

**Federal Ministry
of Food and Agriculture****Directive
on the funding of international research cooperation for global food security****Dated 16 February 2016****1 Background and objectives**

Despite a slight improvement in recent years, almost 800 million people are still starving worldwide while around 2 billion others are suffering from “hidden hunger”, i.e. a vitamin and mineral deficiency. At the same time, the world population continues to grow, thus increasing the demand for food. Changed consumption habits in emerging economies coupled with an increased global demand for sustainable raw materials for the non-food area are leading to increased demand and competition for agricultural production areas. On top of this, global challenges such as climate change are putting considerable pressure on agriculture to adapt. To improve the global food situation in a sustainable manner, progress must be made in agricultural productivity and the further build-up of competences and structures among other things. International agriculture and food research plays a key role here and for this reason, the German government is giving more support to research of this kind through contributions from the Federal Ministry of Food and Agriculture (BMEL), Federal Ministry for Economic Cooperation and Development (BMZ) and Federal Ministry of Education and Research (BMBF). The objectives and alignment of each of the funding programmes and instruments are structured in such a way here that they complement one another in a practicable manner.

The BMEL funds international research cooperation projects to secure the global food supply, as well as a bilateral exchange of information among scientists to build up and maintain scientific partnerships and establish international research cooperation on the basis of bilateral agreements with selected partner countries. The international research cooperation for global food security consists of applied, practice-orientated agriculture and food research between German research institutions and those of other countries and regions which are severely affected by hunger and malnutrition¹, as is the case in countries in sub-Saharan Africa and south and south-east Asia.

This directive was developed especially for the funding instrument “International Research Cooperation for Global Food Security”. It enables the BMEL and project sponsor to initiate legally secured, transparent approval processes, thus strengthening and optimising the contribution of the BMEL towards improving global food security through the funding of research (on the basis of the human right to adequate food).

2 Legal basis

Within the scope of this funding directive and each of the bulletins published thereon on the basis of the General Administrative Regulations (VV) governing Art. 44 of the Federal Budget Code (BHO), the BMEL makes donations to promote research projects in the field of food

¹ 2014 Global Hunger Index by International Food Policy Research Institute, Concern Worldwide, Welthungerhilfe, Bonn/Washington, D.C./Dublin, October 2014

security. There is no entitlement to the granting of aid. The approval authority decides on each application at its dutiful discretion. The granting of aid is subject to the availability of the budgeted funds.

Funding in line with this directive is granted subject to and in accordance with Regulation (EU) No. 651/2014 of the Commission of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 187 of 26.6.2014, P.1, in particular accordance with Article 25, and is exempted by this regulation.

3 Purpose of funding and aid

The purpose of international research funding for global food security is to improve the security of the food supply along its four dimensions (availability, access, use and utilisation and stability) by making direct use of the capacities and capabilities of German agriculture and food research while paying particular attention to quality aspects. One of the main objectives here is to build up an efficient and food-sensitive food production system (diversified range of foods) on-site and improve the nutrition of the population (actual consumption). This is to be achieved among other things by establishing long-term, durable partnerships between German food research institutes and their counterparts in selected developing countries and emerging economies. By doing so, in addition to scientific progress and exchange per se, the intention is to make a decisive contribution towards capacity development in these countries in a manner which meaningfully complements the activities of the BMEL within the scope of its collaboration with the FAO, bilateral cooperation programmes and the bilateral exchange of scientists.

The further dissemination of new findings from joint, practice-relevant, applied research in the field of food and agriculture is to be guaranteed by utilising existing local knowledge management systems and agricultural consulting services. Solution approaches should flow into regional development programmes or be disseminated via networks/forums with the inclusion of a wide range of potential users, such as national players from the fields of research, consultancy, education, agriculture (including smallholders), the food industry and politics.

Research projects which pursue the following goals in particular are supported:

- Development of an efficient and sustainable agriculture and food industry on site with a view towards economy, protection of the environment and resources, resource efficiency, climate change, resilience, animal welfare, plant and animal health (incl. zoonoses) and food safety
- Minimisation of quantitative and qualitative losses in the chain from production to the consumer
- Improvement of food safety and quality (product and process quality) in the value chain
- Build-up and optimisation of value chains on site under consideration of the role of producer cooperatives
- Improvement of food quality in the sense of a balanced and flawless diet, as well as a reduction of hidden hunger by means of a food-sensitive, diversified agriculture and food industry along with improved and sustainable consumption behaviour
- Alignment of agriculture and the food industry to the needs of a balanced and flawless diet

- Improvement of education and consultancy systems, as well as the possibility of using new information and communication technologies in agriculture and the food industry
- Overcoming of complex economic, ecological and social challenges for the permanent improvement of food security on site through the use of overarching system approaches

Research topics to achieve these goals are published in separate bulletins and/or research calls.

4 Project structure and beneficiaries

Fundamentally, this directive requires that research consortiums are funded which consist of at least one German institution (= an institution with a branch office in Germany) as the coordinator and at least one institution from at least one partner country. The foreign partners must be research institutions in the target region or partner country in which the research is to be implemented. The inclusion of suitable local players from non-research areas can also be supported to a limited extent to implement project components involving the transfer of knowledge and capacity development. In this regard, research consortiums can also comprise relevant partners from the field of development with suitable activities in the partner countries in question.

The principal applicants/beneficiaries on the German side are research institutions within the portfolio of the BMEL, as well as German universities and non-university, non-profit research institutes. On the German side, non-government organisations (NGOs), charitable associations and foundations, cooperatives and small and medium-sized enterprises (SMEs) as defined by Article 2 Number 2 in conjunction with Annex 1 of Regulation (EU) No. 651/2014 can also receive funding.

On the side of the foreign partner(s), the beneficiaries to be supported through the promotion instrument are primarily universities, government-funded research institutions and non-profit institutions, as well as farmers' and consultancy organisations from the target region in which the research is to be realised. Regional research networks, such as the Forum for Agricultural Research in Africa (FARA), the Association for Strengthening Agricultural Research in Eastern and Central Africa (ASARECA) and Regional Universities for Capacity Building in Agriculture (RUFORUM) can also participate in the projects. The inclusion of suitable local or regional players from non-research areas (e.g. NGOs, SMEs) can also be supported to implement project components.

International agriculture research institutions belonging to the Consortium of International Agricultural Research Centers (CGIAR) and the Association of International Research and Development Centers for Agriculture (AIRCA) are not themselves entitled to apply, but they can participate with their own funding in the research consortiums promoted in line with this directive. Tasks within each project should be distributed correctly between the German partners and those in the partner countries in a manner appropriate to each research approach.

Partners in developing countries are financed fundamentally through the forwarding of grants (cf. Number 12 W of Art. 44 BHO). Within each project, the coordinator of the research consortium, which must be a German research institution, is responsible for forwarding the funds. The coordinator applies for the necessary subsidies and forwards them as the first beneficiary to the foreign partners. German institutions applying for subsidies must be

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authorised and suitable for the forwarding of project funds. They must have the necessary knowledge and infrastructure to enable them to forward the funding correctly.

5 Type and scope of funding

Funding is granted as full or part financing within the scope of project sponsoring in the form of a non-repayable subsidy on the basis of project-related expenses or costs eligible for funding.

Where the sponsoring of research and development projects is concerned, only verified project-specific expenses and costs eligible for funding may be subsidised. The inclusion of suitable local and other players from non-research areas can also be supported to a limited extent (up to € 50,000 in total) to implement project components. Provided the recipients are not enterprises as defined by Article 107 Para 1 TFEU and contracts are not awarded on the basis of a competitive process, funding is granted as de minimis aid in line with Regulation (EU) 1407/2013² or the relevant de-minimis regulation³.

When granting funding, the provisions of EU state aid law must be observed in accordance with the following principles:

Whether funding constitutes state aid as defined by Article 107 Para 1 TFEU in each instance depends in every case on the relevant provisions of the Union framework for state aid for the promotion of research, development and innovation (OJ C 198 of 27.06.2014, P. 1, hereinafter R&D&I framework), in particular accordance with Numbers 2.1.1 and 2.2.

5.1 EU state aid law (Case Group 1)

According to this law, the funding of research institutions which exclusively engage in non-economic activities does not fundamentally constitute state aid, which means that the corresponding projects can be supported to 100% (full financing).

If a research institution engages in non-economic as well as economic activities and its costs, funding and revenues are clearly separated from one another (separate accounting) so that projects can be allocated to the non-economic activities, this does not constitute state aid either, with the result that the projects can also be supported to 100%.

With cooperation projects consisting of consortiums of research institutions and enterprises that do not engage in economic activities, the funding of research institutions does not constitute (direct) state aid according to the provisions of Number 2.2. of the R&D&I framework if one of the following prerequisites has been met:

- a) The enterprises involved carry all of the costs of the project.
- b) The results of the cooperation, for which no intellectual property rights can be established, can be widely distributed and any intellectual property rights which may arise

² Commission Regulation No. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352 of 24.12.2013, P. 1)

³ Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352 of 24.12.2013, P. 9) or Commission Regulation (EU) No. 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190 of 28.6.2014, P. 45)

from the activities of research institutions and/or research infrastructures are allocated in full to each respective institution or infrastructure.

- c) Intellectual property rights arising from the project and the related access rights are allocated to the various cooperation partners in a way which takes their work, contributions and respective interests into account in an appropriate manner.
- d) The research institutions or research infrastructures receive market-based remuneration for the intellectual property rights arising from their activities, which are then allocated to the participating enterprises or for which the participating enterprises are granted access rights.

In the instances outlined in a) to d), above, research institutions' projects can be funded up to 100%.

If the individual SMEs involved in the cooperations receive additional aid, this will be considered state "aid" in all instances – irrespective of the applicable criteria – with which the specifically admissible funding rate then depends on the relevant provisions of the General Block Exemption Regulation contained in Regulation (EU) No. 651/2014.

The following provisions listed under Number 5.2 of this directive apply to funding which constitutes state aid. The notification thresholds in line with Article 4 Para 1 Letter i of Regulation (EU) No. 651/2014 must be observed here.

5.2 EU state aid law (Case Group 2)

The provisions of Regulation (EU) No. 651/2014 apply to funding which constitutes aid as defined by European state aid law. The following essential provisions apply accordingly:

5.2.1 Categories

It must be possible to fully allocate the funded part of the research and development project to one or more of the following categories:

- a) Fundamental research
 - b) Industrial research
 - c) Experimental development
 - d) Feasibility studies
-
- a) "Fundamental research" (Article 2 Para 84 and Article 25 Para 2 Letter a of Regulation (EU) No. 651/2014) means experimental or theoretical work undertaken primarily to acquire new basic knowledge without any recognisable direct commercial application or use in view.
 - b) "Industrial research" (Article 2 Para 84 and Article 25 Para 2 Letter b of Regulation (EU) No. 651/2014) means planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. This also includes the creation of component parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and in particular for generic technology validation.
 - c) "Experimental development" (Article 2 Para 86 and Article 25 Para 2 Letter c of Regulation (EU) No. 651/2014) means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for

example, activities aiming at the conceptual definition, planning and documentation of new products, processes and services.

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions if the primary objective is to make further technical improvements to products, processes or services which have not yet been essentially established. Experimental development may include the development of a commercially usable prototype and pilot projects if this by necessity involves the final commercial product which would be too expensive to produce solely for demonstration and validation purposes.

Experimental development does not encompass any routine or regular changes to products, production lines, manufacturing processes, existing services or other operational processes, even if changes of this kind were to constitute improvements.

- d) Feasibility studies (Article 2 Para 87 and Article 25 Para 2 Letter d of Regulation (EU) No. 651/2014) comprise the evaluation and analysis of the potential of a project with the goal of facilitating the process of decision-making by objectively and rationally showing its strengths and weaknesses along with any related opportunities and hazards, as well as identifying the resources which would be required to carry it through and establishing what the prospects for the success of the project would be.

According to this directive, although the above-mentioned research categories are possible, restrictive stipulations regarding the research categories eligible for funding can be made within the scope of a bulletin.

5.2.2 Costs of research and development projects eligible for aid

According to Article 25 of Regulation (EU) No. 651/2014, the eligible expenses and costs of research and development projects have to be allocated to one of the research and development categories mentioned in 5.2.1, above.

The eligible costs of research and development projects include:

- Personnel costs: Costs for researchers, technicians and other personnel deployed in the research project
- Costs for instruments and equipment if and for as long as they are used in the project. If these instruments and equipment are not used for the project for their entire service life, only the depreciation in value determined in line with the principles of proper accounting during the project are regarded as eligible.
- Costs for buildings and plots of land if and for as long as they are used in the project. With buildings, only the depreciation in value determined in line with the principles of proper accounting during the project are regarded as eligible. With plots of land, the costs of the economic transition or capital costs actually incurred are eligible.
- Costs for contract research, knowledge and any patents acquired directly or under license from third parties in compliance with the arm's length principle, as well as the costs for consulting and equivalent services used exclusively for the project.

- Additional operating costs (including those for material, expendables and the like), including travel costs incurred directly by the project.

5.2.3 Aid intensity

The aid intensity for each beneficiary may not exceed the following rates in line with Regulation (EU) 651/2014:

- 100 % of the eligible costs for fundamental research (full financing)
- 50 % of the eligible costs for industrial research (partial financing)
- 50 % of the eligible costs for feasibility studies (partial financing) and
- 25 % of the eligible costs for experimental development (partial financing)

The aid intensities for industrial research and experimental development may be increased up to a maximum aid intensity of 80% of the eligible costs as follows:

- By 10 percentage points for medium-sized enterprises
- By 20 percentage points for small enterprises
- By 15 percentage points if one of the following conditions is fulfilled:
 - i) The project involves active collaboration between
 - a) enterprises among which at least one is an SME, or which is carried out in at least two member states, or in a member state and in a contracting party of the EEA agreement, and no single enterprise bears more than 70% of the eligible costs, or
 - b) an enterprise and one or more research and knowledge-dissemination organisations, where the latter bear at least 10% of the eligible costs and have the right to publish their own research results
 - ii) The results of the project are widely disseminated through conferences, publication, open access repositories, or free or open source software.

The aid intensities for feasibility studies may be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises.

Aid intensity in a collaboration project is determined separately for each beneficiary. If a project is subdivided into several parts, each part must be allocated individually to the research categories.

Where state aid is granted to research and development projects conducted in cooperation between research institutions and enterprises, the combined aid resulting from the direct state funding of a specific research project and, if aid is involved, the contributions of research institutions to this project may not exceed the listed aid intensities for each advantaged enterprise.

6 Funding prerequisites and processes

6.1 Funding prerequisites

The prerequisite for funding is the suitability of the applications with regard to the aid purposes dealt with in Chapter 3 and the funding objectives of this directive, as well as other specific requirements contained in each bulletin.

The prerequisites for funding are in particular that:

- The project makes a significant contribution towards food security and complies with the goals of this directive
- The project is not financed with other public funds
- The Federal Government has a significant interest in the completion of the project
- The applicant presents a sufficiently accurate description of and justification for the project
- The applicant has the necessary qualifications to do the work
- The applicant offers the guarantee of correct and proper business management
- The rendering of a correct and proper where-used list is guaranteed with the applicant
- The project is centrally coordinated by the beneficiary
- The material, information, data and software produced within the scope of the project must be accessible, even to third parties, without any further conditions in line with nationally and internationally valid legal regulations
- The transfer of knowledge of the results to practical applications is guaranteed
- The results produced within the scope of research projects (including the raw data too, where necessary) and solution approaches are made freely accessible to the general public in suitable form and
- The application contains the information listed in Article 6 Para 2 of Regulation (EU) No. 651/2014

With the submission of the application, the applicant consents to the documentation being forwarded to experts for evaluation.

As a fundamental principle, the project may not have commenced until it has been approved (the signing of delivery or service contracts is usually regarded as the start of a project). In certain instances, the approving authority can authorise the commencement of a project after the application has been made but before approval has been given.

6.2 Funding procedure

The procedure used for funding each project is outlined in a bulletin.

Approving authority (project sponsor):

*Bundesanstalt für Landwirtschaft und Ernährung (BLE)
Internationale Zusammenarbeit und Welternährung (Referat 323)
Deichmanns Aue 29, 53179 Bonn, Germany*

Tel: +49 (0)2 28/68 45-3739 (Secretariat)
Fax: +49 (0)2 28/68 45-3029
E-mail: 323@ble.de
Internet: <http://www.ble.de>

6.3 Funding exclusion

Funding will not be granted to enterprises which:

- find themselves in difficulty as defined by Article 2 Para 18 of Regulation (EU) 651/2014
- have not complied with reclamation proceedings on the basis of a recovery order due to a previous Commission decision to determine the illegality and nonconformity of aid with the single market.

7 Other funding provisions

The legal approval prerequisites for funding are regulated in Number 1 W to Art. 44 BHO. The General Auxiliary Conditions for Grants for the Promotion of Projects (ANBest-P) are a component of the notification of award for grants on an expenditure basis. As a fundamental principle, the Auxiliary Terms and Conditions for Funds Provided on a Cost Basis (NKBF98) are a component of the notification of the award for grants on a cost basis.

The upper limits for eligible expenditure are explained here:
http://foerderportal.bund.de/easy/easy_index.php?auswahl=easy_formulare.

As a precautionary measure, reference is made to the obligation to publish individual aid of more than € 500,000 which will apply in accordance with European law from 1 July 2016 in line with Article 9 of Regulation (EU) No. 651/2014.

It should also be noted that aid can be monitored by the European Commission on a case-by-case basis in line with Article 12 of Regulation (EU) No. 651/2014.

8 Commencement

This funding directive comes into effect the day after it is published in the Federal Gazette.

Bonn, 16 February 2016

Federal Ministry of
Food and Agriculture

per proxy
Dr. H. Stalb