



HORIZON 2020

Guidance

GRANT REDUCTIONS

*Research and
Innovation*

Reductions: what is it?

REDUCTION



REJECTION

- Mostly linked to breach of obligations
- Applied to the maximum grant amount
- Financial impact **only** if the reduced grant is lower than the EU contribution resulting from eligible costs

- Linked to financial provisions
- Applied to the costs declared
- It always has a financial impact (except in case of overspending)

Reductions: what is it?

example

- Maximum Grant Amount (Article 5.1 and Annex 2) = 3 000 000 €
- At the final period, EU contribution corresponding to costs declared: 2 800 000 €
- Audit in the last reporting period finds:
 - Ineligible costs: 200 000 €
 - Breach of obligations on open access → 10 % reduction decided

REDUCTION

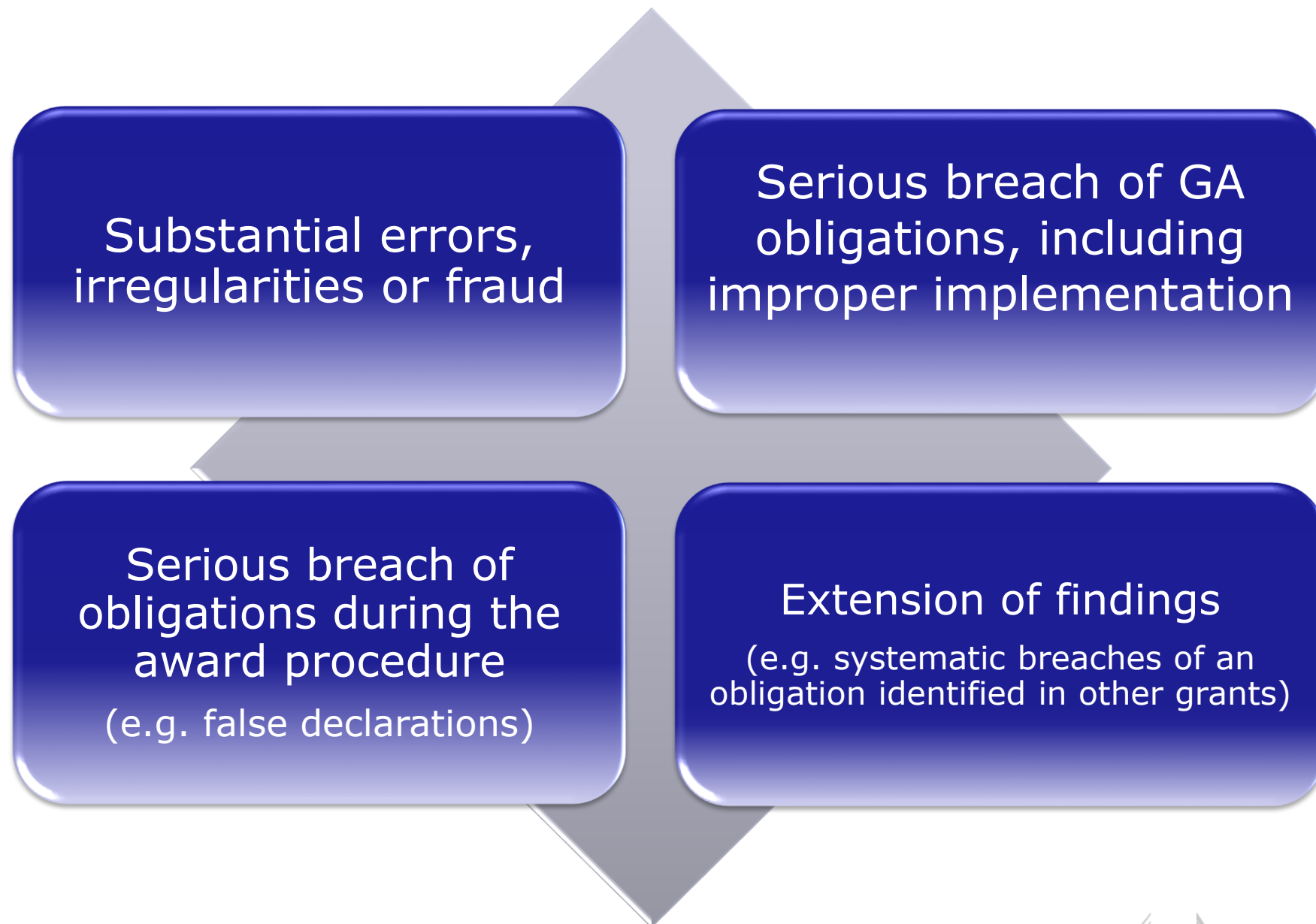


REJECTION

Max. Grant: 3 000 000 €
Reduction (10%): - 300 000 €
Reduced grant: 2 700 000 €

EU contribution: 2 800 000 €
Cost rejection: - 200 000 €
EU contribution: **2 600 000 €**

Reductions: in what cases?



When?

Only in
*sufficiently
serious
cases*

Time?

- Beneficiary termination
- Payment of the balance
- Afterwards

Whom?

- Beneficiary level (if the fault is of one or several)
- Action level (if the fault cannot be attributed)

Reductions: how much?

The level of reduction will depend on:

1 Type of breach

For this purpose, obligations under the Gran Agreement are divided into:

- **Principal** (e.g. open access, visibility of EU funding, avoid conflict of interest)
- **Secondary** (e.g. notify conflict of interest, additional obligations for access providers)

2 Gravity and Impact

- **Gravity:** obligation totally or partially breached, aggravating or mitigating factors, etc.
- **Impact:** on the action, on the EU financial interests, etc.

Reductions: rates

REDUCTIONS		Gravity/impact						
		1 (Lowest)	2	3	4	5	6 (Highest)	
Type of breach	Fraud	N/A	N/A	N/A	N/A	75 %	100 %	
	Substantial errors or irregularities	N/A	N/A	25%	50 %	75 %	100 %	
	Obligations during the award procedure	5%	10%	25%	50%	75%	100%	
	GA obligations	Principal obligation	N/A	10%	25%	50%	75%	100 %
		Secondary obligation	5%	10 %	25%	50 %	N/A	N/A
Improper implementation	Value of part improperly implemented							

The % is applied on the maximum grant amounts fixed in the budget (Annex 2)

II . Lump sum MGA



European
Commission



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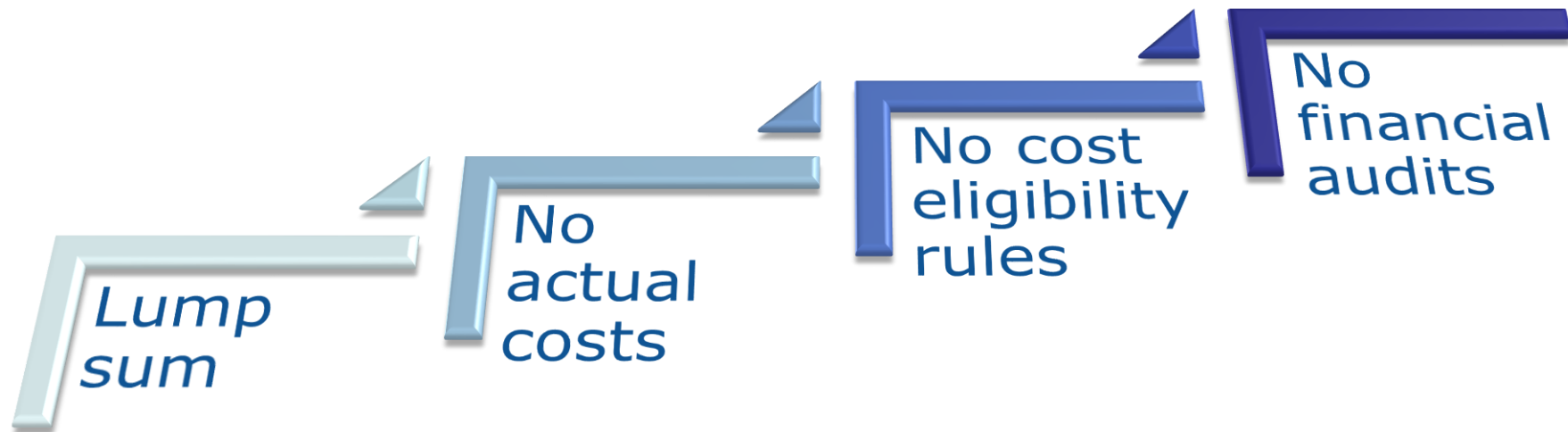
Model Grant Agreement
LUMP SUM PILOT

Research and
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Lump sum grant: introduction

The grant agreement will set out the lump sum (EU funding) corresponding to the full accomplishment of the work committed in Annex 1.

The lump sum for the grant is set out at its signature, the costs actually incurred are not relevant.



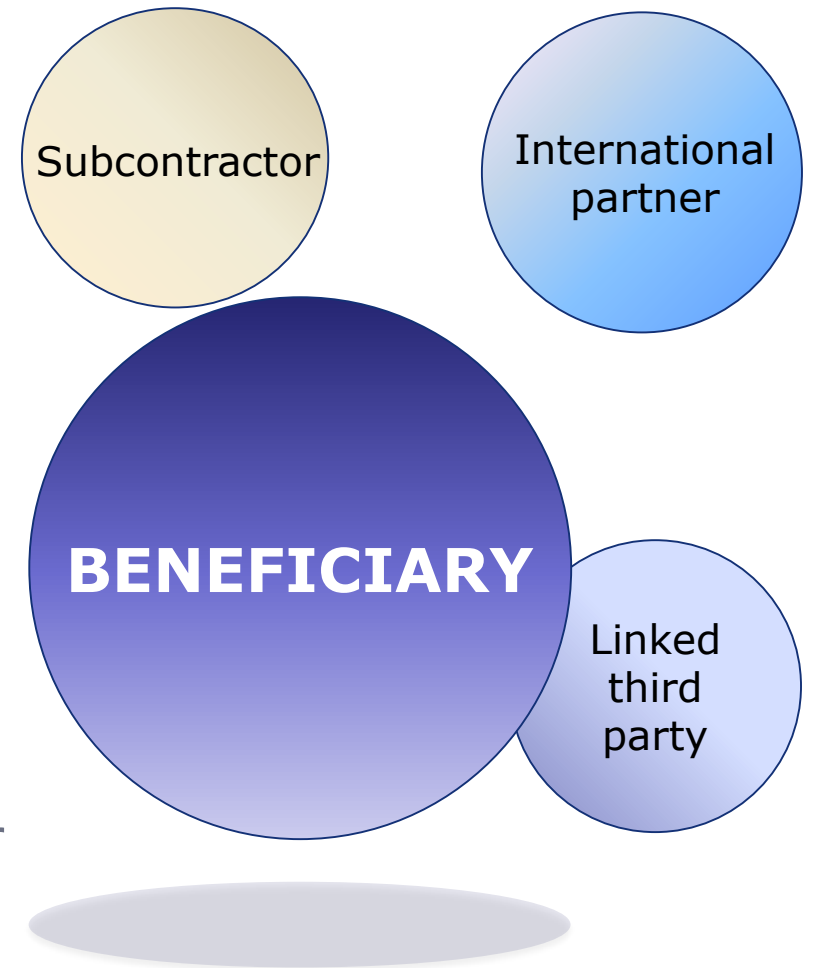
Lump sum grant: introduction (ii)

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



Lump sum grant: budget allocation

Annex 2

Lump sum = Maximum grant amount

Max. liability of the beneficiary after payment of balance

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000

Share of the lump sum per WP

Lump sum grant: how many work packages?

As many as needed but no more than what is manageable

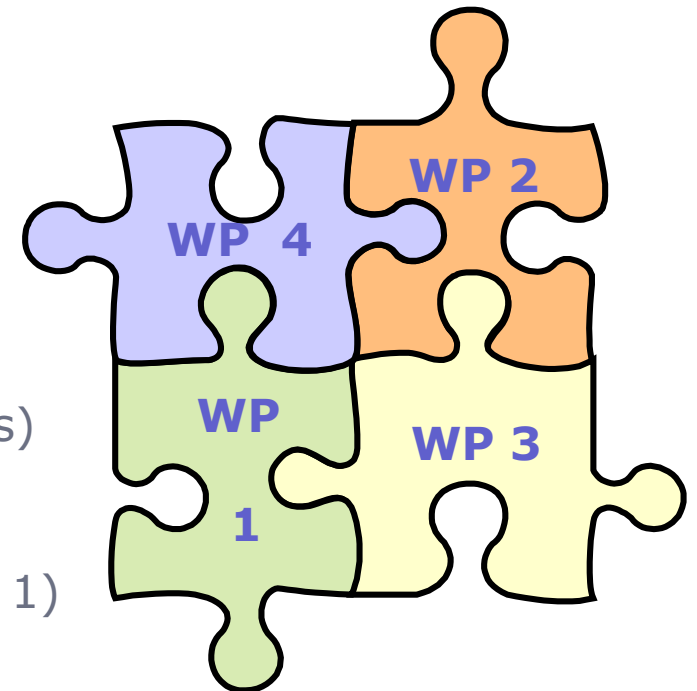
'Work package means a major sub-division of the proposed project.'

Horizon 2020 Proposal template

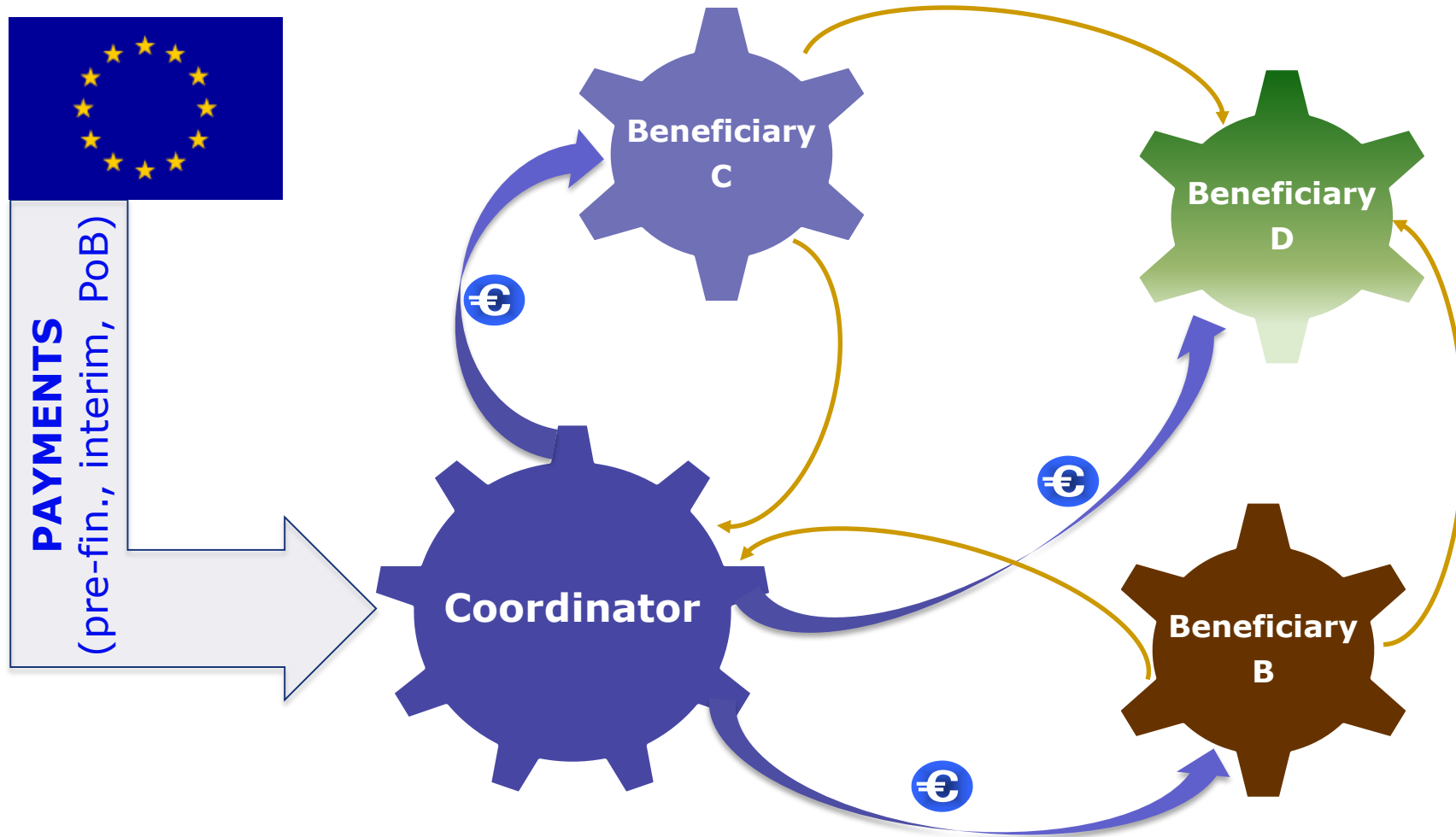
Therefore:

- ✗ 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 an special case.



Lump sum grant: distribution of funds



Distribution of funds does not change financial liability of Annex 2



Lump sum grant: budget transfers



All budget transfers require an amendment

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000

Transfer amounts between Work Packages only acceptable if:

- Work Packages **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

Lump sum grant: types of 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

Lump sum grant: periodic report

Periodic report

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

Periodic Technical Report

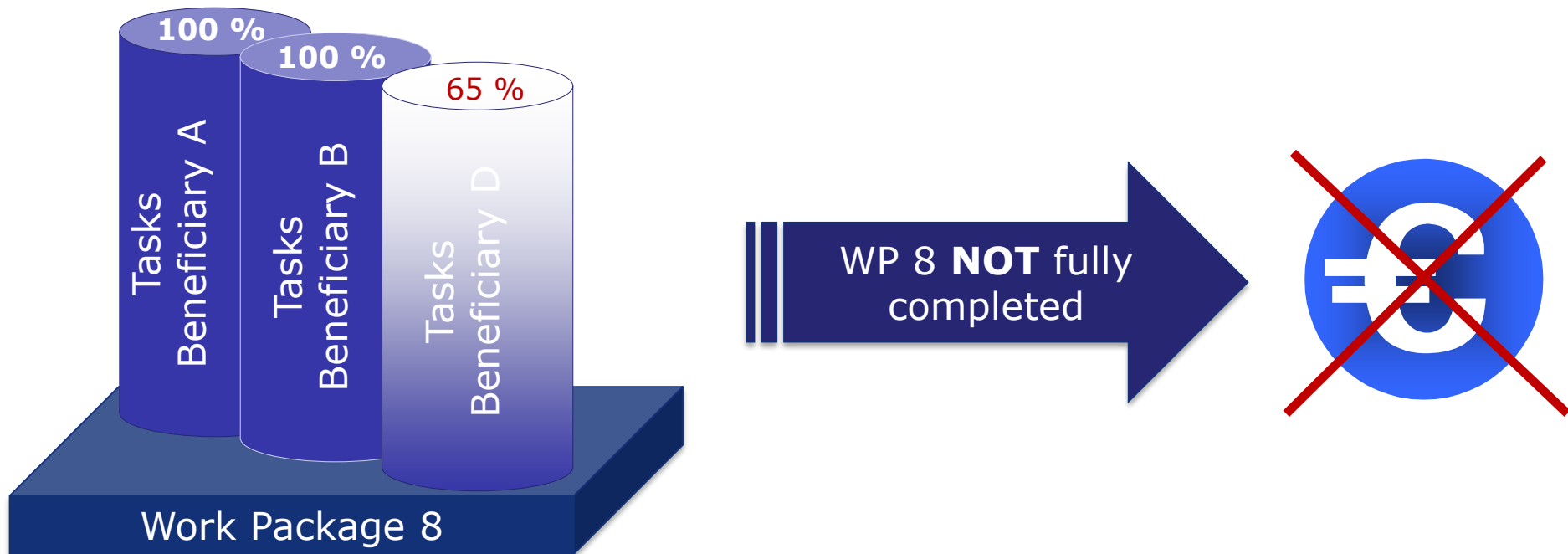
- ✓ explanation of the work carried out
- ✓ overview of progress of the work & plan for the exploitation dissemination of results
- ✓ summary for publication
- ✓ questionnaire

Periodic Financial Report

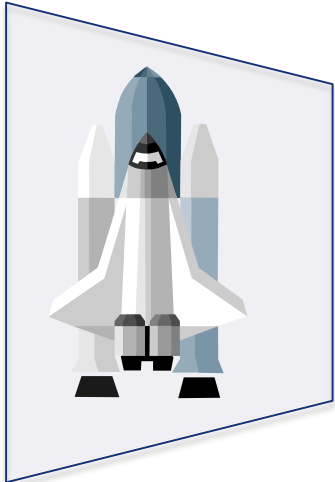
- ✓ financial statement (individual & summary): no cost categories; only lump sum shares
- ✓ use of the resources: only to report subcontracts not in Annex 1

Lump sum grant: interim financial reporting

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

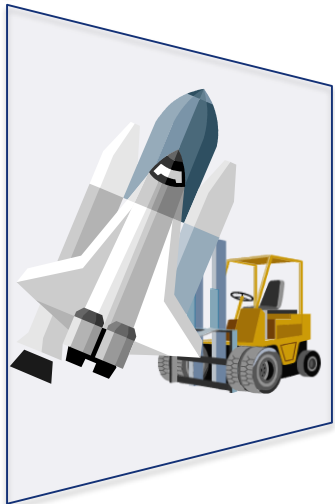


Lump sum grant: payment of the balance

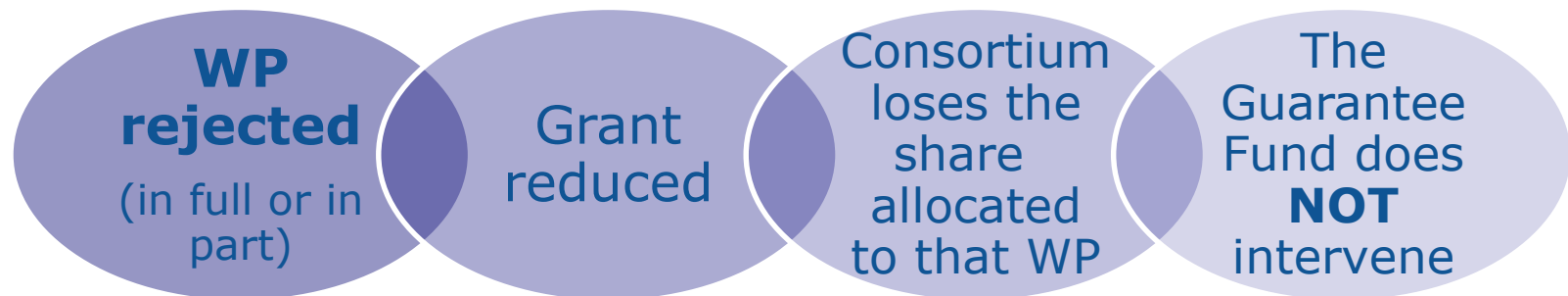


All work completed as indicated in Annex 1:

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:



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

Lump sum grant: ex-post 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

Lump sum grant: ex-post 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

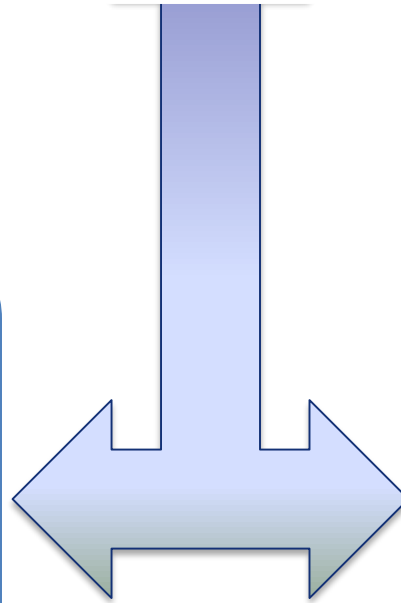


Already the case under the general MGA

Two options to fix the amount

Amount of the lump sum

Fixed in the
Call



Per project
based on the
budget

Two options

➤ **Option 1**

- Fixed lump sum per project defined in call for proposals
- Proposals describe the efforts and resources applicants commit to mobilise for this amount.
- Applicants must provide proposed split of the lump sum per work package and per beneficiary.
- The evaluation – and competition between proposals – ensure that adequate resources are committed

➤ **Option 2**

- Proposals provide a detailed estimation of costs (stage 2 only)
- Experts assess cost details during evaluation and make recommendations (panel will include expert/s with financial expertise).
- Based on this, the lump sum is fixed during grant preparation



HORIZON 2020

LUMP SUM PILOTS: LESSONS LEARNED

I. State of play: Lump sum pilot

- **Option I: “Digital ‘plug and produce’ on-line equipment platforms for manufacturing” (IA)**
 - 2 Grants signed
- **Option II: “New anti-infective agents for prevention or treatment of neglected infectious diseases” (RIA)**
 - GAP: ongoing
- **Shift 2 Rail Pilot**
 - Type of Lump Sum Pilot: "Option II"
 - 7 grants signed
- **ERC Proof of Concept Pilot:**
 - Type of Lump Sum Pilot: "Option I"
 - Work Programme 2019 – 2020 (1st cut-off date 22/01/2019)

II. Lessons learned: Issues to consider before drawing lessons

- We are in the first stages: Experience is very limited!
- Three evaluations concluded (Industrial Technologies, S2R and Health)
- Continuous monitoring of pilots and learning from different actors involved (beneficiaries, project officers, NCPs ...)
- **THEREFORE:**
- We need to increase the number of pilots! WP 2020!



III. Lump sum: Lessons learned from submission

➤ For Option II Lumps Sum pilots:

- Submission of detailed breakdown of costs (Excel table) as attachment to on-line proposal forms was not totally smooth.

However technical problems were overcome and never an obstacle to submit information

II. Lessons learned from evaluation

➤ **Difficulties encountered:**

- Evaluators found that the breakdown of projects into Work Packages was sometimes “artificial and not very logical”
- For some proposals, breakdown of subcontracts was sometimes slightly confusing
- Not homogenous approach on how to deal with “horizontal WPs” (e.g.: Project Management) through the project lifetime

III. Lump sum: What to improve for the future?

➤ **For proposers:**

- Clearer guidance on the concept of WP for Lump Sum projects
- FQA questions on how to structure continuous project lifetime WPs (Management, Dissemination & Exploitation, etc.)

➤ **Submission:**

- Ensure IT systems allow submission of additional information in other formats than pdf

III. New pilots in 2020: Principles to be considered

- **Topics which are suitable for Lump sums**
- **Pilots fitting in existing Option I and Option II models**
- **Testing in CSAs**



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**Thank you
for your attention!**

Find out more:

<http://ec.europa.eu/programmes/horizon2020/>

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