

## Lump Sums in Horizon Europe

11 February 2021

The current funding system for European research and innovation partnerships is costly, complex and bureaucratic. ASD welcomes the European Commission's (EC) efforts to simplify the system. The introduction of lump sum funding aims at reducing the administrative burden and limiting the resources needed for the management of projects by eliminating the need for financial reporting and ex-post financial audits. However, it triggers new burdens and risks to projects. As of today, ASD has the following concerns that it would like to raise:

- Need for additional resources in the preparation and monitoring phases: Lump sums will require additional work during the initial stage as proposals will need to be heavily documented. Projects will have to be split into many smaller, well-defined work packages so as to reduce risk, as only fully achieved work packages will be paid. This will increase costs and workload, as well as make proposals and projects more complex. Furthermore, the fact that payments are dependent on a collective performance per workpackage also creates extra burden for the management of the project. Moreover, all budget transfers will require an amendment, which is an additional constraint.
- Reduced inclusiveness to compensate for joint liability: The choice of partners will require extra scrutiny in order to reduce the risk of defaulting partners, which could, in the end, lead to late or reduced payments. This could be an additional barrier for small and medium enterprises (SMEs), universities and newcomers. Liabilities and responsibilities will need to be properly updated, based on pilots' feedback, so as to limit the financial risk, whereby performing partners are not penalised by non-performing ones. It could, therefore, endanger projects' 'collaborative' approach and would favour the selection of only traditional partners. It would, thus, go against the inclusiveness promoted by the EC.
- No alleviation of traditional administrative burden foreseen: Checks, reviews and audits are still intended for verifying the proper implementation of project activities (technical audits) and the compliance with other obligations (e.g. intellectual property rights, ethics and visibility of funding).

In conclusion, while ASD welcomes steps taken to simplify the funding system and make projects more attractive, there is a potential for several drawbacks, which must be properly considered and mitigated, taking into consideration any lessons-learned from other national and European Union initiatives (e.g. the Shift2Rail joint technology initiative). It may be more appropriate, therefore, to avoid extending massively the lump sum approach, but rather start with a limited extension of the experiment to a few calls in order to test this new approach and still allow for traditional funding when more appropriate.

Signed by **Jan Pie, ASD Secretary General, 11 February 2021**

### About ASD

*The AeroSpace and Defence Industries Association of Europe represents the aeronautics, space, defence and security industries in Europe in all matters of common interest with the objective of promoting and supporting the competitive development of the sector. Its membership comprises major European aerospace and defence companies as well as national associations.*