

## **E-RIHS PP**

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### **D.3.4 Financial Plan for Implementation**

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## Abstract

Financial sustainability is a basic requirement for the success of any endeavour. But behind financial sustainability there should be a sound financial model backed by a set of general principles ensuring that the management functions do not lead, over time, to unpredicted situations in which the model no longer stands.

The basic financial model of the future **E-RIHS ERIC** was designed prior to the successful application to the ESFRI Roadmap and was screened by its reviewing panel. The present document elaborates on that model towards a proposal of a working financial plan for implementation.

**E-RIHS ERIC** will be a consortium with a formal structure and two operational levels:

- the Central Hub represents the ERIC and operates as the access point to the Research Infrastructure;
- National Hubs operate at national levels in diverse legal frameworks and represent national associations of partner facilities.

Accordingly, the deliverable is organized in three main parts: the first deals with the business description and sources of revenue at partner level, ending with a review of the financial relations of E-RIHS with its partners; the second proposes a set of encompassing principles ending with a description of the funding model of the Central Hub of E-RIHS; finally the third part presents the financial plan, starting with a bill of costs and ending with a proposition of the cash contribution of the Members and Observers of the ERIC (EU Member States, EU associated countries, third countries other than associated countries). The Deliverable concludes with a design for the first years of implementation that will ensure financial sustainability in the medium run though a special contribution by the hosting country.

## Document information

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<b>Abstract (for dissemination)</b>	The deliverable reviews the expected financial relations of E-RIHS with its partners, sets the funding model of the Central Hub of E-RIHS and presents the preliminary financial plan, starting with a bill of costs and ending with a proposal of the cash contributions of the Members of the ERIC.
<b>Keywords</b>	E-RIHS; Heritage Science; Financial model; Financial plan

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## Abbreviations

**A** – part of the annual cash contribution of a Member of E-RIHS: a set amount, the same for all Members

**CNR** – Consiglio Nazionale delle Ricerche (National Research Council of Italy)

**CSIL** – Centre for Industrial Studies (consulting independent company with headquarters in Milan, Italy)

**ERIC** – European Research Infrastructure Consortium

**E-RIHS** – European Research Infrastructure for Heritage Science

**ESFRI** – European Strategy Forum on Research Infrastructures

**EU** – European Union

**FTE** – Full-Time Equivalent (working for 50% of one's time to the ERIC is accounted as 0.5 FTE)

**GA** – General Assembly

**GDP** – Gross Domestic Product (of a country)

**HS** – Heritage Science

**ICT** – Information and Communications Technology

**k** – fraction that multiplied by the GDP of a country (in Euro) returns the variable part of that country as a Member of the ERIC

**MS** – Member State

**RI** – Research Infrastructure

**UK** – United Kingdom

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## Narrative (technical) description

The basic financial model of the future E-RIHS ERIC was designed prior to the successful application to the ESFRI Roadmap and its inherent soundness was screened by the ESFRI reviewing panel. The present document elaborates on that model towards a financial plan for implementation once the ERIC is established.

The document is organised in three parts: the first deals with the whole-important question of the advantages to partners seen under a financial perspective; the second deals with the funding of the Central Hub where all fixed costs of the ERIC are supposed to be concentrated; the third part presents the financial plan, including the bill of costs of the Central Hub and a model for its funding including the partition of the cash revenue by the presumed ERIC Members. At the end of this third part, the difficult teething time is dealt with and the issues solved through a special host premium to be contributed by Italy towards the success of the initiative.

Between the *Preliminary Financial Plan* (D3.1 delivered at M24) and this *Financial Plan for Implementation* (D3.4), an external consultant produced a comprehensive Costbook, elaborated on the extant Bill of Costs, and dwell on the value of the E-RIHS ERIC offer, namely through an economic interpretation of the benefits of E-RIHS and a financial quantification of the access expected to be provided in the future.

# 1 Introductory text and principles

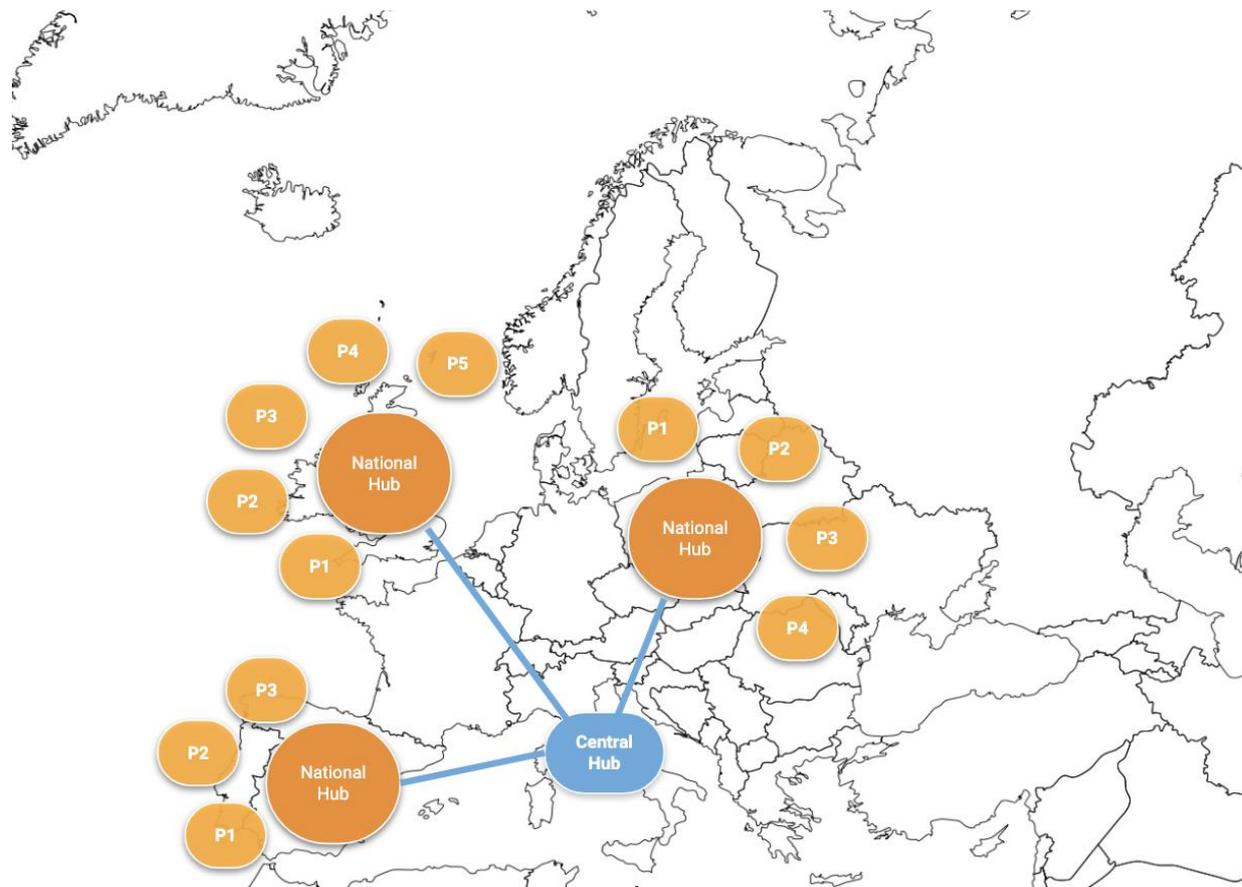
## 1.1 The E-RIHS ERIC Partnership

Members of E-RIHS ERIC may be European Union Member States, EU associated countries, third countries other than associated countries, or intergovernmental organisations.

E-RIHS is a consortium with a formal structure and two operational levels (*Figure 1*):

- the **Central Hub** represents the ERIC and operates as the access point to the Research Infrastructure (RI) which includes four distinct facilities- the four LABS;
- **National Nodes** operate at national levels in diverse legal frameworks and represent national associations of **partner** facilities.

Partners are presumed to be funded at national level for e.g. offering free access to instruments to local users. The process is schematically indicated at the top of the diagram of Figure 2 although it does not have a direct financial impact on the ERIC. However, it is expected that belonging to E-RIHS will enhance funding at national level and, particularly, that in-kind contributions to E-RIHS will have at least a partial compensation from national funding sources.



**Figure 1: The organic structure of E-RIHS includes the Central Hub, where costs of the ERIC are concentrated, National Nodes (or “Hubs”) and local partners**

Membership to a National Node does not imply immediate capacity of partnership with E-RIHS ERIC. Such partnership and the capacity to produce work under its label needs the fulfilment of certain conditions and the signing of an agreement.

Two conditions required from candidate partners to E-RIHS are:

- i. a partner must be self-sustaining independently of any inflow of funding from belonging to the ERIC;
- ii. a partner must comply with set quality requirements of the ERIC.

The term “business” covers, for the purposes of this document, externally-funded and paid activities. The term “operational” covers, for the purposes of this document, relations of E-RIHS partners with their external environment involving revenue specifically connected with stated activities, usually under a written contractual relation with a client, sponsor or funding agency. For the purposes of this document only the activities and transactions eventually performed under the E-RIHS label are considered.

The following working principles are used:

- i. In general, the Central Hub of E-RIHS provides only strategy, coordination and top managerial functions to the group. The Central Hub is not supposed to fund any operational activities of partners with its own resources (this is an option, not a legal imposition) and if it funds e. g. a dissemination initiative organized by a partner, then it must be explicitly considered an E-RIHS ERIC event;
- ii. E-RIHS supports the National Nodes, namely in the procurement of funding, but whether the activities at a national level towards the objectives of the ERIC are locally funded, or not, is a matter of national policy;
- iii. E-RIHS partners at a national level have a contractual relation (e.g. set by a dully signed memorandum of understanding or similar document), either directly with E-RIHS, represented by the Central Hub, or indirectly through the National Nodes. Following that contract, they agree to a common set of rules and offer services in kind to a specified total, to be used by E-RIHS or made available by E-RIHS under its label. They may also develop a number of approved activities under the E-RIHS label.

Most operational activities at partner level will fall within the following categories:

- research funded by funding agencies for the purpose of advancing knowledge (including the preparation of specifications, recommendations or standards) whose results are to be diffused openly;
- access services (to expertise, instruments, archives);
- education, through the participation e.g. in doctoral programs and own organization of courses and similar events;
- organization of joint events for the diffusion of research results, such as congresses and conferences;
- development and upgrade of instruments, products and technology.

Some of these activities, most notably in the fields of education and diffusion, will be paid by participants and sponsors; research and access will usually require funding by agencies supporting development, either at national, or at supranational levels. Unspecified cooperation with non-EU States for the purpose of their cultural advancement should be considered as education activities. At the moment the possibility of funding of access services at the European level remains doubtful,

however a budget for the use of instrumental support is often included in the budget of research projects.

Table 1 summarizes the activities and their main expected funding sources as perceived at the time or writing.

**Table 1: Activities and funding sources from low probability (-) to maximum expectancy (X-X-X)**

Funding / activity	Research for open diffusion	Access services	Education non-EU cooperation	& Dissemination events	Technical development
National agencies funding	X-X-X	X-X	X-X	X-X	X-X-X
Transnational agencies funding	X-X	?	X-X	-	X
Participants/users	-	X	X-X-X	X-X-X	-
Sponsors	-	-	X	X-X-X	-
Donors	X	-	X	-	X
Investors	-	-	-	-	X-X

Besides such activities, local partners may also be recognized by E-RIHS to practice plain business transactions under the E-RIHS label, such as:

- research for clients, whose results are delivered as a product;
- paid tests or paid access to instrumental means unrelated to the funded research mentioned above;
- consultancy, e.g. on the causes of pathologies, remedial measures, support to interventions, authentication of works of art, etc;
- exploitation of patents and sales of specialized products including: diffusion media and specific conservation products;
- other services within their field of activity.

International actions may be organised or developed in co-operation with other E-RIHS partners. In all activities within the scope accepted by E-RIHS, partners can request its support and count with its backing whenever stated conditions are fulfilled.

## 1.2 Funding model at partner level

Partners of E-RIHS are expected to be funded for activities of research and offer of access services by the organization or organizations that fund such activities at national level in each Member State. Funding may be granted directly to partners or through a National Node.

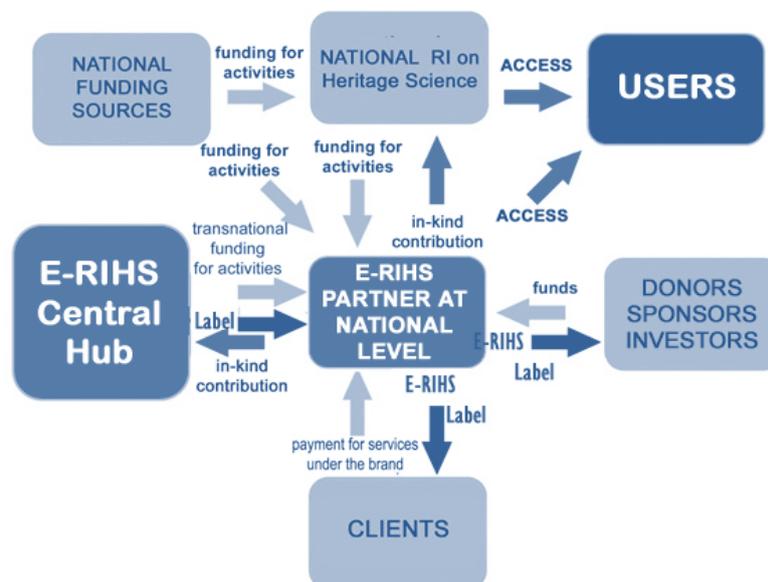
Funding at the national level is normally expected irrespective of E-RIHS, however for belonging to the partnership it is foreseen that the probability of partners obtaining funding for their activities, as well as the corresponding amounts, will be greatly enhanced. Likewise, it is expected that once the E-RIHS label is established on a quality basis the goodwill associated to it will represent a remarkable asset to partners.

E-RIHS will ask from its national partners a contribution in kind: part of the access presumably funded at national level is to be made available for allotment through E-RIHS. That contribution is to be balanced by the advantages of belonging to E-RIHS, including the possibility of acceding to technical means and expertise resident in other countries, again through the vast E-RIHS partnership. At the same time, E-RIHS will actively look for funding for activities, particularly

research in the field of Heritage Science. When E-RIHS obtains transnational funding, the budget which corresponds to operational activities will be passed on to the partners that will develop the activities contracted.

At the national level the funding model is shown in the diagram of *Figure 2* in which green arrows indicate inflow of funding to local partners while red arrows indicate outflow of in-kind. Blue arrows indicate an imparting of value of a non-financial nature, namely connection with the E-RIHS label. A financial model proper does not need include the flows indicated by blue arrows because the value of goodwill carried by the label is not to be accounted at the national level.

Clients for work under the E-RIHS label were included in the diagram of *Figure 2* because they may represent an important source of financial means for partners. Whenever would-be users are able to pay for access (e.g. because their funding covers such expenses) they become *clients* and the obligation of making the results available within a specified period no longer applies. The Central Hub of E-RIHS will in general not serve clients, and requests for contractual work will be diverted to partners under conditions to be agreed.



**Figure 2: Funding model at the level of national partners**

### 1.3 Synopsis of the financial relations of E-RIHS with partners

- i. E-RIHS will not ask for cash contributions from partners.
- ii. Partners will fund E-RIHS ERIC with contributions in kind.
- iii. Contributions in-kind are supposed to be funded at national level by the organizations that fund research in each Member State. But in-kind contributions from partners are expected irrespective of the success in obtaining funding for such activities at the national level.
- iv. Partners may develop a number of activities, also of commercial nature, under the E-RIHS label and, once its standing is established internationally, it is expected that working under the umbrella of E-RIHS will constitute a remarkable advantage.
- v. E-RIHS will not fund partner operations. It may, however, pay for activities contracted by the Central Hub that go beyond the in-kind contributions.
- vi. E-RIHS will strive to obtain a maximum of supra-national funding for research projects and other activities within its wide scope. The Central Hub may retain co-ordination of such

- projects but other operational activities involved will be passed on to partners who will receive the corresponding payments.
- vii.** The Central Hub of E-RIHS is not geared for operational activities such as service to clients. Any direct requests by potential clients to the Central Hub will, in general, be forwarded to partners at the discretion of the ERIC management.

## 2 Funding model of the Central Hub of E-RIHS

The principal task of an ERIC is to establish and operate new or existing research infrastructures on a non-economic basis but it can still carry out some limited economic activities related to this task (up to 25% of its yearly budget).

The following simplifying principles were used to establish the financial model:

- i. All **fixed costs** to the ERIC derive solely from the working of the Central Hub.

Note. This principle means that any fixed costs incurred by the partners because of their participation in E-RIHS, and particularly those derived from in-kind contributions to the Central Hub, are to be balanced out of the ERIC.

In-kind contributions are not products offered, but rather services expected to be funded at the national level whose allocation is alienated by the partners to the Central Hub. What is supposed to be actually contributed is the power of decision over how is the service going to be used. If, however, a partner is not sufficiently funded for e.g. access services in its own country, or if it offers a relevant specific service that is not funded locally, then the in-kind contributed to E-RIHS will indeed represent a fixed cost to that partner who will have to balance that cost internally, e.g. through revenue obtained from other activities, eventually facilitated by its partnership to the ERIC.

- ii. **All fixed costs of the Central Hub payable in cash are to be balanced by the cash contributions from its members** (Member States that participate in E-RIHS).

Note. This requirement does not mean that the Central Hub cannot have variable costs, but limits its *fixed costs* to the cash revenue obtained from members.

Obviously, this requirement may constitute a strong damper to development in the early phases if the ERIC is launched by a small number of Member States only. To avoid such a situation and allow a rapid initial development, a transitory phase of up to three years is foreseen when a relevant part of the budget is contributed by observers and the host country is called to cover (either in cash or in kind, or both) costs that cannot be balanced with the then-extant cash contributions. Consequently, no need for bank loans is foreseen in the initial years of activity.

- iii. **Only costs associated with the activities of the Central Hub can be supported by cash contributions of the ERIC Members** (unless the General Assembly authorizes otherwise).

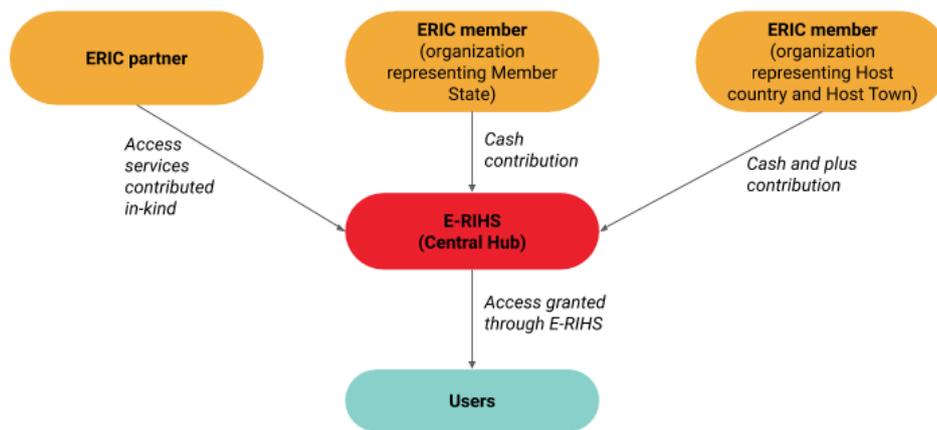
Note. This principle is a guarantee to the Members about the use of their cash contributions.

For the purposes of the present section E-RIHS is represented by the Central Hub only. The Central Hub is understood as the concentration of fixed costs to the ERIC and not as a physical entity set on a definite place.

The members of the ERIC fund E-RIHS with cash contributions. The host country will additionally make the initial investment in equipment (furniture, technical hardware and software) and supply serviced physical premises in-kind, or else fund their rent / acquisition as part of its premium hosting contribution. Entries in kind by members in the long run are not excluded but only as an exception to the general rule. Such exception must be specifically accepted by the General Assembly.

Because the Central Hub is fully funded from the cash contributions of members, it does not need to obtain revenue for economic activities under this model. All such transactions, even if resulting from direct requests of potential clients to the ERIC, may be passed by the Central Hub to one of its national nodes or directly to one of its partners that will eventually accept the contract. In this manner E-RIHS ERIC will not compete on the open market with its partners.

A simplified funding model of the Central Hub is schematized in *Figure 3*.



**Figure 3: Simplified funding model of the Central Hub of E-RIHS (occasional sources such as research funding to be distributed within the ERIC, as well as donors and sponsors were omitted)**

## 3 Financial plan for implementation

### 3.1 Costs budget

A consequence of its nature as an ERIC and of the principles stated is that financially speaking the Central Hub is disentangled from any National Node or partners and thus the financial plan needs only to include the Central Hub itself. For this purpose, the Central Hub may be considered as a cost centre for which, once a steady-state is reached, fixed costs may not exceed revenue from the cash contributions. Since the expenditure capacity that may be granted will depend on the revenue, it is the expenditure budget that must be adapted to whatever amount in cash funding is obtained.

The Central Hub will perform a number of activities necessary for the management of the ERIC, the delivery of its activities and the preparation of its long term. Such activities can be synoptically listed as: general management and administration; support to strategy implementation; access provision organisation and management; user support; sustainability / project design and management; innovation / exploitation of results; training (planning and management); communication / dissemination; international relations; digital infrastructure management and curation.

This financial plan for implementation balances costs with revenue obtained from Members, therefore excluding in-kind obtained from partners. It mostly transcribes data in the Costbook (Annex) developed by the external consultants CSIL (Milan) which also elaborated the Cost-Benefit Analysis. The work relied also on the principles, cost items and calculation of Member contributions presented in Deliverable 3.1 (Preliminary Financial Plan).

The cost estimation was performed considering 2018 values, and figures are provided in Euro. Costs expressed in different currencies were translated into Euro based on the Foreign Exchange Reference Rates published by the European Central Bank in Frankfurt a.M. on the first day of the year of estimation.

**Table 2: Cost items considered**

Cost Item	Description
<b>Equipment</b>	Purchase of equipment for the Central Hub, including ICT systems for DIGILAB.
<b>Personnel</b>	All the staff dedicated to the ERIC in terms of FTE: <ul style="list-style-type: none"> <li>• Director-General;</li> <li>• Deputies;</li> <li>• Staff for the management of the access services, including quality overseeing and assurance;</li> <li>• Staff for the scientific activities, including probing for funding opportunities and support to the preparation and management of research projects;</li> <li>• Staff for administration, management and communication within E-RIHS;</li> <li>• Staff for the dissemination, education and training activities.</li> </ul>
<b>Consumables</b>	All costs related to the everyday functioning of the office, most notably the purchase of consumables.
<b>Travel</b>	Travel and subsistence costs needed for the Central Hub staff and for selected external persons involved in ERIC activities such as audits, representation and meetings.

<b>External Services and Utilities</b>	All costs related with maintenance at the Central Hub, engineering and technical services, legal and audit services, support services (e.g. event organization, travel agents), electricity, water, internet...
<b>Other costs</b>	Costs for general services, including insurance, cleaning, publication, communication, and whatever is not covered by other items. This item also covers the estimates provided above for specific cost items whenever the budget proves insufficient.

### Cost components excluded

The following costs (intrinsically non-operational) were explicitly excluded from the cost estimate:

- i. depreciation or reserve (but read further below on item B4);
- ii. banking costs (no bank loans are foreseen in the initial years);
- iii. provision for future losses or debts (but read further below on item A6);
- iv. VAT, unless it is not recoverable and thus represents an actual cash outflow.

Contingencies such as severance pay are to be included under item A6 in *tables 3 and 4*. It is expected that an emergency fund will be built from this amount.

The initial investment in office equipment for the Central Hub is to be made by the hosting country as part of its hosting fee. However, such equipment will depreciate and that depreciation is to be fully accounted. If ever a full renewal is necessary, a bank loan may be obtained but a piecewise renewal may also be funded through item B4 in *tables 3 and 4*. In such case the build-up of a fund from this yearly lump amount (basically aimed at improving the capacity of the ERIC as a whole to offer access) should balance the depreciation accounted on a yearly base.

### Cost of Office Area

The office area was established having in consideration the staff number and the need for social distancing which may prevail in the future, as follows:

- i. General staff (10 persons): 15 sqm of office area;
- ii. Head of Office + Deputy Directors (5 persons): twice the area reckoned for general staff including in it one meeting room;
- iii. Director-General: twice the area reckoned for Deputy Directors.

To the office area is added a further 10 sqm of common areas per person (14 FTE were considered). Total area of Central Office: 500 sqm.

The yearly cost was calculated as € 300.00 per square metre based on average current prices<sup>1</sup>.

### Reference Costs

As for the cost items description and cost per unit, the following table has been used as reference:

**Table 3: Reference costs (unitary per year in Euro)**

A		COST (€)
<b>COSTS FOR PERSONNEL &amp; ERIC BASE OPERATION</b>		
<b>A1</b>	Central Hub	
<b>A1.1</b>	Director General (1Y)	145,000
<b>A1.2</b>	Deputy Director (0.5 FTE x Y)	52,500

<sup>1</sup> <https://www.statista.com/statistics/431672/commercial-property-prime-rents-europe/>

<b>A1.3</b>	Head of Office (1Y)	97.000
<b>A1.4</b>	Officer (1Y)	81.000
<b>A1.5</b>	Assistant (1Y)	55.000
<b>A2</b>	Travel expenses (Director General and Staff)	
<b>A2.1</b>	<i>Unit cost per mission in Europe</i>	700
<b>A2.3</b>	<i>Unit cost per mission out of Europe</i>	3.000
<b>A3</b>	Full-serviced office occupancy (1Y per square metre)	300
<b>A4</b>	Service outsourcing (consultancies, press services, ...) (1Y)	50.000
<b>A5</b>	Consumables (1Y)	40.000
<b>A6</b>	Other/contingency & emergency management (1Y)	50.000
<b>A7</b>	DIGILAB yearly operative costs (excl. personnel, including web services) (1Y)	80.000
<b>B</b>	<b>COSTS FOR ADDITIONAL OPERATIONS</b>	<b>COST (€)</b>
<b>B1</b>	TNA travel and subsistence (average, per user per project)	700
<b>B2</b>	Training events and conferences	
<b>B2.1</b>	Summer School (unit cost)	20.000
<b>B2.2</b>	Training camp (unit cost)	40.000
<b>B2.3</b>	User meeting (unit cost)	50.000
<b>B2.4</b>	Conference/seminar/workshop	
<b>...B2.4.1</b>	<i>in Europe (unit cost)</i>	25.000
<b>...B2.4.2</b>	<i>out of Europe (unit cost)</i>	50.000
<b>B3</b>	Communication services and materials (1Y)	40.000
<b>B4</b>	Centrally-funded initiatives (1Y)	150.000

**Table 4: Aggregated yearly cost**

<b>A</b>	<b>COSTS FOR PERSONNEL &amp; ERIC BASE OPERATION</b>	<b>COST (€)</b>	<b>Quantity</b>	<b>TOTAL(€)</b>
<b>A1</b>	<b>Central Hub</b>			
<b>A1.1</b>	Director General (1Y)	145.000	1	145.000
<b>A1.2</b>	Deputy Director (0.5 FTE x Y)	52.500	4	210.000
<b>A1.3</b>	Head of Office (1Y)	97.000	1	97.000
<b>A1.4</b>	Officer (1Y)	81.000	8	648.000
<b>A1.5</b>	Assistant (1Y)	55.000	2	110.000
<b>A2</b>	<b>Travel expenses (Director-General + Staff)</b>			
<b>A2.1</b>	<i>Unit cost per mission in Europe</i>	700	40	28.000
<b>A2.3</b>	<i>Unit cost per mission out of Europe</i>	3.000	3	9.000
<b>A3</b>	<b>Full-serviced office occupancy</b>	300 / m <sup>2</sup>	500 m <sup>2</sup>	150.000
<b>A4</b>	<b>Service outsourcing</b> (consultancies, payrolls, press services, ...)	50.000	1	50.000
<b>A5</b>	<b>Consumables</b>	40.000	1	40.000
<b>A6</b>	<b>Other / contingency &amp; emergency management</b> (per year)	50.000	1	50.000
<b>A7</b>	<b>DIGILAB</b> yearly operative costs (excl. personnel, including web services)	80.000	1	80.000

<b>B</b>	<b>ADDITIONAL OPERATIONS</b>	<b>COST(€)</b>		
<b>B1</b>	<b>TNA travel &amp; subsistence (average /.user)</b>	700	600	420.000
<b>B2</b>	<b>Training events and conferences</b>			
<b>B2.1</b>	Summer School (unit cost)	20.000	2	40.000
<b>B2.2</b>	Training camp (unit cost)	40.000	2	80.000
<b>B2.3</b>	User meeting (unit cost)	50.000	1	50.000
<b>B2.4</b>	Conference/seminar/workshop			
<b>B2.4.1</b>	- in Europe	25.000	1	25.000
<b>B2.4.2</b>	- out of Europe	50.000	1	50.000
<b>B3</b>	<b>Communication services and materials</b>	40.000	1	40.000
<b>B4</b>	<b>Centrally funded initiatives</b>	150.000	1	150.0000
	<b>AGGREGATED TOTAL</b>			<b>2.472.000</b>

The costs are considered steady on a yearly basis (i.e. the cost budget is the same from year 1). As pertains the working of the ERIC, there will naturally be a transitional period of at least one year since the payment of the yearly dues by the founding members, while personnel is signed and the office is set and occupied. This period will be considered further on.

### 3.2 Cash contributions from Members

According to the funding model proposed for E-RIHS, the fixed costs of E-RIHS ERIC should be fully covered by cash contributions of the ERIC Members.

The cash contribution of each member is to be determined from the Gross Domestic Product (GDP) - *Table 5*.

**Table 5: 2019 national GDPs in M€ (data from Eurostat)**

<b>Country</b>	<b>Current prices M€</b>
<b>Austria</b>	398.521,9
<b>Belgium</b>	473.638,9
<b>Cyprus</b>	21.943,6
<b>France</b>	2.418.997,0
<b>Germany</b>	3.435.760,0
<b>Greece</b>	187.456,5
<b>Hungary</b>	143.826,4
<b>Italy</b>	1.787.664,1
<b>Malta</b>	13.208,5
<b>Netherlands</b>	812.051,0
<b>Poland</b>	527.033,2
<b>Romania</b>	223.337,4
<b>Slovenia</b>	48.006,6
<b>Spain</b>	1.245.331,0
<b>Sweden</b>	474.683,3
<b>United Kingdom</b>	2.523.312,5

The model to set the cash contribution expected from each country should be based on a common rule applicable to all participating countries and based, as common in other RIs, on a connection with the GDP. However, it should be accepted that belonging to E-RIHS ERIC is valuable in itself and that value should be worth a minimum, whatever the country's GDP. Also, the voting model proposed in the Statutes – one head, one vote with no significant weighting on cash contribution size – suggests setting a minimum fixed contribution considering that all the Member's votes in the General Assembly will carry full weight.

Therefore, the cash contribution will be reckoned from the sum of two parts:

1. a set amount **A**, the same for all Members;
2. a variable amount set as a fraction **k** of the country's GDP.

Therefore: **Member Cash Contribution = A + k (National GDP)**

Having in mind the need to offer a just measure to all parties, *Table 6* proposes contributions based on a fixed lump sum **A** of € 40,000.00 and a multiplying parameter **k** of 0.14 x 10E-6 applied to the GDP expressed in euro.

**Table 6: Proposed (rounded) cash contributions to the E-RIHS ERIC considering iGA members, and observers as of February 2020**

Country	Cash Contribution (€)
<b>Austria</b>	95.000
<b>Belgium</b>	106.000
<b>Cyprus</b>	43.0000
<b>France</b>	378.000
<b>Greece</b>	66.000
<b>Hungary</b>	60.000
<b>Italy</b>	290.000
<b>Malta</b>	41.000
<b>Netherlands</b>	153.000
<b>Poland</b>	113.000
<b>Portugal</b>	69.000
<b>Romania</b>	71.000
<b>Slovenia</b>	46.000
<b>Spain</b>	214.000
<b>Sweden</b>	106.000
<b>United Kingdom</b>	393.000
<b>TOTAL</b>	<b>2.139.600</b>

NOTE: Considering a 2019 GDP for the EU (already excluding the UK) of circa € 13 900 billion<sup>2</sup>, the maximum cash contribution if all present EU countries adhered would be of ca. € 3,000,000.00, while all countries but Germany would return ca. € 2,600,000.00.

<sup>2</sup> source: <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200508-1>

### 3.3 Hosting fee of Italy and cash needs at start up

The maximum cash budget needed to run E-RIHS ERIC is seen from *Table 4* to be of the order of 2.5 M€ / year that must, according to the financial model adopted, be obtained solely through Members cash contributions. If the participation of the U.K. is excluded from the possible members in *Table 6*, it will be seen that all other prospective members will contribute € 1,746,600.00. This makes the ERIC financially feasible given that the base costs for the operation of the ERIC can still be footed, but most all other cost items have to be severely curtailed and there is little margin of manoeuvre to accommodate deviations on the prevision. Therefore, an additional source of funding must be found to ensure a reasonable viability at least in the medium run. This source will be the hosting fee to be paid by Italy.

To discuss the financial situation at start up and during the initial year, the following principles were considered:

- i. Italy will contribute a fee of € 800,000.00, of which € 290,000.00 is the cash contribution as a member, € 150,000.00 is the value attributed to the cession of the serviced minimum office area and the remaining € 440,000.00 are to be used as cash or in-kind contributions as necessary to establish E-RIHS ERIC. This settles the initial promise of a 5-year special financial support made by CNR when E-RIHS was submitted for consideration to the ESFRI Roadmap. The subsequent steady-state hosting fee to be paid by Italy will be discussed and set by the General Assembly (GA) when the cash revenue obtainable from Members is firmly established.
- ii. As part of its hosting fee, Italy will supply free of charge to E-RIHS all equipment (including furniture and hardware) and software licenses needed to run the ERIC, so that it will not need to resort to bank loans for that purpose during its first years.
- iii. Members and Observers are to pay the same yearly cash contribution. Observers should be put in a position comparable to that as Members so as to establish their interest in full membership. Therefore, they are expected to contribute equally in terms of cash and in-kind (purveyance of access to technical means and archives) as if they were members. The only differences are that they will not have a contractual compromise of membership for at least five years, being committed for periods of one year only up to a maximum of three years, and they will attend GA meetings without the right to vote.

At start up, E-RIHS ERIC will collect the cash contributions from founding members. It is expected that observers will join during the first year while paid staff is being contracted and the Central Office starts operation. As necessary, part of the hosting fee by Italy may be used in secondment of personnel to the ERIC.

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## References

E-RIHS PP (GA n.739503) D3.1. *Preliminary Financial Plan* (delivered at M24).

Centre for Industrial Studies (CSIL), *E-RIHS COST BOOK v. 0.5*, dated 2020-03-06.