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Proposal for procedures involving joint calls with real mix of cash and in-kind contributions

Publication Date: 17.08.2017

A Horizon 2020
funded project



Project full title: **Coordination action in support of the implementation of the Joint Programming Initiative on Healthy and Productive Seas and Oceans**

Website: <http://jpi-oceans.eu/csa-oceans-2>

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 696324

Project start date: 1 February 2016

Duration: 36 months

Deliverable number: D2.1

Deliverable name: Proposal for procedures involving joint calls with real mix of cash and in-kind contributions

WP no: WP2

Delivery date: 17.08.2017

Lead Beneficiary: IFD

Authors: Michael St. John and Lars Hyllemose Holmegaard

Nature: Report

Dissemination Level:

- PU = Public

SUMMARY

As outlined in the DOW this deliverable addresses how a mix of cash and **IN KIND** contributions may be administered in order to widen the participation of participating countries and increase the impact of joint actions involving e.g. new COFUND principles for support and implementation. The use of **IN KIND** resources (e.g. research vessels, experimental facilities, data bases, permanent staff time) in joint actions will depend on the availability, adequacy and feasibility to use these **IN KIND** resources within the scope of the joint actions (e.g. need and suitability of research infrastructures, need and feasibility to access to and use of data bases, etc. This deliverable outlines potential approaches for establishing the protocols for **IN KIND** funded projects involving Member State funding agencies and the commission.

Contents include:

- definition of **IN KIND** funding
- distribution of funds
- governance via the establishment of an **IN KIND** Management Board

PREAMBLE

In this period of economic crisis, Europe is asking Research and Innovation to play a fundamental role in supporting its global industrial competitiveness, internal growth and in tackling societal challenges (European Commission 2014, Council of the European Union 2014). However, success in this challenge will likely require participation among the European Countries and optimizing the effectiveness of each State's research efforts and funding. This represents a difficult problem as investment in R&I is largely inhomogeneous among different EU countries (Zylicz 2015) and is at present in decline in many.

Critically projects in the marine environment, necessary for the generation of Blue Growth and preservation of the marine environment and its services due to the oceans vast area and opacity require the utilization of infrastructures such as offshore observatories, remotely operated and manned underwater vehicles, sensors, satellites, ships and laboratory facilities which if purchased by the research performing organizations (RPO) would make the performance of necessary research activities cost prohibitive. Furthermore, the hiring of appropriate expertise which can in some cases be limited or impossible, necessitates dedicating a portion of the time of existing staff to address activities necessary to insure the successful completion project goals. Contribution of these “structural” and human resources to successfully complete a project when not reimbursed, are typically considered “**IN KIND**” contributions” and are in general considered co-funding. These **IN KIND** contributions can be most relevant for reaching a critical mass and collecting competences in order to develop efficient actions. Hence, this approach optimizes the utilizing of resources existing in the RPO as well as fostering collaboration between nations thus reducing fragmentation of the European Research Area (ERA) as well as transferring knowledge between RPA as well as providing training opportunities for existing personnel as well as future generations of marine scientists.

Joint calls are one of the many different typologies of actions JPIs can adopt to address societal challenges (Moretti 2014), foster Blue Growth and preserve the marine environment. These actions are particularly suited for use of **IN KIND** funding. **IN KIND** Funding fosters cooperation, but in practice also aids in distribution of funds, governance and interoperability between national systems (Stuefer 2013). Significantly, joint calls increase critical mass, reduce fragmentation, facilitate the agglomeration of skills and excellence. Joint calls can increase the impact of current R&I as well as provide improved coordination of the different national research programmes of the Member States.

Joint calls with both cash and **IN KIND** contributions are necessary to allow different EU member states (and associated countries) with different economic R&D resources to participate accordingly to their own capacity. JPIs, in principle, can adopt or invent any instrument in this regard, provided a mutual agreement between parties. As an example, this is the case when, in a “cash” joint call, some countries without financial contribution are allowed to participate in common projects with the in-kind contribution coming from researchers joining the activities or infrastructures to be shared. The win-win condition in this case is the strategic participation of the “poor” country, in terms of cash, to access knowledge and share the results, as well as from the rich countries. The online Toolkit on the JPI/CSA Oceans website already has a section about the ERA-NET Cofund scheme (<http://www.jpi-oceans.eu/cofund-actions>), and in the joint-calls page (<http://www.jpi-oceans.eu/joint-calls>), there is a section where the is discussed the “**IN KIND** and Cofund contribution and top-up distribution in the Eranet scheme/art. 185”. For details see appendix 1

This deliverable, presents an approach for the funding of **Joint ‘COFUND’ Actions** to support EU member state (and associated countries) partnerships in coordination of joint activities leading to the **implementation of a co-funded joint call** for proposals. The overall goal of this mixed CASH/ **IN KIND** funding strategy being to

- widen the participation of participating countries
- increase the impact of joint actions
- foster the institutional integration within the ERA on a specific research topic

These proposals should support trans-national research and/or innovation projects. In the **IN KIND** approach proposed here, the EU Commission’s (COMM) contribution is based on a cash contribution while Member State Funding Agencies (MSFA) and associated country can contribute not only with cash to the Joint call but as well via **IN KIND** contributions from the Research Performing Agencies (RPA) towards research activities which are then considered a cash contribution provided by the MSFA.

In this report we focus on the aforementioned approaches for establishing a real mix of cash and **IN KIND** contributions when establishing funding agreements between the COMM and MSFA.

IN KIND FUNDING CONTRIBUTIONS TO A COFUND: NATIONAL LEVEL (RPO)

As an example, on the National level, MSFA agencies do not provide full funding for nationally funded projects, requiring that the research performing organisations (RPO) provide a percentage of the funding required to finalize the project. These percentage

contributions vary dependent upon the Nation and funding agency involved. To cover these contributions to a funded project RPAs typically provide goods or services that a partner performing the research activity would need to purchase to perform the research activities in the project. (see APPENDIX 1 for potential non-monetary contributions by RPA as well Appendix 2 Technical Document 4 from the European XFEL Convention: Rules and procedures for in kind funding). These **IN KIND** non cash contributions are deemed to be essential to the activities of any COFUND activity and if not donated, would have to be purchased with project funds. **IN KIND** resources i.e. those contributed by Research Performing agencies (RPOs) include use of research vessels, experimental facilities, data bases, as well as human resources as well as other resources held by the RPA which may be of benefit to the research activities Appendix 1 and 2). In COFUND activities their inclusion will depend on the availability, adequacy and feasibility to use these in-kind resources within the scope of the joint actions (e.g. need and suitability of research infrastructures, need and feasibility to access to and use of data bases, etc.).

With respect to establishing a MSFA contribution to an EU IN KIND funded COFUND it is proposed that the MSFA contribution should be calculated to include the percentage IN KIND contribution by RPO to nationally funded projects. For example, if a MSFA requires a 30% contribution by a RPO to a project, the MSFA contribution to an EU funded COFUND involving NATIONAL RPOS should be calculated at the value of the MSFA cash contribution plus the 30% contribution required from the National RPO agencies funded in the project.

IN KIND FUNDING CONTRIBUTIONS TO A COFUND: EU COMMISSIONS CONTRIBUTIONS

The COMM contribution to a program is in cash. However, COMM to MSFA contribution, the reimbursement rate i.e. contribution from the COMM relative to the MSFA contribution is a matter of negotiation between the COMM and the MSFA and should be established based

- on an agreed interest by the COMM to fund a proposed COFUND and
- have a set percentage reimbursement rate prior to the initiation of the COFUND call for proposals.

Participating MSFA, prior to requesting funding support by the COMM must

- develop a comprehensive description of project with goals and potential outputs for submission to the COMM.
- develop an estimate of potential **IN KIND** financial support from the MSFAs.
Note: MSFA participation in a COFUND action can take place during any phase of the research-innovation cycle thereby allowing member state funding agencies to join an existing COFUND when national priorities allow.
- Establish a reimbursement/cofunding rate. As an example for an ERA-NET COFUND this has been so far 33%, meaning the EC provides 1 EURO EC top-up funding for each 2 EURO provided on national level for transnational research and innovation projects. It should be noted that these conditions are under discussion and may be modified based on .

DISTRIBUTION OF FUNDS, FUNDING MODULARITIES: COMMON POTS AND THE DISTRIBUTION OF EC TOP-UP FUNDING

In all **IN KIND** COFUND actions, the partners need to agree on a funding mode of the transnational call, meaning the way in which to fund the projects. At first, they must agree on the way national funding is distributed. For example, each partner funds their own participant i.e. a virtual common pot. Additionally, partners need to agree how to share the EC Top-up funding. This could be a real common pot (i.e. all partners receive an equal share) or a virtual common pot, with funding distributed proportionally to the MSFA funding contribution. For each project submitted the MSFA funding must be guaranteed, meaning that sufficient funds are available for the project based on MSFA contributions and COMM runs out of national funding. This allows EC Top-up funding to be best put in a virtual common pot.

Following this approach, the MSFA and the Commission agree on a funding mode for the transnational call, meaning the way in which to fund the projects. Furthermore, they must agree on the way in kind funding is distributed.

Typically, each a COFUND partner funds its own National participants (i.e. virtual common pot) agreeing how to share the EC Top-Up funding. This could constitute agreeing to a real common pot or distributing EC funding proportionally based on the MSFA contribution (virtual common pot). The following represent examples of existing common pot models

- Cash topic: common pot for EC Top-Up funding:
 - Real common pot for XX% of EC Top-up funding with funds distributed based on the value of the individual proposal.
 - Virtual common pot for XX% of EC Top-up funding based on the proportion of national cash contributions from the Research Performing agencies.
- **IN KIND** topic: Virtual or real common pot (see above) for EC Top-up funding: 100% of Top-up funding is distributed in proportion to national in-kind funding including IN KIND contributions from RPAs.

Note: RPO can participate in joint calls using in kind funding only and are eligible for EU top funds based on a value agreed upon by the **In-Kind Management Board (KDM)** (see below) However, final funding decisions, deviations and exceptions from the original model are common in order to fund the maximal number of projects. Budget flexibility may be necessary in order to maximise the output and impact of the entire COFUND Action. Budget flexibility is ensured by the following

Safeguards and Restrictions

- Safeguard: MSFA have tried to align their initial commitments with their research community. If the National RPAs proposals are awarded more than the National MSFA commitment plus Top Up , the MSFA will strive to bring in additional funding.
- Safeguard: MSFA aim to limit oversubscription to 3 times their financial and IN KIND commitment.
- Flexibility: MSFA must create a reserve about 20% higher national budgets than needed to release the EC Top-Up

- If a National MSFA invite projects with a 50% higher budget than the National MSFA funds available. This over commitment (50%) will impose a selection of the top proposals based on the funds available.

GOVERNANCE: IN-KIND MANAGEMENT BOARD (KMB)

Critical for the establishment and success of a Cofund, its content and funding is the establishment of a managerial body which for the purpose of JPIO will be an in Kind management board (KMB). The KBMs composition and responsibilities are as follows.

- The KMB is composed of **one representative from each partner organisation** participating in the in-kind topic of a joint call.
- The KMB is the **decision-making body for the focus of in-kind topic** of the joint call.
- The KMB decides based on market value the value of In Kind contributions from the RPO. (see appendix 2 for potential contributions.
- The KMB **will not take part in the evaluation process** of the joint call, to avoid conflicts of interest but is **responsible for soliciting the advice of external experts** to evaluate the projects.
- The KMB **collates project reviews and decides upon the distribution of funds** based on project merit and national funding agency contributions i.e. when the MSFA budget is exhausted no more partners can participate from that country. **However, if the activities are deemed critical for project success the KDM shall access the critical nature of activity and if justified allocate funds either or from the EU top up or MSFA funds.** The later is based on the willingness of the MSFAs to provide support.

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APPENDIX 1: GUIDELINES FOR IN KIND AND EC TOP-UP

As outlined in <http://jpi-oceans.eu/joint-calls> in-kind contribution and the EC top-up contributions will follow the following guidelines for their recognition and distribution.

IN-KIND Contribution

- Partners can be considered as funders and involved in the agreement if they commit financial resources or open access to national infrastructures.
- In-kind contribution such as access to infrastructures or personnel is recognized when their necessity is clearly demonstrated in terms of their strategic roles in achieving the objectives. These roles and the percentage of the value of the in-kind contribution which is considered comparable to a cash contribution have to be defined in the call text (scaling ratio).
- The in-kind contribution has to be registered, accounted and accessible between the participants. EC rules are used for the calculation of the costs of personnel and use of infrastructures.
- Flexibility in the use of the scaling ratio should be adopted in case of strategic involvement of some partners (especially when dealing with geographical coverage of data and infrastructures).
- The maximum total in-kind contribution should not exceed totally #% of the whole budget from Member States and Associated Countries. This upper limit has to be published in the call text.

TOP-UP: In case of adopting the Mixed Mode Model as a Financing System

- The just retour approach should be limited, whenever possible, in order to agree upon reasonable arrangements on funds and capacities to optimise the results.
- In principle, in case of the adopting mixed mode model as financing system, no national/regional funding will cross the borders. The mixed mode – which was the most used model for ERANET Plus calls, helps to ensure that selection decisions can follow the common ranking list of the evaluated proposals (which was an ERANET Plus requirement) and that the participating funding countries/beneficiaries maintain their initial commitments. The final decision on which projects are to be funded in joint calls will determine the amount of budgets to be spent by the funders, and this will influence also the EC contribution. The final EC contribution is open to variations and will, in principle, be determined at the end of the activities funded within the calls as the costs claimed by and granted to the projects can vary in their running time.
- To ensure that as many ranked projects as possible following the ranking list can be funded, up to #% of the available EC contribution will be used as a “balancing pot” for filling up the funding gaps caused by a lack of funds available to national/regional

funding agencies and accordingly to the criteria for selection defined by the adopted peer review (selection) process. The remaining portion of the EC funds will be distributed proportionally among the funding agencies based on the actual respective national/regional contributions, taking into account the in-kind contribution as previously described.

To summarize the principles for distributing the funding:

- EC and national regulations for funding are applied
- Funding follows ranking list as defined by the adopted selection process
- A mixed mode funding model is applied
- No national/regional funding will cross the borders
- Up to % of the EC top-up is used as a balancing pot and the remaining portion will be proportionally

distributed based on the actual national/regional contributions.

The final distribution of the EC contribution will be defined after the ranking list has been approved and the in-kind contribution from the beneficiaries of the funded projects has been calculated.

APPENDIX 2. RPO POTENTIAL IN KIND CONTRIBUTIONS.

Salary

Salary and benefits of partner institution employees when they undertake activities related directly to the project

Travel and subsistence costs

- Reasonable out-of-pocket expenses for work that is directly dedicated to the funded project
- Reasonable conference travel costs related to the funded project
- Conference registration fees; or a proportion of these fees if only part of the conference focuses on issues or topics related to the project

Vessels

- Cost for vessel charter including ships staff, fuel and food.
- Costs for participation in ongoing cruise program, including lodging, food and laboratory facilities.

Equipment, materials and supplies

- Donated used equipment, material and supplies, at:
 - fair market value
 - company book value
- Donated new equipment, material and supplies, at:
 - selling price to most favored customer (if stock item)
 - cost of manufacture (if one of a kind)
- Loaned equipment, material and supplies, based on:
 - rental equivalent based on depreciation

Data access and handling

- Cost of purchasing licenses needed for the project, if not already provided by the institution
- Development cost of new technologies related to the project
- Access to unique databases (e.g. remote sensing, hydrographic and environmental data.
- Costs of collecting and archiving data where:

- the data are critical to the success of the project;
- cost for archiving data in a public database within a reasonable time following the completion of the project; and
- maintaining the database in the public domain

Use of facilities

- Donated meeting rooms, space or laboratory facilities for which a fee is usually charged
- Donated additional office space i.e. space required to accommodate students, international collaborators, etc., who are contributing to the initiative)
- Rental costs for specialized equipment needed at events

Note: The value of donated meeting rooms should be calculated at the rates normally charged to staff, and not at rates charged to clients.

Sample Analysis

- Analysis costs based on commercial rates or based on estimated costs for equipment depreciation, consumables and staff time

Technical Document 4 attached to the European XFEL Convention

Basic rules and procedures for in-kind contributions

- (1) In-kind contribution might cover
 - a technical component as well as personnel needed for its installation and integration on site, or
 - personnel made available for specific tasks during the construction phase.
 - (2) Special attention has to be paid to the allocation of responsibility, the calculation of the monetary / financial value of the contribution, the problem of under- and over-spending, and the resolution of disputes.
 - (3) The in-kind-contribution agreement for each task will contain *inter alia*
 - a technical description and specifications,
 - time schedules and milestones,
 - deliverables,
 - quality control issues,
 - performance testing, acceptance and commissioning,
 - technical and financial control systems,
 - appointment of responsible technical personnel,
 - intellectual property right issues.
 - (4) An In-kind Review Committee is set up, composed of one representative per Contracting Party and the Project Team, to propose to the XFEL Management the allocation of in-kind tasks to specific partner institutes for decision by Council.
 - (5) The Review Committee seeks to take the best profit of available expertise at DESY and throughout Europe and identifies to this end the possible / potential work packages for in-kind contributions as a function of the available expertise and independent of the location.
 - (6) The Review Committee, when evaluating possible allocations of in-kind contributions, will take into account the willingness of the partner institute to make available personnel and experts for the installation and integration of the delivered system as well as for its operation. The conclusion of long-term maintenance contracts may be envisaged.
 - (7) The Review Committee will define very early in the process the necessary interface specifications and common standards, in order to extend the field of potential in-kind contributions to any task which has a clear interface with another task, element or component.
 - (8) Central coordination for each of the elements is essential and will have to be located where the relevant expertise is available.
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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 696324