

## **EARTO Position on the European Parliament Rapporteurs' Recommendations concerning Horizon 2020**

*This paper was prepared following a meeting of the EARTO Horizon 2020 Task Force on June 14<sup>th</sup> attended by representatives of 23 EARTO member organisations*

The European Parliament's Rapporteurs on Horizon 2020 (H2020) have now presented their reports on:

- the H2020 establishing regulation (Teresa Riera Madurell);
- the H2020 implementing regulation (Maria Da Graça Carvalho), and
- the H2020 Rules for Participation (Christian Ehler);

EARTO thanks all three Rapporteurs for their considerable efforts, which significantly advance the debate on the proposals tabled by the European Commission on 30<sup>th</sup> November 2011.

The purpose of the present paper is to summarise briefly EARTO's initial reactions to key issues addressed by the Rapporteurs.

### **The H2020 Cost Reimbursement Model**

EARTO, like others, has strongly criticised the 100/20 research funding model proposed by the Commission<sup>1</sup>. It is an "oversimplification" that fails to provide adequate incentives for the full participation of the very players in the RTO and university worlds whose strong presence will be critical for the programme to be able to achieve its ambitious objectives in relation to building and sustaining economic competitiveness and tackling major societal challenges.

EARTO therefore welcomes Rapporteur Ehler's recommendation for an option to declare real indirect costs (**Amendment 54**), which are inevitably substantial in excellent research organisations that invest heavily in high-end facilities and equipment. We request, however, that the reimbursement rate be raised from 70% to 75% - so as not to reduce the currently (FP7) applied rate for non-profit research organisations and in the interests of equivalence to the proposed rate for industry (50% for research, which parallels the FP7 rate for industry).

Equally essential and welcome are his recommendation that **indirect costs, annual productive hours** and **average personnel costs** shall each be determined according to the usual cost accounting practices of the beneficiary (**Amendments 61, 63 and 64**).

Furthermore, we fully endorse his proposal – **Amendment 57** – that an additional amount shall be allocated to cover "management and coordination costs". We understand

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<sup>1</sup> EARTO, *Comments on the European Commission's Horizon 2020 Proposals*, 21st February 21st 2012

his recommendation for a flat rate of 7% of the total eligible costs of the project for this purpose to be analogous to the arrangement in FP6 and to refer to the **management costs of the consortium**. Clarification would be welcome

## Governance of H2020

H2020 understands itself as an innovation programme to support economic competitiveness and to tackle major societal challenges. It is thus to be focussed on strategic priorities. But the Commission's H2020 proposals say little about how these priorities are to be determined and addressed in operational practice. EARTO considers that H2020, in its implementation, must be substantially guided by strategic agendas and roadmaps, subject to periodic review and consequent reorientation when necessary. Management structures for this purpose need to be put in place.

Rapporteurs Madurell (**Amendment 89**) and Carvalho (**Amendment 25**) have both proposed structures for this purpose, namely "Sectoral Steering Boards" (Madurell) and "Strategic Advisory Boards" (Carvalho)<sup>2</sup>. Each Grand Challenge of Pillar Three, as well as Industrial Competitiveness in Pillar Two, should be equipped with such an advisory body. We concur with Rapporteur Carvalho (**Amendment 25**) that each should have a balanced, high-level membership representative of the different, principally concerned stakeholder communities (science, industry, politics, civil society, end-users, etc.) recruited through an open and transparent process. The role of these Boards/Councils, each in its respective policy area, would be to provide on-going strategic advice on the actions being undertaken and planned in H2020 and related Community policy areas. They would also address the necessary coordination between the many instruments and initiatives (e.g. Joint Programming, PPPs, P2Ps, KICs, EIPs, etc.) which already exist and the activities of which must be aligned with the objectives of the new programme as well as with one another. The Boards/Councils would advise not only on the appropriateness and sufficiency of present and planned actions but also draw attention to neglected subjects and duplicated effort.

## Future and Emerging Technologies (FETs)

The Commission has proposed to continue the FET initiative and to broaden its application beyond ICT. Rapporteurs Madurell and Carvalho both welcome the continuation of FET, and both proposed renaming it "Future and Emerging Science and Technology" (FEST) – the rationale for the changed name is unclear and appears unnecessary – and the establishment of a high-level FE(S)T Advisory Board to provide strategic guidance (**Amendments 78 and 45** respectively).

EARTO underlines the critical importance of preserving the FET objective of stimulating radical innovation by targeting the development of breakthrough technologies. Potential

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<sup>2</sup> Their respective recommendations broadly mirror the "Sectoral Innovation Councils" which EARTO has proposed. Cf. EARTO *op. cit.*

innovation impact must, therefore, be a key evaluation criterion. Moreover, as we have argued previously<sup>3</sup>, given H2020's core strategic focus on economic competitiveness and societal challenges, FET in H2020 should be operated across all three pillars. In Pillar One FET would be operated in fully bottom-up mode, in Pillars Two and Three in targeted mode as at present. The allocation of the FET budget between the three pillars could follow the allocation of the total H2020 budget between them.

## Research and Innovation Actions/Activities

In its drive for simplification, the Commission has proposed separate calls for proposals for "research actions" and "innovation actions", to which different funding rates would apply. EARTO and others have criticised this artificial separation of research from innovation, which risks impeding rather than promoting the practical application of research results. Rapporteur Ehler appears to address this issue in his **Amendment 53**, which specifies that reimbursement rates shall vary according to **type of activity** (i.e. not action) and per type of participant. Clarification would be welcome.

## Dedicated SME Instrument

A distinctive novelty in H2020 is the proposed Dedicated SME Instrument modelled broadly on the Small Business Innovation Research (SBIR) programme operated in the United States. The original Commission proposal set no specific budget for this instrument.

Rapporteur Madurell would appear to favour a specific budget for the new SME instrument by proposing an overall budget for SME measures of €2.45bn<sup>4</sup> (**Amendments 149 and 220**). While clarification would be welcome, we tend to support this proposal on the grounds that a specific budget must be fixed in order that this novel initiative may be sufficiently deployed and tested.

Rapporteur Carvalho proposes that in Phase 2 of the Dedicated SME Instrument beneficiary SMEs should be able to receive an Innovation Voucher that would allow them to use the services of a research provider from another Member State or Association Country (**Amendment 84**). We welcome the clear reference to the possibility for beneficiaries to in-source essential expertise and would be grateful for clarification as to how the proposed Innovation Voucher scheme would operate.

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<sup>3</sup> EARTO *op. cit.*

<sup>4</sup> Rapporteur Madurell's proposal is for 2.8% of the voted budget, which on the basis of the current Commission proposal would amount to the quoted figure of €2.45bn.

## Open Access

Rapporteurs Madurell and Carvalho both recommend open access to scientific publications and both recommend “experimenting” or “promoting” open access to scientific data (**Amendments 10, 46, 119 and Amendment 28** respectively). While fully supporting open access in principle, EARTO underscores the innovation objectives of H2020, for which intellectual property considerations are of major importance. Publication and protection must be balanced. Thus we consider that while H2020 may encourage open access, the latter should apply only to research results and data already placed in the public domain.

## Model Grant Agreement

We welcome and fully support – in the interests of legal certainty and of equal treatment of beneficiaries – Rapporteur Ehler’s recommendation that a Model Grant Agreement shall be produced by the Commission together with the Member States (**Amendment 41, 82, 83**).

## Intellectual Property

We welcome and support, in the interests of clarity, the recommendations to introduce and/or specify several relevant IP-related definitions (**Amendments 19, 20, 23**). At the same time, we would request that certain well-proven aspects of FP7 be maintained, in particular:

- no inclusion of sideground (**Amendment 16**)
- having a time limit for requesting access rights (**Amendment 96**) – such time limit being a precondition for optimal exploitation.

## Other Issues

We especially note and welcome the following further recommendations by Rapporteur Ehler:

- Shortening of the time to grant to a maximum of six months (Amendment 7)
- Application of the H2020 Rules of Participation to all authorised funding bodies (e.g. JTIs), with specific mention also of rules relating to intellectual property, justified exceptions being possible solely for the EIT (Amendment 14), which however should apply, in the interests of simplification, the same rules on eligible costs.
- Explicit recognition of the possibility to combine funds from different Community programmes, e.g. also from the Structural Funds, for the purposes of the same project (to the exclusion of double-funding of the same item) (Amendment 58).
- Recognition of non-recoverable VAT as an eligible expenditure (Amendment 60).