 1=Completely disagree ■ 2 ■ 3=Neither/ unsure ■ 4 ■ 5=Completely agree

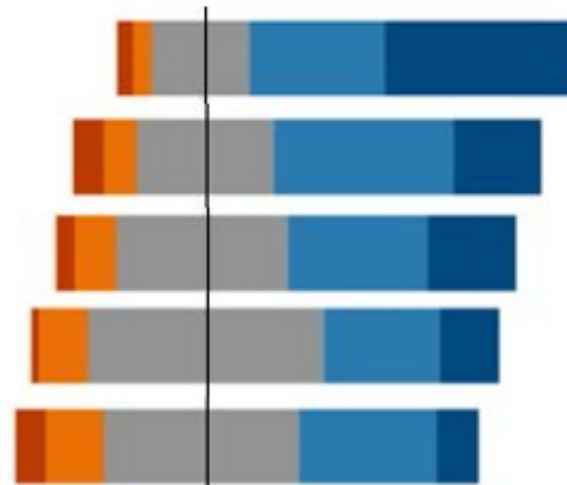
... shifts focus from financial management to scientific and technical content

... requires new monitoring processes

... requires a new audit policy

... requires a new procedure for disagreement arbitration

... requires clearer sub-contracting needs

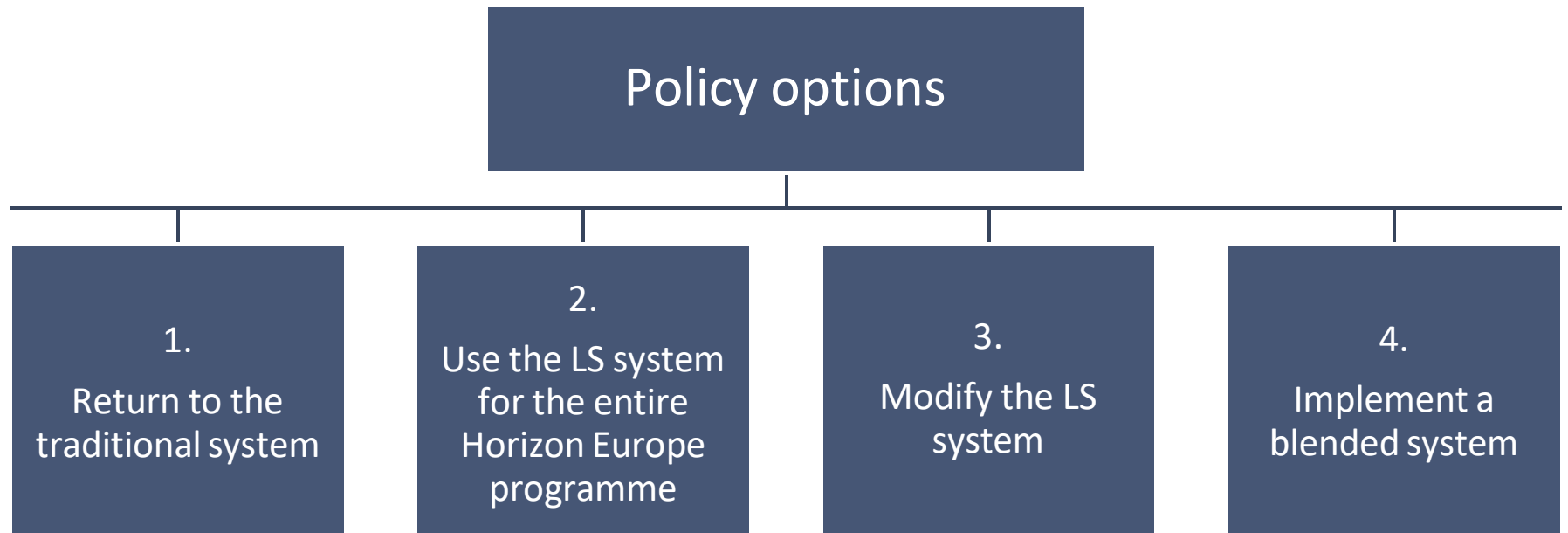


Main challenge

The main challenge for beneficiaries of LS projects seems to be the **joint liability of work packages, where no partner will get paid unless the work package is completed and all milestones are met.** The LS system thus requires higher trust between partners, which could be seen as something inherently good, but could also **have some adverse effects**, including:

- less collaboration, due to liability issues and to separating WPs to mitigate risk;
- higher threshold for new beneficiaries to enter the system, due to lack of trust;
- overly simplified deliverables, to ensure the goals are reached.

Diagram 2: The four policy options



Policy option 3: Modify the LS system

more support from the EC and primarily from its project officers. The support could, for instance, consist of guidelines, templates and examples for WP design and for consortium agreement negotiations.

In project calls, **clear recommendations to potential applicants about risks and benefits** with LS should be stated and possible mitigation strategies in planning should be made available

Furthermore, **increased trust** is needed between the **EC and its agencies**, on one hand, and the **project leaders**, on the other

incorporation of flexibility (one example of possible flexibility could be to match WP progress with level of reimbursement, so that e.g. a WP fulfilled to 80% would render an 80% reimbursement.

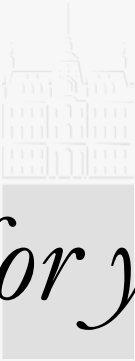
Policy option 4: To implement a blended system

Hybrid solutions, where only parts of projects are LS-funded, or where the payments can be partly paid out based on the rate of completion. This solution could allow tailoring projects depending on the nature of different WPs and actions (e.g. different TRLs or WP durations), and thereby achieving the benefits of both funding schemes. However, it could also lead to complicated grant preparations and application evaluations, so it would need to be investigated further.

- A project starting at low TRL with high research ambitions, i.e. **high risk**, could serve as an example. In such projects, the outcomes are notoriously difficult to predict, thereby tempting the beneficiaries to curb the expectations of some WPs, to make sure that each WP reaches its goals. For such WPs, the **traditional model** would be preferable from the beneficiaries' point of view. Other parts of such projects could be more predictable, and thus more suitable for LS, e.g. WPs dominated by costs for administration, travelling, or access to infrastructure such as laboratories or equipment.

Information about BESTPRAC web page:

<https://bestprac.eu/home/>



*Thank you for your attention
and I wish you
a successful meeting !*