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Horizon 2020 Package: EPP successes

I. Background information on the Horizon Package

On 30 November 2011 the European Commission adopted the '**Horizon 2020 package**' that **brings together for the first time all existing EU research and innovation fundings** currently provided through the 7th Framework Programme for Research and Technological Development (FP7), the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT), which will run from 2014 to 2020.

Horizon 2020 focuses on excellence in research and innovation, science and technology-driven R&D and increasingly targets its investments towards addressing societal challenges and fostering the competitiveness of industry, with special attention paid to SMEs. Horizon 2020 elaborates **three mutually reinforcing objectives, known as pillars**, for research and innovation: (1) excellent science; (2) industrial leadership; and (3) societal challenges.

Horizon 2020 package is essentially composed of the following items ¹:

- The **Framework Programme** for Research and Innovation (2014-2020) - Riera Madurel Report - (EPP Shadow : Ehler)
- Proposal for a Regulation laying down the **rules for the participation and dissemination** in Horizon 2020 - Ehler Report (EPP)
- Proposal for a Decision establishing the **Specific Programme** implementing Horizon 2020 - Carvalho Report (EPP).

Last 28 November 2012, ITRE committee adopted almost by **unanimity** the Horizon 2020 package delivering a formal mandate to the EP to start the negotiations with the IRL PRES aiming at achieving a first reading agreement by June 2013.

II. EPP Successes

The EPP Group fully succeeded in imposing its policy priorities that can be summarized in a nutshell as follow:

¹ The other parts of the "Horizon Package", not covered by this note, are the following:

- Proposal for Regulation on the Research and Training Programme of the European Atomic Energy Community (2014-2020) - Report Skinner (EPP Shadow: Jan Brezina)
- Proposal for a Regulation on the European Institute of Innovation and Technology (EIT) - Report Matias (EPP shadow: Van Nistelrooij)
- the Strategic Innovation Agenda of the EIT - Report Lamberts - (EPP shadow: Tsoukalas)

1. SME's

EPP advocates that SMEs are key drivers of innovation thanks to their ability to quickly and efficiently transform new ideas in successful businesses. With **one single set of clear rules** of Horizon 2020, the SME's will benefit from an easier access, as participants and beneficiaries, of Horizon 2020 with **simplified and shorter procedures** (i.e reduction of time to grant/to pay).

The EPP succeeded in introducing a new **specific "dedicated instrument"** targeted at all types of SMEs with an innovation potential, created under a single management body and implemented in a bottom-up manner (demand-driven) through open calls of participation.

Moreover, **at least 20 % of the total combined budget** (specific objective on "Leadership in enabling and industrial technologies" in pillar 2 and the priority "Societal challenges" in pillar 3) **is earmarked for SMEs participants**. In addition, **4.5% of the total budget of the Horizon is allocated to SME's participants**. They will also benefit from a higher funding rate in close-to-market activities.

Finally, the **"Innovation in SMEs"** also supports all forms of innovation in SMEs, through a toolbox of specialised and customised programmes and instrument including: access to seed funding, grants, access to equity and debt finance, mentoring and coaching services, access to R&D networks and clusters.

The EPP philosophy has been to stimulate economic growth by means of increasing the levels of innovation in SMEs, covering different innovation needs over the whole innovation cycle for all types of innovation, thereby creating more fast-growing internationally active SMEs.

2. Industry

By securing the pillar II of the Horizon 2020 entirely dedicated to the industrial leadership based on R&D and innovation agendas defined by industry, business and SME's, the EPP succeed in creating **incentives to improve the industry participation** in the R&D framework that has been dropped significantly over the last years.

By giving a strong support to innovation, the EPP is ensuring **a business-driven approach** where the research results are effectively converted into innovative products and services that reach the market.

By supporting the industrial potential of policies of innovation, research and technological development, the EPP believes in the **leveraging effect of public and private investment**, creating new job opportunities and ensuring Europe's long-term sustainability, economic development and industrial competitiveness.

The EPP has fully supported **access to risk finance measures** aiming to overcome deficits in the availability of debt and equity finance for R&D and innovation-driven companies and projects at all stages of development. A facility for debt ('Debt facility') and a facility for equity ('Equity facility') will therefore help to overcome such problems by improving the financing and risk profiles of the R&I and by boosting the development of the Union venture capital market.

Finally, the EPP group succeeded in introducing a **"Fast track to Innovation" instrument** following a bottom-up-driven logic that will accelerate the commercialisation and diffusion of innovation, speed up time from idea to market significantly and is also expected to increase industry participation in Horizon 2020 as well as the participation of SME's and first-time applicants from the public and non-profit research sector.

3. Excellence

For the EPP, Horizon 2020 shall play a central role in the delivery of the Europe 2020 strategy for smart, sustainable and inclusive growth by providing a **common strategic framework for funding excellent research and innovation**.

By supporting the pillar 1 of Horizon 2020 on "excellent science", the EPP recognized it as the main instrument for the **promotion of excellence in bottom up research at a European level**.

The EPP strategy was therefore aiming at consolidating and improving the achievements of the ERC (European Research Center) in frontier research, strengthening the Marie Curie-Skłodowska scholarships, the FET (Future Emerging and Scientific Technologies) instrument and the world-class research infrastructures.

4. Widening the participation

The EPP has acknowledged that despite a recent tendency for the innovation performances of individual countries to converge, sharp differences among EU27 Members States still remain. Furthermore, by putting national budgets under constrain, the current financial crisis is threatening to widen the gap between 'innovation leaders' and 'modest innovators'.

Based on those facts, the EPP has strongly advocated that Horizon 2020 needs to set **incentives to be open to a wide range of participants and stimulate the participation of less innovative performing regions and "first time applicants"** enabling researchers and innovators across Europe to benefit from Horizon 2020's instruments, networks and funding,

The EPP has therefore fight to enshrined a **specific chapter "stairway to excellence"** placed in the Pilar 1 (excellent science) listing concrete examples of measures aiming at to facilitating and stimulating the participation of the less innovation performing regions. Those measures are based on learning, twinning and networking as well as reinforcing the synergies with the Cohesion policy.

The "stairway to excellence" will be allocated with a specific budgetary line and therefore not financed in detriment of the others areas of pillar 1 (ie ERC, Marie Curie, ...).

5. Better synergies with other funds such as cohesion policy

In a time of budgetary constrains, more efficiency is needed from the EU funding. Therefore, the EPP has advocated that **Horizon 2020 shall be implemented in a way which is complementary to other Union funding programmes**.

Synergies will in particular be sought in the activities set out in the "Widening excellence and widening participation" objective. Horizon 2020 shall indeed contribute to the closing of the

research and innovation divide within the European Union which can be achieved through synergies with the Structural funds. Where possible, the **interoperability between Horizon 2020 and the Structural funds will be promoted and cumulative or combined funding will be encouraged**. The EPP supported therefore that complementarity and close synergies will be developed with the Structural Funds both upstream creating capacity-building in the Member States to better prepare their participation in Horizon 2020 (i.e equipment, human resource development, creation of and source of small grants, contribution to the funding of ERC, Marie Curie or collaborative projects) but also downstream where the structural funds could be used to help smooth the passage from conception to market (i.e finance or co-finance the follow up to Horizon 2020 research projects and valorisation of research results).

6. Budget breakdown

As adopted at the EP level, the EPP has been advocating **a substantial increase of the budget allocated to EU R&D policy**. The Matias report on the Green Paper on R&D explicitly refers a budget of 100 Bn€.

Despite having a budget of 82 bn. €, the Horizon 2020 proposal represented only an increase of 6% compared to the current FP7. Signed by his Chairman and rapporteurs, the EPP sent a letter to the President of the European Council raising the awareness on the need to provide a substantial increase of budget within the MFF negotiations, stressing the **role played by the Horizon 2020 for the growth and jobs policy**.

Within the figures provided by the EC, the **EPP guaranteed an appropriate budget** for its policy priorities: ERC, stairway to excellence, SME instruments, some of the societal challenges (i.e health, energy, security), the EIT and the JRC.

Moreover, the EPP succeeded in achieving that at the midterm review of the Horizon 2020, the EC can revise and reorient 15% of the funding according to the needs and performances, something which is currently not possible.

Finally, the EPP achieved that the Horizon 2020 shall not fund the Commission's administrative expenditure to execute this programme, nor the construction nor the operation of large European infrastructural projects, such as Galileo, GMES or ITER.

The agreed budget breakdown of the Horizon 2020 Framework will have to be revised when the MFF final figures will be adopted.

7. Better balance

The EPP succeeded in introducing a **more balanced approach**, namely between:

- Research & Development and Innovation that is introduced for the first time in an EU Research Framework;
- Fundamental research and close-to-market activities;
- "top-down" (selection of topics imposed by the EC) and "bottom-up" (science driven where European scientific community determine the avenues of research) projects;
- smaller and large projects : within pillar 2 (enabling and industrial technologies) and pillar 3 (societal challenges).

8. Cost model

In Horizon 2020, the EC has introduced a single reimbursement rate, applicable to all participants and differing only depending on the type of activity (research / close-to-market activities). However, the EPP always considered this **cost model over-simplified** and providing simplification but more for the EC itself rather than for programme participants.

The EPP has therefore criticized that all the participants were treated and funded in an equal footing, no matters they are universities, research centers, SME's or large companies. Moreover, the EC text excluded the full-cost option which is being favoured by many stakeholders, including by the industry. Finally, the reimbursement rates proposed (100% of direct costs and an additional 20% on top to cover indirect costs) appears counterproductive as producing undesirable financial impact (less projects funded, unfair distribution by participants).

The EPP succeeded therefore in imposing an **alternative model based on 3 main principles**: simplification for all participants, efficiency of spending and leverage of private investment in RDI, that can be summarized as followed:

- no distinction amongst the research activities;
- reintroduction of the distinction between the participants: Universities, research centers and SME's on one side and industry on the others with different rates;
- reintroduction of the full-cost model as an option of funding (ie. reimbursement based on the actual costs) based on the participants own usual accounting practices
- a flat rate of 20%

<i>Type of activity</i>	<i>Method of cost calculation</i>	<i>Type of participant</i>	
		<i>University/ RTOs/SMEs/Others</i>	<i>Industry</i>
<i>Research & Development & Experimental development</i>	<i>direct eligible costs + flat rate (Article 24)</i>	<i>100%+20%</i>	<i>70% +20%</i>
	<i>full costs (Article 24)</i>	<i>70%</i>	<i>50%</i>

9. Stricter rules for JTI, PPP, etc... limiting the multiplication of initiatives

The EPP recognized that JTI (Joint Initiative Partnerships), PPP (Public Private Partnerships) or P2P (Public Private Partnerships) have always been one of the ways to get the **industry more involved in the FP**. However, the EPP has been some way sceptical not only about the multiplication of such official bodies created by the EC but also about the management rules they are submitted to. As consequence, the EPP group strongly fight to **strengthen not only the conditions for the creation of such structures but as well as the control on their activities**.

If Horizon 2020 may continue to be implemented through public-private partnerships, they shall be identified and implemented on the criterion of openness, transparency, effectiveness and efficiency. It should be clearly demonstrated that the scale of the resources required justify it and that other forms of partnerships will not fulfil the same objectives or will not generate the necessary leverage.

Finally, as part of the mid-term review, both existing and new public private partnerships, including the JTIs, shall be subject to an in depth assessment in order to analyse their European added value and their governance and functioning. If the in-depth assessment reveals that those criteria's are not satisfactorily met, the European Parliament and the Council may decide to no longer provide these public private partnerships with funding.

10. Open access

EPP succeed in rejecting the original EC proposal considered too ambitious by imposing mandatory open access to publications, results and data as the general rule for 2014/2020.

Despite of the pressure of the other political groups supporting the EC approach, the EPP build a consensus by establishing a distinction between publications on one hand and results/data on the others. **Publications of research that have been granted with EU funds should be in open access**, being the cost of publication considered as an eligible cost. As far as the results of research and demonstration projects are concerned, they should be disseminated more effectively, whilst still respecting issues relating to innovation, IPR's, security and protecting commercial sensitive information.

11. Horizon 2020 structure

The EPP generally supported the original structure of the Horizon 2020 proposed by the EC where the general policy objective is pursued through three mutually reinforcing priorities dedicated to: pillar 1 - excellent science, pillar 2 - industrial leadership and pillar 3 - societal challenges.

Within pillar 1 on excellence science, in addition to the ERC (European Research Center), Marie Curie-Skłodowska scholarships, the FEST (Future Emerging and Scientific Technologies) instrument and the world-class RI (research infrastructures), the EPP succeeded in adding a **fifth area exclusively dedicated to the widening of participation** of less innovating performing Members States and regions.

On the pillar 2, the structure of the proposal remained unchanged.

On the pillar 3, the EPP priorities have been enshrined in each of the six proposed societal challenges:

- Health, demographic changes and wellbeing
- Food quality, safety and security, sustainable agriculture and forestry, marine and maritime research and the bio-based industries
- Secure, clean and efficient energy
- Smart, green and integrated transport and mobility
- Climate action, environment, resource efficiency and sustainable use of raw material
- Inclusive, innovative and reflective societies

Finally, the EPP also succeeded in adding a **seventh societal challenge dedicated to the "Secure societies: protecting freedom and security of Europe and its citizens"**.

12. International cooperation

Despite being against too many budgetary earmarkings which limit the flexibility needed for this policy instrument, the EPP agreed that international cooperation dimension of the Horizon 2020 should be at least financed with an equivalent level of funding compared with the FP7.

13. Ethical dimension

Sharing the same approach as the Council and the European Commission, the EPP supported all the remaining political groups to keep the *"status quo"* on the ethical procedures and rules applying to funding of projects having an ethical dimension, in particular in the sensible area of research on stem cells.

Therefore, as it is currently the case in the FP7, Horizon 2020 establishes that all research and innovation activities carried out shall comply with ethical principles and relevant national, Union and international legislation, including the Charter of Fundamental Rights of the European Union and the European Convention on Human Rights and its Supplementary Protocols. The opinions of the European Group on Ethics in Science and New Technologies shall be taken into account. The fields of research that shall not be financed remain exactly the same as well as the principle that no funding is granted for research activities in a Member State where such activity is forbidden.

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