

Work package 2

Deliverable: D2.5 Options for appropriate programme funding principles including in-kind contributions provided free of charge

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The main outcomes

- Three funding model categories for joint calls for proposals, including a real common pot, a virtual common pot and a mixed model, were studied as possibilities for BANOS implementation.
- The virtual common pot is the most commonly used funding model by various initiatives, i.e. initiatives receiving financial support from EU and initiatives funded exclusively from national sources. The implementation costs of joint calls are typically equally covered by in-kind contributions provided free of charge by participating funding organisations, but some costs are shared between funders or partly covered with the support from EU.
- The most viable funding model option for BANOS programme would be a virtual common pot model, where the detailed funding and financial rules would be country/funding organisation specific and the theme of the call, call budgets and schedules would be harmonized and agreed at the programme level.
- Virtual common pot funding model may lead to relatively complex proposal budget as the applicants may face numerous national/regional funding regulations. To simplify and assist the applicants on formulation of their proposal budget, funding institutions involved in a call could agree on a common presentation of eligible costs highlighting synergies among their regulations.
- The principles of in-kind contributions as part of the project funding as well as the funding of other BANOS programme activities are still to be planned and agreed on. The most feasible model for funding BANOS management and other activities could be a combination of annual membership fees and in-kind contributions by BANOS members. Additional resources may be collected from other funders participating in activities in call-by-call cases.

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Description of task: (i.e. as in the Description of Work)

For agreeing the funding models of the future programme it is crucial to know the national research and innovation funding landscape and the variety of funding modalities within countries and national funding institutions (requests for own funding, grants, full cost versus additional cost systems, indirect cost rates, loans, eligibility and payment conditions and schedules etc.). These need to be known in detail for designing and agreeing the funding models and mechanisms. Besides committed and additional cash contributions, reaching of the ambitious goals of the new programme will necessitate mobilising in-kind contributions provided free of charge by the participating member states. There is a need to define what kind of in-kind contributions, and how much by each country can be allocated to the programme.

Based on the information from the above tasks, the funding model(s), mechanisms and principles and the financial structures will be designed and agreed by all countries involved. As a part of this task, participation mechanisms for the beneficiaries representing non-participant member states will be elaborated. The task should provide alternative scenarios as regards participation of non-EU countries and the most appropriate instruments to ensure optimal EU participation. This task will also produce recommendations for long-term sustainability strategy of the future programme. It is expected that the work on this complex task will continue throughout the whole implementation of the action (M1-M30). The progress of this task will be reviewed by the Forum of Programme Managers (FPC) and the outputs signed off by the BANOS CSA Steering Committee according to order they get produced.

Note:

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Type:

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Executive summary

The overall objective of the BANOS CSA work package 2 Implementation modalities is to create the conditions (governance, management, financial, legal aspects and administration) for an effective implementation of the joint strategic Baltic Sea and North Sea marine and maritime research and innovation agenda. This third deliverable of Task 2.2 – Agreeing on funding models and instruments is dedicated to programme’s funding principles. A benchmarking of funding principles of other initiatives showed that the funders are using a virtual common pot funding model and in-kind contribution provided free of charge to fund transnational projects and to cover funders’ staff cost to implement joint transnational calls for proposals. A secure funding model to implement joint transnational calls for proposals in BANOS geographical area would thus be a virtual common pot model.

This deliverable D2.5 completes the set of deliverables of Task 2.2 – Agreeing on funding models and instruments to establish the solid basis for the future BANOS Programme’s joint activities’ implementation modalities.

1 Introduction

The overall objective of the BANOS CSA work package 2 *Implementation modalities* is to create the conditions (governance, management, financial, legal aspects and administration) for an effective implementation of the future, joint Baltic and North Sea Strategic (marine and maritime) Research and Innovation Agenda (BANOS SRIA¹). The aim is to develop efficient, transparent and legally robust mechanism and tools to achieve a sound level of management by using the experience gained by the BONUS Art. 185 Programme and the best practices of similar initiatives.

Due to the uncertainty caused by considerable changes in the P2P partnership instruments in the EU’s research and innovation framework Horizon Europe compared to its predecessor, a clear need to modify the contents and timings of deliverables within Task 2.2 has become evident, as previously explained in D2.3 - Outline of BANOS Programme’s implementation. It was thus suggested to modify the title of D2.5 to ‘Options for appropriate programme funding principles including in-kind contributions provided free of charge’ with delivery month 30 (Apr 21). This deliverable now includes a so-called ‘stand-alone programme’ option – based solely on contributions by the participating countries with possible supplementary funding from other EU funding programmes (EMFF, Interreg)– for the future BANOS Programme. The themes/topics of the BANOS SRIA to be implemented via the European Partnership on Sustainable Blue Economy (from here on referred to as the Partnership) will be decided and agreed on separately, and the funding principles and mechanisms of those will be designed within the Partnership network.

Within Task 2.2, the Report on national funding landscape and modalities (D2.2) provided information on existing national research and innovation funding landscape in the BANOS geographical area and on the funding modalities applied there. This report together with Outline of BANOS Programme’s implementation (D2.3) serve as a basis for proposing Options for appropriate programme funding principles including in-kind contributions provided free of charge (D2.5). The set of three Task 2.2 deliverables will contribute towards Task 2.3 and Task 2.4 of BANOS CSA, as represented on Figure 1.

¹ BANOS CSA Deliverable 1.5 Final draft of the proposed new joint Baltic Sea and North Sea research and innovation programme SRIA

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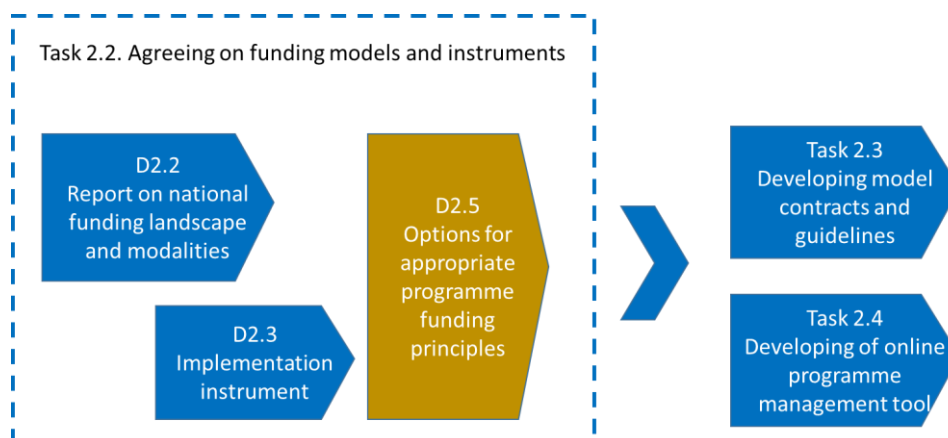


Figure 1 The workflow in BANOS CSA WP2 to create the conditions for an effective implementation of the future joint implementation of BANOS SRIA.

2 Definitions of the funding models

The main funding model categories of joint calls for proposals in different transnational initiatives – described in the following chapter - are²:

- real common pot: National funding organisations commit their funds to a jointly agreed common call budget. Funding decisions are made by the joint decision-making body in accordance with joint standard rules and procedures. A central unit is managing and distributing the funds of the common pot.
- virtual common pot: All participating funding organisations will fund their own national applicants. Funding decisions, as well as managing and distributing the funds, are made individually by the national funding organisations in accordance with their own standard rules and procedures.
- mixed model: a part of the call budget is spent as a real common pot while the other part is spent as a virtual common pot.

The choice of the funding model has implications on call evaluation system, contractual arrangements with funded projects, and project and funding management.

3 Benchmarking of funding principles and implementation of funding activities of different transnational initiatives

To design funding principles for future BANOS joint activities, it is relevant to first analyse what has already been done by other consortia. This part thus presents some funding principles and activities through in-kind contributions provided free of charge³ by initiatives, which do and do not receive financial support from EU. For that purpose, the Memoranda of Understanding and/or Consortium agreements signed between funders have been analysed and interview of funders who participated to

² <https://www.era-learn.eu/support-for-p2ps/implementing-joint-calls/funding-of-projects/distribution-and-monitoring-of-funds>

³ An in-kind contribution is a contribution of a good or a service other than money. In the context of joint research calls for proposals, each funder covers their own direct costs (staff, travels etc) and joint call management costs (e.g. IT costs) are agreed on a case-by-case basis.

the different calls for proposals studied were done. This benchmarking is focused on activities related to the themes supported by BANOS CSA and that involved several members of BANOS CSA consortium.

3.1 Initiatives, which do not receive financial support from EU

In a scenario where future BANOS joint activities would not receive R&I funding from EU, the funding principles of calls for proposals launched by the Joint Programming Initiative Healthy and Productive Seas and Oceans (JPI Oceans) were analysed as possible options. The JPI Oceans was chosen because the countries surrounding the Baltic Sea and North Sea are relatively well represented in this JPI and the themes supported by JPI Oceans are in line with BANOS CSA.

Several countries of BANOS geographical area are also members of the Belmont Forum, i.e. France, Germany, the Netherlands, Norway, Sweden and the United Kingdom. Furthermore, many funding bodies from most of the BANOS countries have been involved in calls for proposals launched by the Belmont Forum and/or by ERA-Net projects associated to the Belmont Forum. As such, the Belmont Forum was analysed as another example.

3.1.1 The examples of calls for proposals launched under the umbrella of JPI Oceans

The Joint Programming Initiative Healthy and Productive Seas and Oceans (JPI Oceans) was established in 2011 as an intergovernmental platform, open to all EU Member States and Associated Countries who invest in marine and maritime research. In 2018, JPI Oceans was incorporated as an international non-profit association under the name "Joint Programming Initiative on Healthy and Productive Seas and Oceans", in accordance with the Belgian Act of 27 June 1921 on non-profit associations. With the establishment of an international non-profit association under Belgian law (*association internationale sans but lucratif* or abbreviated AISBL), JPI Oceans is able to deliver on its strategic mission and enter into new partnerships. The AISBL is funded primarily by membership fees and/or Associate Partners' fees, but can also be funded by other means.⁴ Planning and launching joint calls for transnational research and innovation projects are part of its activities, in line with its Strategic Research and Innovation Agenda, published in May 2015.

First example: the two calls for proposals on ecological aspects of microplastics (2015 & 2018)

The members of the JPI Oceans launched a call for proposals in 2015 on ecological aspects of microplastics as a pilot action of the JPI, following a bibliometric study, foresight exercise and methods workshop, to establish consistent methods and monitoring practises as well as to understand the effects of microplastics on marine environment. Building on the results of the four projects funded by the first transnational call of proposals and recent scientific findings, a second call was launched in 2018.

The funding model used was a virtual common pot, that is to say that each funder which joined the call committed funds for their national / regional beneficiaries, and partners of selected proposals for funding were granted by their national / regional funding organisations.

For the implementation of the call for proposals, the call secretariat was managed by PtJ – Germany in-kind (free of charge), including the service of its submission/evaluation platform. The travel and

⁴ The details of the JPI Oceans's membership fee can be found in the Statutes of JPI Oceans AISBL and in the Operational Procedures of JPI Oceans (<http://jpi-oceans.eu/jpi-oceans-aisbl>)

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accommodation costs of reviewers as well as the fees were shared between funders. Several funders covered travel and accommodation costs, some funders only reviewers' fees and other funders covered both (travel costs and fees) according to their internal regulations.

JPI Oceans hosted and covered the meeting costs (room and catering) for the reviewers meeting as well as the funder meetings. Travel and accommodation costs as well as working time of funders' representatives were in-kind contributions provided free of charge.

Second example: joint call for proposals JPI Oceans – JPI Climate on next generation climate science in Europe for oceans (2019)

Members of JPI Oceans and JPI Climate launched a call for proposals entitled “next generation climate science in Europe for oceans” in 2019 for understanding and quantification of key climate-ocean interactions and the ocean's buffering capacities for absorbing heat and CO₂.

The funding model used was a virtual common pot, the same model used for the JPI Oceans pilot action on microplastics. For the implementation of the call for proposals, the call secretariat was managed by ANR – France in-kind (free of charge), including the service of its submission/evaluation platform. The travel and accommodation costs of reviewers as well as the fees were shared between the participating funders, following the same method used for the call for proposals on microplastics.

ANR hosted and covered the meeting costs (room and catering) for the reviewers meeting as well as the funder meetings. Travel and accommodation costs as well as working time of funders were in-kind contributions provided free of charge.

For the monitoring of projects, the kick-off meeting was organized by ANR, the mid-term meeting will be organized by JPI Oceans and the end-term meeting by JPI Climate. Meeting costs (room and catering) were, or will be, covered by the organisers. Travel and accommodation costs of beneficiaries are included in the grants.

3.1.2 The example of calls for proposals launched under the umbrella of the Belmont Forum

The Belmont Forum is a partnership of funding organizations, international science councils, and regional consortia.⁵ Established in 2009, it aims to mobilize funding of environmental change research and is committed to the advancement of transdisciplinary science.

In the organization of the Belmont Forum, the calls for proposals are named Collaborative research actions (CRAs). The theme of a CRA is developed through a scoping process and validated by the members of the Belmont Forum, but the participation of members to every CRAs is not compulsory. However, participation to a CRA is not limited to the Belmont Forum member organizations. Other funders interested by a CRA are welcomed to participate to the call for proposals. The funding model used is always a virtual common pot.

The lead funding organization supporting a CRA, which is selected call by call, is in charge of the call secretariat and hosting the meetings for the process implementation, both in-kind (free of charge). The selection process as well as the monitoring of selected proposals are performed on the Belmont

⁵ <https://www.belmontforum.org/>

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Forum platform, which is supported by National Science Foundation (NSF) – USA in-kind (free of charge).

Each funder nominates reviewers for the evaluation process. The travel and accommodation costs of reviewers to attend evaluation meeting are supported by the funders who nominated them. Reviewers do not receive any fees.

3.1.3 Summary

The initiatives, which do not receive financial support from EU, are using virtual common pot model for research project funding and mainly in-kind contribution provided free of charge to cover implementation staff cost, IT tools for call management and associated meeting costs. Reviewing costs (potential reviewers' fees, travel and accommodation costs) are shared between funders.

3.2 Initiatives receiving financial support from EU

Two funding schemes receiving financial R&I funding from the EU were evaluated, including ERA-Net Cofund as well as TFEU Article 185 instruments. These examples were chosen as - based on the analyses of BANOS CSA Deliverable D2.2 - most of funding institutions in countries surrounding the Baltic Sea and North Sea are or have been involved in such initiatives supported by EU.

3.2.1 ERA-Net Cofund's funding scheme

In BANOS CSA D2.2 Report on national funding landscape and modalities, it was shown that 29 funding institutions out of the 33 studied were or had previously been involved in ERA-Net Cofund projects. A major part of the ERA-Net Cofund activities is dedicated to a so-called co-funded call for proposals.

For these co-funded calls, the funding scheme is generally based on a mixed model. That is to say that the funding mechanism is a mix between a virtual common pot and a real common pot, with EU contribution to ERA-Net Cofund project considered as a real common pot. There are two main ways of using the real common pot. One is a share of national / regional funding, sometimes named 'just return', the percentage depends first on the EU funding available and on the amount of funding the ERA-Net Cofund partners are committed to spend in this call for proposals, which is mentioned in the grant agreement signed with EU. The second way of using the real common pot is named 'gap filling', it is used to fill funding gaps, when a funding institution is running out of money, following the ranking list of transnational proposals to fund as many good projects as possible. These two ways of using the real common pot can be combined within the same call – one part of the EU co-funding distributed according to 'just return' principle and another part according to 'gap filling' principle.

When an ERA-Net Cofund project launch additional calls for proposals to implement additional activities, a virtual common pot scheme is always used.

The submission/evaluation platform used for the calls for proposals depends on the consortium. In general, the funder in charge of the call for proposals' implementation provides its IT tool or, if the funder in charge does not have an IT tool, another funder involved in the consortium provides its IT tool. Most of the times IT tools are provided in-kind (free of charge), however, in some cases the partner in charge of the call implementation may also rent the IT tool of an organisation not involved

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in the consortium for call purposes. Furthermore, the working time of funders to implement these calls for proposals is always considered as in-kind contribution provided free of charge.

3.2.2 BONUS Article 185 Programme

The Joint Baltic Sea research and development programme, BONUS, under Article 185 of the Treaty of the Functioning of the EU is funded jointly by the national funding institutions in the EU member states surrounding the Baltic Sea – Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Poland and Sweden – and the European Union under the Seventh Research Framework Programme (FP7)⁶. In general, the rules and procedures concerning BONUS calls for proposals and implementation, e.g. rules for participation, evaluation, state aid, etc - follow the principles of the FP7. The total funding volume, including calls for proposals and programme's implementation, is ca EUR 100 million, of which 50 % comes as national funding contributions (both cash and in-kind infrastructure contributions) and 50 % from the European Commission. The legal entity implementing BONUS programme is BONUS EEIG.

National contribution to the BONUS 185 programme includes both cash funding and in-kind contributions. The total funding of a beneficiary in a BONUS project may include three different funding elements: 1) national cash contribution from the national funding institution; 2) EU cash contribution via BONUS EEIG; 3) in-kind infrastructure contribution by the national infrastructure provider. However, the most common funding combination of a project beneficiary is a combination of elements 1 and 2 in approximately equal proportion.

In-kind contribution is provided in a form of free of charge access to the significant national research infrastructures, such as research vessels, field stations and supercomputers, and it may be up to 25 % of the national contribution by the BONUS participating states. By mutual agreement by the BONUS participating states the EU matching funding generated by the in-kind contributions has been used as a real common pot in case of a mismatch occurring between committed funds and the consumption capacity by particular states. In addition, the funding of beneficiaries from non-BONUS EU member states and associated countries are covered with the EU matching funding generated by the in-kind contributions.

The implementation costs of the BONUS programme – including IT tool for the programme implementation (BONUS EPSS), project monitoring and assessment - and the additional activities – dissemination, clustering, etc. - are covered in equal shares with EU funding and with contributions by member states, either as membership fees by BONUS EEIG's member organisations or management compensations by the other involved funding institutions. The working time of funders to implement these calls for proposals was considered as in-kind contribution provided free of charge, as well as travel and accommodation cost to attend meetings. However, the in-kind resources of the national funding institutions needed for implementing the calls for proposals are less significant due to the dedicated secretariat of BONUS EEIG with a possession of its own IT EPSS tool.

⁶ Decision No 862/2010/EU of the European Parliament and of the Council of 22 September 2010 on the participation of the Union in a Joint Baltic Sea Research and Development Programme (BONUS) undertaken by several Member States, *OJ L* 256, 30.9.2010, p. 1–14

3.2.3 Article 185 PRIMA

The Partnership for research and innovation in the Mediterranean area (Article 185 PRIMA⁷) was added to this benchmarking analyses because it is a running regional Article 185 programme involving EU and non-EU countries and it uses different funding mechanisms for its calls for proposals. The first calls for proposals were launched in 2018.

PRIMA consists of European Union Member States, Horizon 2020 Associated Countries and Mediterranean Partner Countries – 19 Participating States (PS) – on an equal footing basis (co-ownership, co-management and co-funding) with the participation of the European Commission. In general, the rules and procedures concerning PRIMA calls for proposals and implementation, e.g. rules for participation, evaluation, state aid, etc - follow the principles of the Horizon 2020. The partnership is financed through a combination of funding from PRIMA Participating States (currently €274 million), and a €220 million contribution from the EU through Horizon 2020.

PRIMA programme's implementation is presented through three types of activities named "sections":

- Section 1: Actions and activities organised, managed and funded by PRIMA Implementation Structure (PRIMA-IS). In line with Art. 3(3)(a) of the Decision (EU) 2017/1324, this funding is covered by European Union financial contribution. However, where appropriate, PS may also arrange for financial contributions to cover costs of indirect actions funded by PRIMA-IS (Art. 5(2)(a)). EU funding is used as a real common pot. Actions are evaluated, selected and funded in line with the Rules for Participation of Horizon 2020 and are centrally managed by the PRIMA IS. Grant agreements are signed with PRIMA-IS on the basis of the H2020 Model Grant Agreement.
- Section 2: Activities selected following transnational open and competitive calls for proposals organised by PRIMA-IS and funded by the national funding bodies of PS (providing financial support mainly in the form of grants). Calls for proposals are funded by the principles of the virtual common pot model. Activities are evaluated and selected based on rules which are analogous to the Rules for Participation of Horizon 2020, following open calls for proposals centrally organised by the PRIMA IS. Grant agreements will be signed between participants and by relevant national funding organisations in accordance with national rules.
- Section 3: Activities organised, managed and funded by the PS: A) Activities under the national programmes of the Participating States including transnational projects referred to as "Participating States' Initiated Activities" (PSIAs); B) Activities organised and funded by PS supporting PRIMA programme's implementation. Transnational projects are funded following the virtual common pot model: PSIAs are funded following national evaluation, selection and granting processes implemented by one or several PS in line with common principles agreed with the PRIMA-IS, on behalf of the Participating States, and the European Commission.

PRIMA programme is implemented by the PRIMA Foundation, a non-profit organization established under Spanish private law and based in Barcelona. PRIMA-IS rents ANR's IT tool for submission, evaluation and monitoring (financial contribution for the technical support) for calls for proposals implemented in Sections 1 and 2. The working time of funders to implement these calls for proposals is always considered as in-kind contribution provided free of charge, as well as travel and

⁷ Decision (EU) 2017/1324 of the European Parliament and of the Council of 4 July 2017 on the participation of the Union in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) jointly undertaken by several Member States, *OJ L 185, 18.7.2017*

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accommodation cost to attend meetings. The administrative costs of PRIMA-IS are covered with financial contributions from EU and with financial and in-kind contributions from Participating countries.

3.2.4 Summary

When joint transnational calls for proposals are implemented, even with EU financial support, the funders are using a virtual common pot funding model and in-kind contribution provided free of charge to cover funders' staff cost. A mixed model, mix of real and virtual common pot funding model, can be applied to EU contribution. However, among the activities analysed, it has not been possible to identify recent joint activities using a real common pot model with national/regional funding institutions.⁸

4 Implementation scenarios for calls for proposals

The work here is focused on the developing future funding mechanisms of the intended BANOS Programme and to enable the implementation of joint calls for proposals on research and/ or innovation. For implementation of other type of joint BANOS activities, like knowledge hub and staff exchange for capacity building, are not investigated here but are covered elsewhere in the BANOS CSA Description of Action, namely in the WP4, focusing on the specific measures reinforcing future programme's lasting impact.

Scenarios for programme's implementation including a selection process of call for proposals and associated costs are not handled in this deliverable. They depend on the establishment of a dedicated implementation structure whose options are presented in D2.1 – Options for the legal form of the future programme's dedicated implementation structure (DIS), and of the tasks and means allocated to this DIS, presented in D2.3 – Outline of BANOS programme's implementation. Furthermore, IT tool for call for proposals selection process and monitoring of funding projects is the topic of T2.4 – Development of on-line programme management tool.

In deliverable D2.2, the complexity of organising a real common pot to fund future joint activities has been highlighted. Moreover, the survey conducted as part of D2.2 showed that most of the national / regional funding institutions could not fund organisations that were not based in their countries / region. As such, it appears that the only secure funding model to implement joint transnational calls for proposals in BANOS geographical area would be a virtual common pot model. The following sections consider this funding model as a base for future BANOS joint activities.

In case of a virtual common pot the detailed funding and financial rules – cost model schemes, cost eligibility rules, funding distribution schemes, financial reporting rules, etc. – are country/funding organisation specific. Call budgets with national funding commitments, call schedules and project durations – in addition to joint theme/topic of the call - need be harmonized and agreed at the BANOS programme level.

⁸ A mixed model has been applied in the joint calls in the social sciences and humanities (networks HERA and NORFACE, both using co-funding from EU; NORFACE last call was implemented without co-funding). Some BANOS CSA partners have been involved also in these networks and calls (AKA, ANR, ETAG, FWO, NWO, RCL, RCN, VIAA). The real common pot model in these networks was based on transparent and fair equation on calculating the countries' participation. However, fair equations have proved hard to define considering the big variations in the administrative and financial structures of the various funders. In the marine research field forming such a fair equation would also be a challenging task.

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Data collected for D2.2 were used to map the funding institutions surrounding the sister seas. It was highlighted in D2.2 that the involvement of funding institutions in future joint activities will have influence on the potential type of the activities, i.e. call for proposals on basic research, applied research or innovation. The list of funding institutions and their acronyms is presented in Annex 1.

The aim will be to mobilize the maximum of funding institutions to obtain an optimal representation of all countries surrounding the sister seas for an efficient implementation of BANOS strategic research and innovation agenda.

4.1 Call for proposals on basic research

The funding institutions surrounding the sister seas, which could be involved in future joint activities focusing on basic research, are presented in Figure 2.

Based on the inquiry carried out as part of D2.2 it seems that Denmark may not be able to participate in activities directed towards basic research. This potential gap in Danish funders could have a negative impact for the future programme's activities in Denmark, which is an important area geographically due to its placement between the two sisters seas. Alternative funders may need to be identified, or the scope and flexibility of Innovationsfonden Denmark (IFD) to fund basic research further investigated.

All the funding institutions, which could be involved in basic research activities, are supporting public research organisations and universities. Most of them can also support private research organisations and private universities.

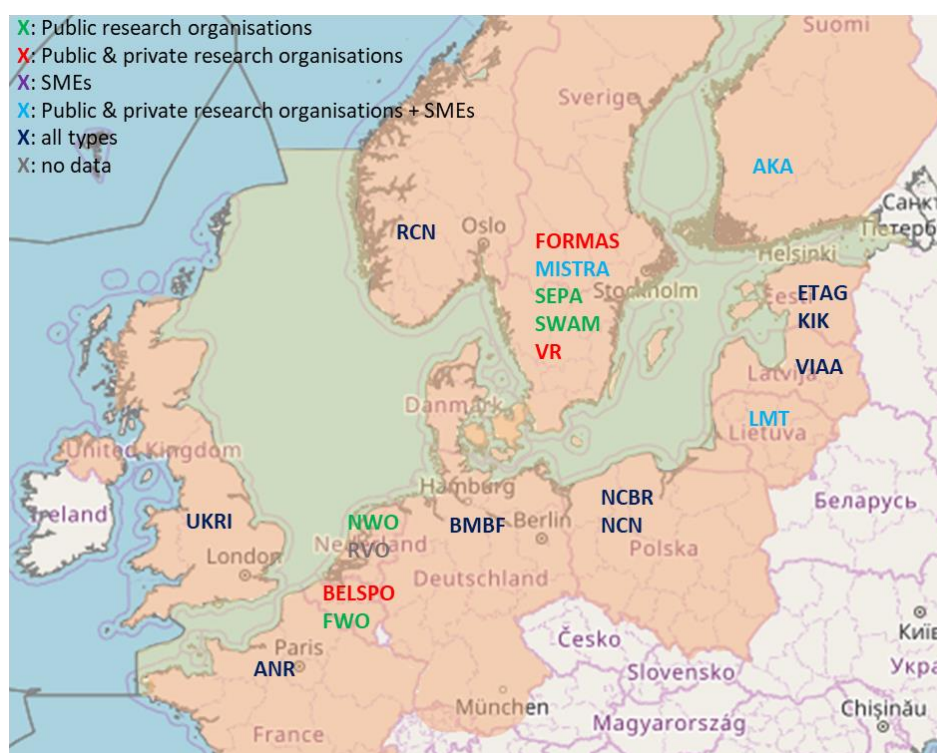


Figure 2 Funding institutions which could be mobilized for future BANOS activities on basic research, the different colours indicate the type of beneficiaries they can support (research organisations include universities)

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4.2 Call for proposals on applied research

The funding institutions surrounding the sister seas, which could be involved in future joint activities focusing on applied research, are presented in Figure 3.

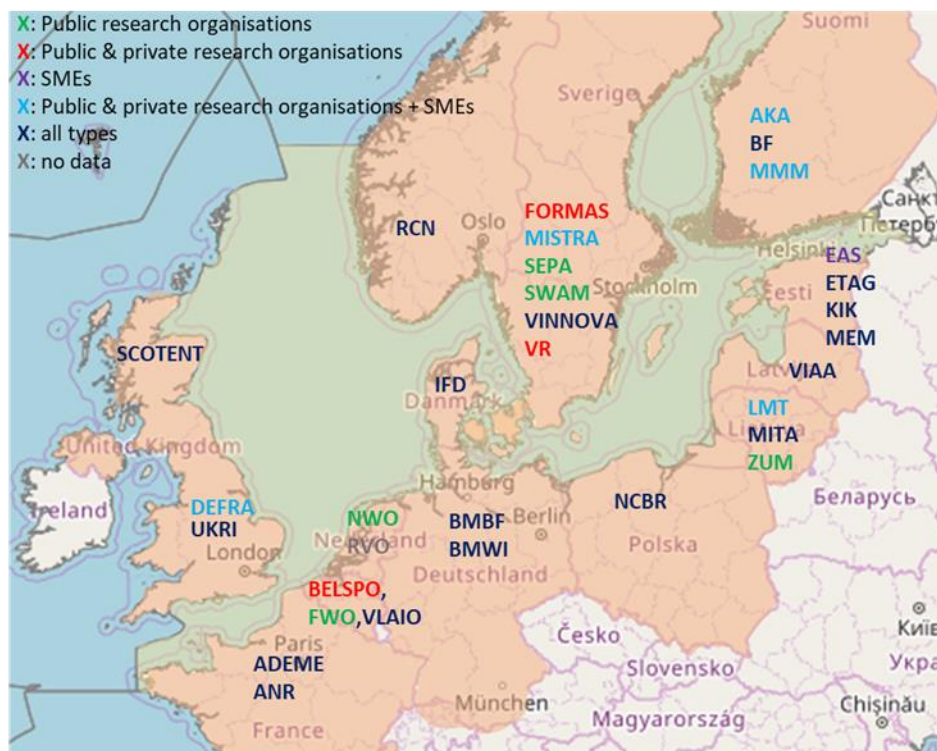


Figure 3 Funding institutions which could be mobilized for future BANOS activities on applied research, the different colours indicate the type of beneficiaries they can support (research organisations include universities)

As it can be seen on Figure 3, there is at least one funding institution per country which is supporting applied research activities. So, all countries surrounding the Baltic Sea and North Sea could be involved in such activity.

4.3 Call for proposals on innovation

The funding institutions surrounding the sister seas able to contribute to innovation activities' funding are presented in Figure 4. It is noticeable that all countries surrounding the Baltic Sea and North Sea could be involved in such activity.

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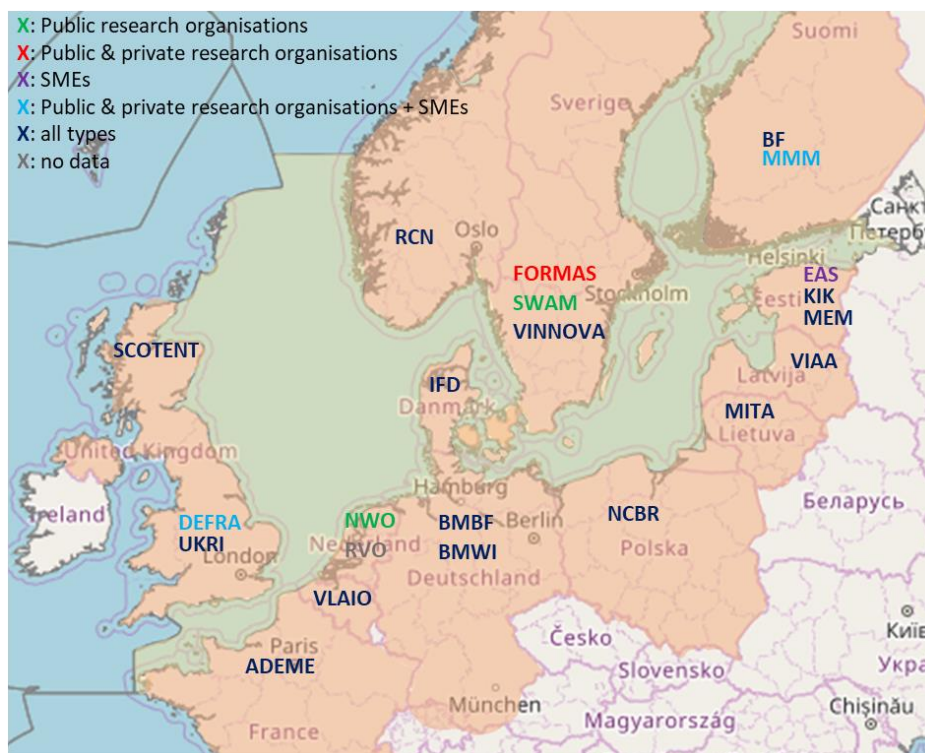


Figure 4 Funding institutions to mobilize for future BANOS activities on innovation, the different colours indicate the type of beneficiaries they can support (research organisations include universities)

To implement innovation projects, it is important to mobilize and involve enterprises, in particular SMEs, to ensure that the funded projects will be aligned with the needs and expectations of such companies. For that purpose, funding organisations participating to this type of activities should be able to financially support companies. Among the funding institutions funding innovation activities, NL-NWO, SE-FORMAS⁹ and SE-SWAM cannot fund enterprises. However, for Sweden, SE-VINNOVA could ensure the enterprises' funding. No input was received from Netherlands Enterprise Agency (NL-RVO) as part of the survey conducted in D2.2 but it is likely be able to support Dutch SMEs. All other funding institutions are known to fund SMEs.

Many funding institutions have a fairly wide range of instruments available for supporting enterprises and innovation – both financial support, like loans and guarantees, and 'soft' measures, like networking and advisory services. Furthermore, companies can benefit from national incentives, e.g. tax credit for research and innovation, to get indirect financial support to be involved in research and innovation projects without requesting funding to a national / regional funding organisation. The planned additional activities¹⁰ of BANOS programme – mobility activities, infrastructure sharing, clustering activities, etc – will benefit and add value to enterprises, and in particular to SMEs.

Processes to ensure easy participation of SMEs in the future programme activities is included in BANOS CSA task (T4.5), which is dedicated to developing the future Programme's innovation strategy.

⁹ In the inquiry carried out as part of D2.2 FORMAS indicated that it is funding only (public and/or private) research organisations, but subsequently the rules have changed and today FORMAS funds also SMEs.

¹⁰ The full list of other BANOS activities in D2.3 Outline of the BANOS Programme's Implementation

4.4 Summary

The appropriate funding institutions able to fund basic and applied research as well as innovation in the Baltic Sea and North Sea have been identified. Most of them have already participated in joint transnational call for proposals using a virtual common pot funding model and in-kind contribution provided free of charge to cover their staff cost.

5 Cost funding models and eligibility of costs for transnational joint calls for proposals

In joint calls for proposals, applicants typically find it difficult to design the budget of their proposals because of the complexity of different national/regional funding regulations and costs' eligibility. As it is almost impossible to establish a call for proposal with real common pot, it would be of interest to analyze synergies between national/regional funding regulations to simplify budget proposal design by applicants for potential future joint activities using a virtual common pot for the funding. For that purpose, the results of the survey conducted for D2.2 were further analyzed, in particular the questions regarding the eligibility of costs and cost funding models (Questions 12 and 14).

5.1 Definitions of the cost funding models

The main cost funding model categories used by the national funding institutions are:

- Additional cost funding model: only the additional costs generated by the project are considered as eligible project costs. The costs of the organisation that would occur without a project implementation are not eligible or funded only partially.
- Full cost funding model: all costs occurred in the project can be considered as eligible costs and funded according to the funding rate.

5.2 Results of the cost funding model and eligibility analysis

Based on the answers of funding institutions, it appears that the main difference between the additional cost funding model and the full cost funding model is the eligibility of permanent staff cost. In the additional cost model, the permanent staff cost is not eligible. This rule is only applied to public research organisations and public universities for most of the funding institutions using this funding model. This rule is not applied to private research organization and universities for which the full cost funding model is used, except for German funding institutions (DE-BMBF and DE-BMWI) that apply the additional cost model to all research organisations and universities regardless of their status (public or private). The common eligible costs among funding institutions for research performing organisations, including universities, are synthesized in Table 1.

The results indicate that all the funding institutions, which can support SMEs, are using a full cost model. This means that SMEs can apply for a refund of a certain percentage, e.g. 45 %, of the expenses

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occurred by a project selected via a joint activity, which could be designed and launched by BANOS consortium as part of its SRIA implementation. This model also applies for large enterprises when they can be supported by funding institutions. The eligible costs for enterprises are rather similar between the funding institutions, regardless of the size of the enterprises (Table 1).

Beneficiaries	Funding model	Eligible cost
Public research organisations & public universities	Additional cost model / Full cost model	Non-permanent staff, Equipment or depreciation of equipment (except for FI-MMM, SE-SWAM and UK-DEFRA), Subcontracting, Travels
Private research organisations & private universities	Full cost model	Staff (Permanent – except for Germany / Non-permanent), Equipment or depreciation of equipment (except for FI-MMM and UK-DEFRA), Subcontracting, Travels
Small and medium enterprises (SMEs)	Full cost model	Staff (Permanent / Non-permanent), Equipment or depreciation of equipment (except for FI-MMM and UK-DEFRA), Subcontracting, Travels
Large enterprises	Full cost model	Staff (Permanent / Non-permanent), Equipment or depreciation of equipment (except for DK-IFD), Subcontracting, Travels
Non-governmental organisations	Full cost model	Staff (Permanent / Non-permanent), Equipment or depreciation of equipment, Subcontracting, Travels

Table 1 Synergies of cost eligibilities and funding model per category of beneficiary among the funding institutions, which could be involved in BANOS future joint activities

In the survey conducted for D2.2, there was also a question on the eligibility of indirect costs (question 15). Most of the funding institutions consider that indirect costs are eligible. However, indirect costs must be included in the funding requested of submitted proposals. The indirect costs calculation can be based on a flat rate or, for some funders, they must be calculated by research organisations following a transparent approach to costing methodology.

According to the particularity of call for proposals, few funders can slightly adapt the eligibility of costs, in particular related to the eligibility of equipment / depreciation of equipment costs. However, clear justification for requested funding must be provided.

The percentage of full cost covered by funding institutions depends on the type of beneficiary and the type of activity conducted in the transnational projects. In addition, in case of enterprises EU regulation Framework for State aid for research and development and innovation (2014/C 198/01) for Member States must be followed.

5.3 Summary

Many similarities can be observed in the costs covered by funding institutions for calls for proposals. The complexity of designing a proposal budget, when the virtual common pot funding model is used, considered by applicants facing the numerous national/regional funding regulations, seems to be mainly due to the way funding regulations are presented (funding institutions by funding institutions). To simplify the work of applicants, funding institutions could agree on a common presentation of

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eligible costs highlighting synergies, which obviously already exist. In call for proposals' documents, a part should also be dedicated to national/regional particularities.

6 In-kind contributions as part of the project funding in BANOS

In some of the research funding programmes, e.g. BONUS 185, the in-kind contribution provided by participating countries to the projects plays an important role in the overall financial framework of the programme. In the future BANOS programme – if virtual common pot funding model is applied - it will be less important but at least the following issues need to be addressed:

- can partners having only in-kind contribution, i.e. no additional cash funding, or having only indirect funding (for example tax credit on occurred expenses), be included in the project consortium
- how is the programme's total funding volume evaluated and reported, i.e. are in-kind contributions included into the reporting of the total amount of the programme spent on funding of R&I, particularly in case of additional funding model

These issues and other details of the in-kind contributions in the BANOS programme will be agreed in the context of task 2.3. Model contracts and guidelines and in the planning of the first BANOS call for proposals.

7 Funding of other BANOS activities

In addition to the joint calls for proposals the future BANOS programme will implement and manage a wide range of other activities¹¹ to enhance scientific integration and impact. The funding for the programme's other activities, including the possible centralized management, needs to be planned and agreed in a sustainable way, which in practice means jointly agreed and transparent funding principles on a multi-annual basis.

The most feasible model could be a combination of annual membership fees and in-kind contributions by BANOS members. Additional resources may be collected from other, non-BANOS, funders participating in activities in call-by-call cases. The membership fees could be determined, for example, on the basis of the GDP or GDP per capita of each member state (or a weighted combination of these two). In-kind contributions, e.g. human resources and office facilities, provided by BANOS members would decrease the total costs of other activities, and thus ensure the moderate level of annual membership fees.

The funding of other activities will be designed in more detailed in the context of deliverables 2.4 and 2.6 of the task 2.1 Agreeing on a dedicated implementation structure.

8 Conclusion

This third deliverable of Task 2.2 – Agreeing on funding models and instruments dedicated to programme funding principles was opened to a stand-alone programme option and focused on joint call for proposals on research and innovation. The benchmarking of funding principles of other initiatives showed that, even with EU financial support, the funders are primarily using a virtual common pot funding model. In addition, in-kind contribution provided free of charge is used to cover

¹¹ The full list of other BANOS activities in D2.3 Outline of the BANOS Programme's Implementation

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fundings' staff costs to implement joint transnational calls for proposals. It has not been possible to identify recent joint activities using a real common pot model with national/regional funding institutions. It is probably because most of funding institutions in countries surrounding the Baltic Sea and North Sea cannot fund organisations outside their countries / region. Therefore, it is recommended to use a virtual common pot as a secure funding model to implement joint transnational calls for proposals in BANOS geographical area.

The funding institutions able to fund research and innovation activities in the Baltic Sea and North Sea region, in the context of BANOS future joint activities, have been identified. Most of them have already participated in joint transnational call for proposals using a virtual common pot funding model and in-kind contribution provided free of charge to cover their staff cost. Additional efforts could focus on finding synergies, especially related to eligibility of costs, between funding regulations which would simplify applicants' work when they are preparing their funding requests.

This deliverable D2.5 completes the set of deliverables of Task 2.2 – Agreeing on funding models and instruments to establish the basis of future BANOS joint activities' implementation modalities.

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9 ANNEX 1

List if funding organisations and their acronyms:

Belgium:

BELSP0 - SERVICE PUBLIC FEDERAL DE PROGRAMMATION POLITIQUE SCIENTIFIQUE

FNRS - FONDS DE LA RECHERCHE SCIENTIFIQUE

FWO - FONDS VOOR WETENSCHAPPELIJK ONDERZOEK

VLAIO - AGENTSCHAP INNOVEREN EN ONDERNEMEN

Denmark:

IFD - INNOVATIONS FONDEN

Estonia:

EAS - ETTEVÕTLUSE ARENDAMISE SIHTASUTUS

ETAG - SIHTASUTUS EESTI TEADUSAGENTUUR

KIK - SIHTASUTUS KESKKONNA INVESTEERINGUTE KESKUS

MEM - EESTI VABARIIGI MAAELUMINISTEERIUM

Finland:

AKA - SUOMEN AKATEMIA

MMM - MAA- JA METSÄTALOUSMINISTERIÖ

France:

ADEME - AGENCE DE L'ENVIRONNEMENT ET MAITRISE DE L'ENERGIE

ANR – AGENCE NATIONALE DE LA RECHERCHE

Germany:

BMBF - BUNDESMINISTERIUM FUER BILDUNG UND FORSCHUNG

BMWi - BUNDESMINISTERIUM FÜR WIRTSCHAFT UND ENERGIE

Latvia

VIAA - VALSTS IZGLITIBAS ATTISTIBAS AGENTURA

Lithuania:

MITA - MOKSLO, INOVACIJU IR TECHNOLOGIJU AGENTURA

LMT - LIETUVOS MOKSLO TARYBA

ZUM - LIETUVOS RESPUBLIKOS ŽEMĖS ŪKIO MINISTERIJA

The Netherlands:

NOW - NEDERLANDSE ORGANISATIE VOOR WETENSCHAPPELIJK ONDERZOEK

RVO - RIJKSDIENST VOOR ONDERNEMEND NEDERLAND

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Norway:

RCN - NORGES FORSKNINGSRAD

Poland:

NCBR - NARODOWE CENTRUM BADAŃ I ROZWOJU

NCN - NARODOWE CENTRUM NAUKI

Sweden:

SEPA - NATURVÅRDSVERKET

MISTRA - STIFTELSEN FÖR MILJÖSTRATEGISK FORSKNING

VR - VETENSKAPSRÅDET

FORMAS - FORSKNINGSRÅDET FORMAS

VINNOVA - SVERIGES INNOVATIONSMYNDIGHET VINNOVA

SwAM - HAVS- OCH VATTENMYNDIGHETEN

United Kingdom:

DEFRA - THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

SCOTENT - SCOTTISH ENTERPRISE

UKRI - UK RESEARCH AND INNOVATION