

ESFA	ESF+ SI+	No MT-052	Approved by 1 August 2023 Order No V-2023-000121 of the Director of the Agency		
The rules of the use of lump sum contributions under ESF+ Social Innovation+ Initiative			Date of entry into force 1 August 2023	Version 1.2	Page 1 of 4

THE RULES OF THE USE OF LUMP SUM CONTRIBUTIONS UNDER ESF+ SOCIAL INNOVATION+ INITIATIVE

I. GENERAL PROVISIONS

1. The rules are prepared:
 - 1.1. Having regard to the Framework Agreement between the European Commission on behalf of the European Union, and the European Social Fund Agency (hereinafter ‘the Agency’), No. FA-ESFA-2022 – VD-2022-00928 and signed on 7 November 2022,
 - 1.2. Having regard to Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union¹, and in particular Articles 125, 181, 182 and 183 thereof.
2. Whereas:
 - 2.1. Simpler funding rules reduce the administrative costs for participation and contribute to the prevention and reduction of financial errors,
 - 2.2. The use of lump sum contributions is useful to simplify the calculation of grant amounts, leading to a significant decrease in the workload of both beneficiaries and the granting authority as well as to accelerated payment procedures,
 - 2.3. Lump sums make the funding simpler by removing the need to report actual costs. This means easier access to the funding, especially for small organisations and newcomers, who often lack the experience and capacity to cope with the complex rules for actual costs,
 - 2.4. Lump sum funding allows to focus on the technical performance and output of projects and to increase up resources on the monitoring quality of results and their further dissemination and exploitation.

II. GRANT PROPOSAL AND FORM OF GRANT

3. Grants for projects under ESF+ Social Innovation+ Initiative may take the form of a lump sum.
4. The lump sum will be determined for each grant individually and ex-ante by the Agency on the basis of the following principles:
 - 4.1. The lump sum shall be an approximation of the beneficiaries' underlying actual costs;
 - 4.2. Applicants shall propose the amount of the lump sum on the basis of their estimated direct and indirect project costs and in accordance with the method described in section IV;
 - 4.3. The proposal shall show the costs and categories of costs covered by the lump sum, it may contain only the eligible costs and must exclude the costs that are ineligible. The eligibility of costs and the categories of costs are set out in the Call Conditions;
 - 4.4. The Agency will apply the method and procedure specified in section IV to determine the lump sum of the grant, based on the proposal and its assessment;
 - 4.5. The flat rate for indirect costs and co-financing rates are included in the calculation of the lump sum (see section IV) and specified in the Call Conditions.

¹ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012

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The rules of the use of lump sum contributions under ESF+ Social Innovation+ Initiative			Date of entry into force 1 August 2023	Version 1.2	Page 2 of 4

5. Payments do not depend on the costs actually incurred.
6. The lump sum will be paid, if the corresponding work packages of the project have been properly implemented in accordance with the Annex I of the Grant Agreement and provided that all other obligations under the Grant Agreement have been complied with.
7. Lump sums per work package, whose conditions have been met during a reporting period, are paid to the beneficiary.
8. Lump sums per work package, whose conditions have not been met during a reporting period, are not paid but could be paid in the subsequent reporting period if the conditions were met subsequently.
9. Lump sums per work package, whose conditions are not met in any reporting period, are not paid and the grant is reduced up to the amount of the lump sum contributions of the concerned work package, following a contradictory procedure with the beneficiary.
10. Beneficiaries must — at least until the time-limit set out in the Grant Agreement – keep records and other supporting documents in order to prove the proper implementation of the project (proper implementation of the work and/or achievement of the results as described in the Grant Agreement). Beneficiaries do not need to keep specific records on the actual costs incurred.
11. The amounts of the lump sum contributions per work package to be used shall be established in accordance with section IV.

III. JUSTIFICATION

12. Lump sum funding, when compared to reimbursement of actual costs, provides considerable simplification. It removes obligations on cost reporting and financial audits, thus removing a major part of the administrative burden on beneficiaries.
13. Risks of irregularities and fraud, and costs of control:
 - 13.1. The Agency will verify at the time of preparation of the grant, during the implementation of the project or afterwards (through technical checks, reviews or audits), compliance with the conditions for using lump sums.
 - 13.2. As a direct consequence of removing obligations on reporting of actual costs and financial ex-post audits, financial error rates are expected to be significantly reduced.
 - 13.3. There is no report of actual costs, and there are normally no financial checks, reviews, or audits related to actual costs and the resources used. Beneficiaries have no obligation vis-a-vis the Agency to document the costs incurred for the project, but they remain subject to legal obligations (under EU or national law) outside the lump sum Grant Agreement, including but not limited to EU's financial rules applicable to the general budget of the Union, and accounting and public procurement rules under the applicable national law.
 - 13.4. Checks, reviews, and audits will focus on the technical implementation of the project, in particular on the fulfilment of the conditions for releasing lump sums, and on other relevant aspects of the Grant Agreement.
 - 13.5. If such controls reveal that the conditions for payment of the lump sum had not been met (e. g., a particular work package had not been completed) and that an undue payment had been made to a beneficiary, the Agency is entitled to recover the money up to the entire amount of the grant or the relevant work package.

IV. METHOD AND PROCEDURE TO DETERMINE THE AMOUNT OF THE LUMP SUM

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The rules of the use of lump sum contributions under ESF+ Social Innovation+ Initiative			Date of entry into force 1 August 2023	Version 1.2	Page 3 of 4

14. Method:

14.1. The lump sum is established on the basis of the detailed budget table case-by-case and defined ex-ante by the Agency.

15. Procedure:

15.1. Applicants shall propose the amount of the lump sum based on their estimated direct and indirect costs. These estimated costs must be relevant for the project and eligible according to the rules set out in the Call Conditions;

15.2. Applicants shall provide in their proposal a breakdown of the lump sum showing the share per work package. They shall use the provided template for this purpose ('detailed budget table');

15.3. The proposal must describe in detail the activities that are covered by each work package;

15.4. The proposal must contain the necessary resources and a detailed cost estimates per work package;

15.5. Indirect costs will be calculated by applying a flat rate defined in the Call Conditions, to the eligible direct costs.

16. Beneficiaries must make a declaration that they have followed their own accounting practices for the preparation of the budget (included in the application form).

17. Applicants must prepare their detailed budget by using the relevant templates published by the Agency (if applicable).

18. Assessment process:

18.1. Proposals will be assessed according to the standard assessment procedures with the help of external experts. The experts will assess the quality of the proposals in terms of criteria defined in the Call Conditions. For each work package, the experts with the necessary financial knowhow shall, in addition, check the budget estimate on the basis of relevant benchmarks on costs and resources such as market prices, statistical data, or historical data on previously funded and comparable projects, and assess whether the cost estimations are reasonable and non-excessive, while the proposed resources allow achieving the activities and expected outputs.

18.2. Following the proposal assessment, the Agency will establish the amount of the lump sum taking into account the conclusions of the assessment carried out. The Agency may adjust estimated cost items that appear unjustified or not in line with the requirements in section IV. If cost items are adjusted, the lump sum and the lump sum breakdown shall be modified accordingly.

18.3. The lump sum is established by applying the co-financing rate to the total estimated eligible costs, as set out in the Call Conditions.

18.4. The Overall lump sum is set in the Grant Agreement:

18.4.1. as the maximum grant amount when the grant takes the form of a lump sum contribution;

18.4.2. as part of the maximum grant amount when the grant takes the form of a lump sum and other types of contributions.

18.5. Pre-financing will be determined in the Grant Agreement.

V. SOUND FINANCIAL MANAGEMENT AND CO-FINANCING PRINCIPLES, PREVENTION OF DOUBLE FUNDING

19. The methodology described in section IV complies with the sound financial management and co-

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The rules of the use of lump sum contributions under ESF+ Social Innovation+ Initiative			Date of entry into force 1 August 2023	Version 1.2	Page 4 of 4

financing principles and ensures the absence of double funding as required by Regulation (EU, Euratom) No 2018/1046.

20. Sound financial management is ensured because the costs estimate in the proposal shall be detailed and subject to an in-depth check by the experts to ensure that it represents an approximation of the actual eligible costs, as described in section IV.
21. Any projects that generate revenue will have those revenues included as part of the estimated budget and will be taken into account when calculating the maximum amount of the grant.
22. The experts shall ensure that the described activities correspond to the estimated budget. Proposals will be assessed according to the standard assessment procedures with the help of external experts, and according to the principles presented in section IV.
23. Co-financing is ensured by applying the co-financing rates set out in the Call Conditions. Double funding is avoided by identifying the project costs that are covered by the lump sum and is also effectively prevented through controls by the Agency during the assessment, preparation of the Grant Agreement, implementation, and final payment stages.