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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, 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 and 181 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 necessary 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 programme simpler by removing the need to report actual costs. This means easier access to the programme, 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 strongly increases the focus on the technical performance and output of projects. This is desirable to improve the monitoring quality of results and their further dissemination and exploitation.

II. FORM OF GRANT AND CATEGORIES OF COSTS COVERED

3. Grants for actions under ESF Social Innovation+ Initiative may take the form of a lump sum.
4. The lump sum will be determined for each grant by the European Social Fund Agency (hereinafter ‘the Agency’) on the basis of the following principles:
 - 4.1. The lump sum must be an approximation of the beneficiaries' underlying actual costs;
 - 4.2. The applicants must 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 must show the costs and categories of costs covered by the lump sum, it may contain only the costs that would be eligible for an actual costs grant and must exclude the costs that are ineligible under the Call Conditions. These 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, based on the proposal and the evaluation result;
 - 4.5. The flat rate for indirect costs and co-financing rates are included in the calculation of the lump

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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sum (see section IV). Flat rate and co-financing rates are specified in the Call Conditions.

5. Payments do not depend on the costs actually incurred.
6. The lump sum will be paid, if the corresponding work packages of the action have been properly implemented in accordance with Annex 1 of the Grant Agreement (and provided that all other obligations under the Grant Agreement have been complied with).
7. Lump sum per work package, whose conditions have been met during a reporting period, are paid to the beneficiary.
8. Lump sum 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 are met.
9. Lump sum per work package, whose conditions are not met in any reporting period, are not paid and the grant is reduced by an amount up to the value of the lump sum contributions per work package concerned, following a contradictory procedure with the beneficiary.
10. The amounts of the lump sum contributions per work package to be used shall be calculated in accordance with section IV.

III. JUSTIFICATION

11. Lump sum funding, when compared to reimbursement of actual costs, provides considerable simplification potential. It removes all obligations on cost reporting and financial audits, thus removing a major part of the administrative burden on beneficiaries. At the same time, lump sum funding strongly increases the focus on the technical performance and output of projects.
12. Risks of irregularities and fraud, and costs of control:
 - 12.1. The Agency will verify at the time of preparation of the grant, during the implementation of the action or afterwards (through technical checks, reviews or audits), compliance with the conditions for using lump sums.
 - 12.2. As a direct consequence of removing all obligations on cost reporting and financial ex-post audits, financial error rates will be minimised.
 - 12.3. Pre-financing will be determined in the Grant Agreement.
 - 12.4. 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 action, but they remain subject to the accounting rules under the applicable national law.
 - 12.5. Checks, reviews, and audits will focus on the technical implementation of the action, in particular on the fulfilment of the conditions for releasing lump sums, or on other aspects of the Grant Agreement.
 - 12.6. 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 was made to a beneficiary, the Agency is entitled to recover the money up to the entire amount of the grant.

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

13. Method:
 - 13.1. The lump sum is established on the basis of the draft budget case-by-case and agreed ex-ante by the Agency.
14. Procedure:

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- 14.1. The applicants shall propose the amount of the lump sum based on their estimated direct and indirect costs;
- 14.2. The applicants must provide in their proposal a breakdown of the lump sum showing the share per work package;
- 14.3. The proposal must describe in detail the activities that are covered by each work package;
- 14.4. The proposal must contain the resources and a detailed cost estimate per work package;
- 14.5. The applicants must fill in a detailed budget table. It may include only the costs that would be eligible for an actual costs grant and must exclude the ineligible costs. Eligible costs categories, eligible and ineligible costs are specified in the Call Conditions.
- 14.6. Indirect costs should be calculated by applying a flat rate set out in the Call Conditions, to the direct cost categories that qualify for the calculation of indirect costs rules.
15. Beneficiaries must make a declaration that they have followed their own accounting practices for the preparation of the budget (included in the application form).
16. Applicants must prepare their detailed budget by using the relevant templates published by the Agency (if applicable).
17. Evaluation:
- 17.1. Proposals will be evaluated according to the standard evaluation procedures with the help of outside experts. The experts will assess the quality of the proposals in terms of excellence, expected impact, and quality and efficiency of the implementation. 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 actions, and assess whether the cost estimations are reasonable and non-excessive, while the proposed resources allow achieving the activities and expected outputs.
- 17.2. Following the proposal evaluation, the Agency will establish the amount of the lump sum taking into account the findings 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 above (including in case of recommendations from the expert evaluators). If cost items are adjusted, the lump sum and the lump sum breakdown are modified accordingly during the grant preparation.
- 17.3. Lump sum is calculated by applying the co-financing rate to the total estimated eligible costs, as set out in the Call Conditions.
- 17.4. The Overall lump sum is included in the Grant Agreement:
- 17.4.1. as the maximum grant amount when the grant takes the form of a lump sum contribution;
- 17.4.2. as part of the maximum grant amount when the grant takes the form of a lump sum and other types of contributions.

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

18. The methodology described in section IV complies with the sound financial management and co-financing principles and ensures the absence of double funding as required by Regulation (EU, Euratom) No 2018/1046.
19. Sound financial management is ensured because the costs estimate in the proposal shall be detailed and subject to an in-depth check by the evaluation committee to ensure that it represents an approximation of the actual eligible costs, as described in section IV above.

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20. Any actions 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.
21. The experts shall ensure that the described activities correspond well to the estimated budget. Proposals will be evaluated according to the standard evaluation procedures with the help of outside experts, and according to the principles presented in section IV above.
22. 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 evaluation, preparation of the Grant Agreement, implementation, and final payment stages.