**Introduction**

In order to simplify the implementation of the new **lump sum model grant agreement**, the model has been drafted aiming at:

* Keeping it as similar as possible to the general model grant agreement, so that changes are limited to those necessary to implement the grant via a lump sum;
* Making it compatible with the current IT applications and business processes, so that the new model can be quickly supported by them.

Each Grant Agreement will set up the lump sum corresponding to the full accomplishment of the work committed by the consortium in Annex 1. Once the lump sum for the grant is set up at its signature, the costs actually incurred are not relevant. However, the grant must identify who will do what part of the work of Annex 1 (i.e. beneficiaries, linked third parties, subcontractors and international partners).

Annex 2 will be a breakdown of the lump sum set up for the grant. The breakdown will be detailed:

* Per Work Package ('WP'): a share of the lump sum will be assigned to each WP based on the budget of the proposal. That share is the amount to be declared to the Commission/Agency once the WP is completed.
* Per beneficiary: which sets up the amount to be declared by each beneficiary for each WP completed. That amount corresponds also to the liability of the beneficiary in case of recovery after the payment of the balance (e.g. in case that an ex-post technical audit rejects a WP for which the participation of the beneficiary was indicated).

**At the start of the action**

* A pre-financing payment: same functioning as in the general MGA. The pre-financing will be fixed in the grant agreement.
* The coordinator will distribute the pre-financing in accordance with the consortium agreement (as in the general MGA). The grant agreement does not fix the amount to be paid to each partner.

**Interim reporting periods**

**REPORTING**

* Each beneficiary submits a financial statement where it declares its share of the lump sum, as set up in Annex 2, for the WPs completed during the reporting period.
* Only WPs fully completed in the reporting period can be declared in the financial statements (except in case of termination of a beneficiary; see further below). If beneficiary Z has completed its part in a WP but that WP is pending on the work of other beneficiaries, the WP cannot be declared (i.e. beneficiary Z will have to wait until the WP is completed before declaring its share of that WP).
* Beneficiaries must also detail in the technical report the progress in the WPs initiated but not yet completed.
* Although the obligation to report on the use of resources remains, this will be limited only to report new subcontracting (if any). This reporting requirement is retained in order to allow beneficiaries to get a "light approval" of subcontracts not included in Annex 1 as it happens in the general MGA.

**PAYMENT**

* **If the work progressed according to schedule** (hereinafter 'all OK'):interim paymentcorrespondingto the sum of the shares of the lump sum set up in Annex 2 for the Work Packages completed during the reporting period and approved by the PO.
* **If NOT all OK**:
  + A WP declared by the Consortium is not completed or was not implemented as described in Annex 1: the WP would not be approved by the PO in that reporting period. The corresponding share of the lump sum would, therefore, not be paid. The PO would report to the Consortium the deficiencies of the WP compared with Annex 1, so the Consortium can remedy those deficiencies and resubmit the WP in the next reporting period.
  + The participation of a beneficiary is terminated (e.g. bankruptcy): basically as in the general grant agreement. The Commission has a contradictory procedure for the termination. The contradictory procedure will include a contradictory on the share of the lump sum the beneficiary is entitled to (i.e. its share in the WP approved + an estimated share in the WPs on-going corresponding to the work it delivered). The coordinator must report on how much it has paid to that beneficiary.

If payments from coordinator > entitlement 🡪 the beneficiary must repay the coordinator. If it does not repay, then the Guarantee Fund will intervene.

If payments from coordinator < entitlement 🡪 the coordinator should pay the difference to the beneficiary in accordance with the consortium agreement. The share of the on-going WPs accepted for the terminated beneficiary can be reported in the subsequent reporting period even if those WPs are not completed (exception to the general rule).

**Payment of the balance**

* **If all OK:** payment of the remaining lump sum (total lump sum minus payments already made) and release of the 5 % retained for the Guarantee Fund.
* **If NOT all OK**: e.g. one or several WP were not properly implemented and will be rejected:

* + 1. Before rejection of the WP the Commission/Agency has a contradictory procedure with the coordinator (request for comments). The payment deadline is suspended.
    2. If the WP is definitively rejected the grant will be reduced by (all or part of) the share of the lump sum for that WP. Therefore, that amount will be lost for the consortium and it will be deducted for the calculation of the payment of the balance.
* If there is still a positive balance, the Commission will pay to the coordinator only that positive balance. The consortium should set internal arrangements to solve this situation. The Commission is not part of that agreement and the Guarantee Fund will NOT intervene if a beneficiary does not respect that internal agreement (same as today in the general MGA).
* If the payment of the balance is negative (e.g. amount approved < pre-financing + interim payments) the Commission will recover that difference from the beneficiaries of the rejected WP in proportion to their liability in that WP as indicated in Annex 2. For that the coordinator must submit the report of distribution of payments.

**After the payment of the balance**

* **If a technical audit rejects a WP:** the part of the lump sum corresponding to that WP will be recovered from the beneficiaries in charge of that WP in accordance with the breakdown of the lump sum (Annex 2).
  + **If only the work of one of the beneficiaries is rejected:** the recovery will be only for that beneficiary and up to the amount set up for it in the lump sum breakdown for that WP (Annex 2).
  + **If the rejection is partial but affecting all beneficiaries of that WP:** the Commission will recover the amount rejected from the beneficiaries in proportion to their share in that WP according to the lump sum breakdown (Annex 2).

In summary, **the financial liability of each beneficiary** in case of recovery is as follows:

* before the payment of the balance each beneficiary is liable up to the amount it received (similar as in the general MGA);
* after the payment of the balance each beneficiary is liable up to the share of the lump sum indicated for it in Annex 2 (regardless of the amount actually received) – this is also similar as in the general MGA.

**Controls**

There will be no financial audits to check actual costs.

By contrast, checks, reviews, audits and investigations would remain for:

* Proper implementation of the action (technical audits); i.e. that the work has been done as reported and as described in Annex 1.
* All other grant agreement obligations as, for example:
  + IPR obligations
  + Obligations related to third parties, e.g. provision of financial support to third parties in accordance with the MGA conditions. Some of these verifications may require access to financial documents.
  + Other general obligations as ethics, visibility of EU funding, etc.

**Budget Transfers**

The following principles apply:

* The estimated lump sum breakdown indicated in Annex 2 does not prescribe how the EU contribution is to be distributed over the beneficiaries. So, as it is the case under the general MGA, beneficiaries can transfer budget among themselves without requesting an amendment **provided that Annex I has not to be changed**.
* The estimated lump sum shares indicated in Annex 2 can be adjusted by transfers of amounts between beneficiaries and/or work packages, via an amendment (see Article 55). However, **amendment request to transfer amounts between Work Packages** would have to **fulfil certain conditions** for being accepted by the Commission, i.e.:
  + it concerns Work Packages not already completed (and declared in a financial statement)
  + it is justified by the technical and scientific implementation of the action and
  + a review in accordance with Article 22.1.2 confirms that the amendment does not call into question the decision awarding the grant or breach the principle of equal treatment of applicants.