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Baltic Sea Region Programme 2014 - 2020

Discussion paper for the meeting with Priority Area Coordinators and Horizontal Action Leaders 5 February 2014

The Baltic Sea Region Programme will be continued during the funding period 2014-2020 as transnational cooperation programme of the European Regional Development Fund (ERDF). It will aim at strengthening the territorial integration of the Baltic Sea Region by supporting cooperation between the EU Member States Denmark, Estonia, Finland Germany, Latvia, Lithuania, Poland, Sweden and the partner countries Belarus, Norway and Russia.

The draft Operational Programme was approved by the Joint Programming Committee (JPC) on 4 December 2013. It is an advanced draft resulting from an intensive transnational discussion process between the involved countries. The document defines the strategic approach of the Programme and outlines the scope of the following four funding priorities:

- Priority 1 'Capacity for innovation'
- Priority 2 'Efficient management of natural resources'
- Priority 3 'Sustainable transport'
- Priority 4 'Institutional capacity for macro-regional cooperation'

The division of the budget into the four funding priorities is still under discussion in the JPC. Previous discussions have shown that the great majority of the funds (around 90%) are expected to be made available for project funding under thematic priorities 1-3. The discussions have also shown that approximately 4% would be made available for priority 4, which equals approximately 10.5 million euro.

The new Programme has been under preparation since early 2012. During the entire process a participatory approach has been applied to assure that the Programme meets the actual needs for transnational cooperation in the region. The draft Programme documents (i.e. draft Operational Programme and draft Strategic Environmental Assessment Report) will be now subject to public consultations, which will be launched on 31 January 2014 and will last until 28 March 2014.

Priority 4 'Institutional Capacity for Macro-regional Cooperation'

Priority 4 'Institutional Capacity for Macro-regional Cooperation' is dedicated to actions strengthening the implementation of the EU Strategy for the Baltic Sea Region as well as the implementation of common priorities with partner countries. The Programme is planning to provide a financial support to these activities.

Specific objective 4.1 "Seed Money"¹

Aim: to increase capacity for transnational cooperation implementing the EU Strategy for the Baltic Sea Region and working on common priorities with partner countries.

The EU and partner countries located in the Baltic Sea Region often face challenges, which require joint solutions and coordinated responses. The work towards achievement of common goals can be supported through the implementation of transnational cooperation projects among EU and partner countries in the Baltic Sea Region.

However, the experience of the implementation of the EU Strategy for the Baltic Sea Region (EUSBSR) has shown that the mobilisation of funding sources and preparation and governance of complex projects in a transnational environment is challenging. The initiation of complex projects with strategic impact is often time demanding and requires financial resources, which project idea owners often lack. Furthermore, funding during the preparation stage is considered as vital to project proposals that include investment components.

For the afore mentioned reasons the EU Member States of the Baltic Sea Region and the European Commission decided to establish a Seed Money Facility enabling the preparation of project applications in line with the Action Plan to the EUSBSR. In 2013-2014 the Seed Money Facility is managed by Investitionsbank Schleswig-Holstein. During this phase the funding is granted to more than 60 preparatory projects.

The Baltic Sea Region Programme continues with the seed money support. The funded seed money projects are expected to prepare project proposals with strategic importance to one of the priority areas or horizontal actions of the EU Strategy for the Baltic Sea Region preferably linked to joint priorities with the partner countries. The projects will be prepared to apply for funding from any EU, national or other funding sources. Regardless of the thematic focus of the Baltic Sea Region Programme, seed money projects can address any topic that is listed in the Action Plan of the EU Strategy.

Example actions:

- Preparation of projects under the priority areas and horizontal actions of the EUSBSR Strategy (including building partnerships, planning the activities and outputs, preparing an indicative budget and searching for funding possibilities, pre-investment studies), preferably linking to joint priorities with the neighbouring countries.

Main target groups:

- National, regional and local public authorities
- Research organisations
- NGOs
- SMEs

¹ Draft version as of 17 January 2014 of the Operational Programme of the Baltic Sea Region Programme 2014-2020, based on the agreement of the Joint Programming Committee reached in December 2013.

Proposals for the future focus:

It is proposed to provide support to:

- 1) development of projects with a high potential to become a flagship project²;
- 2) projects focusing on planning of investments with high macro-regional impact.

Total budget: EUR 3 Million (with the focus on 2016, 2017, 2018)

Size of the project budget: the size of total budget of the seed money project may range from EUR 30,000 to 50,000. When the pre-feasibility studies are included, the project budget may reach up to EUR 100,000.

Co-financing rate:

Option 1: The co-financing rate amounts up to 85% of the total seed money project budget

or

Option 2: The same co-financing rates will be applied as in the other three BSR Programme priorities. The co-financing rates vary depending on the partner country (75-85%) and depending on the source of the funding: European Regional Development Fund (ERDF); Norwegian national funds; European Neighbourhood Instrument (ENI) and Russian National Funds.

(The co-financing rates of the Priority 4 are still a subject of discussion at the Joint Programming Committee.)

Set up of the seed money project: The general set up of the seed money projects will remain the same as in the current Seed Money Facility (duration, requested pre-defined outputs, i.e. report on the state of play; main project plan and reports on funding possibilities). The partnership composition would also remain unchanged (minimum 3 partners from the Baltic Sea Region countries).

However, the Joint Programming Committee (JPC) has to still decide on the requirements for the Lead Partner organisation (geographical location, and the type of legal entity (NGO, public institution etc.)).

Eligibility of costs:

Eligibility rules will be aligned with the ERDF eligibility requirements and harmonised with the rules applied in other priorities of the BSR Programme (especially regarding the procurement regulations).

Possible options for simplification (i.e. application of standard unit costs, possible application of lump sums) will be applied as far as possible. *These are still under discussion in the programming bodies.*

² Based on the flagship project selection criteria, described in the Action Plan of the EUSBSR, flagship projects are referring to projects having a high macro-regional impact, contributing to fulfilment of the objectives, indicators and targets of the EUSBSR, as well as are related to the implementation of one or more actions of the priority area/horizontal action concerned.

Project pre-selection procedure and support to beneficiaries³:

In order to ensure a higher transparency of the project pre-selection procedures, it is proposed to set a clear general project pre-selection criteria (e.g. following mainly the existing flagship selection criteria as listed in the EUSBSR Action Plan, as well as stressing the added-value in terms of already implemented initiatives aspect). The criteria will be included in the Programme Manual. However, the PA/HA will be able to set additional pre-selection criteria, which will have to be communicated to applicants.

It is also proposed to increase the role of PACs/HALs in project generation processes (e.g., promotion of the facility, development of project ideas together with the applicants, cooperation with applicants etc.).

Furthermore, in order to avoid that the number of pre-selected projects exceed the available funds, a clear limit for a number of projects that can be recommended per PA/HA will be set.

Application procedure: would remain the same as in the current Seed Money Facility (the projects need to obtain the support from PACs/HALs; the Joint Secretariat (JS) would perform the quality assessment and would clarify open points before recommending projects for approval). However, to reduce the workload of the PACs/HALs, instead of issuing single letters of support, the PACs/HALs will have to send one list of the pre-selected projects to JS. The form will be provided by the JS.

There will be two cut off dates announced a year – 10 weeks before the planned Monitoring Committee of the Baltic Sea Region Programme (MC) meetings. However, to allow PACs/HALs to follow up on the seed money projects approved in 2014, as well as to allow sufficient time for development of new applications, the first financial decision is planned in 2016.

Project approval: the project will be approved by the MC. The MC will be responsible for ensuring the balance between the recommended projects per PA/HA, as well as for ensuring the evaluation of the proposed applications' added value in respect to other activities implemented. The PACs/HALs will have the opportunity to comment on the recommended applications for approval. The MC will receive PACs/HALs comments before the final decision making.

Reporting procedures: It is proposed to have only one report at the end of the project implementation. *However, the Programme has to still discuss the control issues, which will be aligned with the ERDF eligibility requirements.*

³ These criteria are developed as a response to the main shortcomings of the current pre-selection procedures: 1) the pre-selection procedure applied by PACs/HALs is not always clear to applicants. Furthermore, the PACs/HALs have limited possibilities to be involved in the project development; 2) the project selection timeline is often not in line with internal PA/HA processes (steering group meetings etc.). Furthermore, PACs/HALs would require more time for project pre-assessment.

Specific objective 4.2⁴

“Coordination of macro-regional cooperation”

Coordination of macro-regional cooperation: To increase capacity of public administrations and pan-Baltic organisations for transnational coordination in implementing the EU Strategy for the Baltic Sea Region and facilitating the implementation of common priorities with the partner countries.

The Priority Area Coordinators (PAC) and Horizontal Action Leaders (HAL) are given a central role in coordinating the priority areas and horizontal actions of the EUSBSR Action Plan and for ensuring the timely delivery of results of the projects in their area. The PACs and HALs are expected to facilitate the involvement and cooperation with relevant stakeholders from the entire macro-region including the partner countries. Their tasks include the facilitation of policy discussions in the Baltic Sea Region regarding the priority area concerned as well as the facilitation of development and implementation of actions and flagship projects. This includes implementation of common priorities with the partner countries in close cooperation with relevant actors from these countries. In order to ensure communication and visibility of the priority area the PACs and HALs are also expected to convey relevant results and recommendations of flagship projects to the policy level.

The tasks of PACs and HALs are carried out mainly by national ministries or agencies. They often reach beyond regular tasks of the staff in these organisations. The PACs and HALs need additional resources in particular for frequent communication with project leaders and stakeholders in the entire Baltic Sea Region area.

Within this specific objective the Programme provides support to PACs and HALs in order to carry out additional tasks related to their role as a coordinator/leader set in the EUSBSR Strategy as well as in relation to the implementation of common priorities with the partner countries. The Programme does not fund all the costs of an organisation deriving from its role as a PAC/HAL, including regular staff costs, but rather additional costs for selected activities (e.g. travel, meetings, events, communication material, expert studies). Staff costs of a person working as/for the PAC/HAL can be funded if the tasks are clearly related to specific activities (e.g. preparation of specified meetings, coordination of expert inputs for a study) presented in a work plan for implementation of the PA/HA. In addition, the Programme provides support to relevant institutions in the partner countries for selected coordination activities in order to implement joint priorities with the EUSBSR.

Example actions:

- Facilitating policy discussions in the Baltic Sea Region regarding the Priority Area/Horizontal Action concerned.
- Facilitating policy discussions regarding the synergies and common approaches between the EU and non-EU countries (e.g. between the EUSBSR and the North-West Strategy of Russia) in the region.
- Facilitating development and implementation of actions and flagship projects defined under the Priority Area/Horizontal Action.
- Conveying relevant results and recommendations of on-going and completed

⁴ Draft version as of 17 January 2014 of the Operational Programme of the Baltic Sea Region Programme 2014-2020, based on the agreement of the Joint Programming Committee reached in December 2013.

flagship projects to the policy level (capitalisation of projects under the Priority Area/Horizontal Action).

- Ensuring communication and visibility of the Priority Area/Horizontal Action as well as synergies with common priorities of neighbouring countries.
- Maintaining a dialogue with bodies in charge of implementation of programmes/financial instruments on alignment of funding for implementation of the Priority Area/Horizontal Action and flagship projects.
- Intensifying links of the EUSBSR with strategies covering neighbouring countries and facilitating development of joint actions in the fields of common interest.

Main target groups:

- Priority Area Coordinators and Horizontal Action Leaders of the EUSBSR
- International bodies as well as national ministries and agencies acting as coordinators between the priorities of neighbouring countries and the EUSBSR

Geographical coverage:

The whole territory of the Baltic Sea Region.

In addition, to the already agreed content of the specific objective 4.2 above the following amendment is proposed (not included in the current version of OP):

It is assumed that National Contact Points (NCP) of the Strategy will take a stronger role in supporting Member States' leadership and ownership of the Strategy. It is also assumed that the National Contact Points would have rotating presidencies in the future and that they could take over the responsibility for the operational and technical work related to the Strategy implementation (e.g. organisation of Strategy working meetings, networking events, as well as communication activities). The Programme provides support to these activities. However, the Annual Forum of the EUSBSR cannot be funded by the Programme funds.

The example actions and main target groups listed above are proposed to be amended allowing the funding of NCPs' activities under the specific objective 4.2.

This amendment is subject to further discussions at the Joint Programming Committee.

Total budget: EUR 7.5 Million, which would be allocated as follows:

- 1) EUR 0.7 Million for the financing of the general Strategy support activities carried out by the NCP network and or individual NCPs
- 2) EUR 6.80 Million for PAC/HAL support (total amount for the programme period)

Size of the grant per PA/HA:

Taking into account the current number of the Priority Areas (PA)/Horizontal Actions (HA) and provided that all PA/HA would apply; the grant would equal approximately EUR 50,000 a year. It is proposed to have a three year grant, amounting approximately up to EUR 150,000.

In well justified cases, when planned activities require additional budget (e.g., larger policy conferences, ministerial meetings, policy studies etc.), the budget can be increased up to EUR 100,000 a year, but not exceeding EUR 200,000 in a three year period.

When applying, the PACs/HALs would need to provide a description of the planned main activities for the three year period, a more detailed description of the planned activities for the first year (detailed work plan) and an estimation of the total budget.

Co-financing rate (*still under discussion at a Joint Programming Committee*):

Option 1: The co-financing rate amounts up to 85% of the total budget
or

Option 2: The same co-financing rates will be applied as in the other three BSR Programme priorities. The co-financing rates vary depending on the partner country (75-85%) and source of the funding: European Regional Development Fund (ERDF); Norwegian national funds; European Neighbourhood Instrument (ENI) and Russian National Funds.

Duration: PACs/HALs can apply for multiannual grants (3 years), which will be updated on the basis of annual work plans. The NCPs can apply for shorter period tasks (e.g., support for the organisation of the working and networking meetings of EUSBSR) or a longer term tasks (max.3 years), e.g., communication activities.

Application and project selection procedure:

- **PACs/HALs support facility**

The Priority Area Coordinators and Horizontal Action Leaders of a specific area/action have to present a joint application. The application will provide information on the partnership (if applicable), strategic aims for the period, a general three year work plan, a detailed work plan for the first year (describing: planned activities, expected results, monitoring, and evaluation and control arrangements) and a budget.

The application forms are submitted to the JS for technical and quality check. Once the work plans will be technically ready and generally in line with the EU Strategy for the Baltic Sea Region, they will be approved as one package by the BSR Programme's Monitoring Committee.

After the first 10 month of the project implementation, the PACs/HALs will have to submit an updated work plan for the following year. This will be assessed by JS.

It is proposed to have calls in: 2015 and 2018.

- **Support to the NCPs**

The co-financing for the support of the operational and technical work related to the Strategy implementation (e.g. organisation of Strategy working meetings, networking events, as well as communication activities etc.), will be provided to NCPs either on semi-annual, on annual or on long term basis (max.3 years).

All applications from a single NCP or a group of NCPs will need to be supported by all NCPs. It is proposed that the applying NCP or group of NCPs would provide a description of the planned activities to the JS. The JS will carry out technical and quality checks.

Once the description of the planned activities will have a sufficient technical quality, the application will be approved by the BSR Programme's Monitoring Committee.

Contracting: *still subject to discussion with the legal department of the Investitionsbank Schleswig-Holstein.* The programme will follow the so called lead partner principle. It means that one of the PACs/HALs or NCPs carrying out the project is appointed as a lead partner and will be the contracting party with IB.SH. This partner will act as a link between the project and the JS.

Reporting procedures: The PACs/HALs or NCPs will have to submit one financial and narrative report after one year of implementation. *However, the financial requirements, possible simplification and control issues, will be aligned with the ERDF eligibility requirements.*