

November, 2012

Horizon 2020 Priorities in the Current Scrutiny Phase: Focus, Balance, Governance

The Horizon 2020 (H2020) negotiations are entering a critical phase. Parliament and Council are currently, separately, discussing the structure, content and instruments proposed for the programme. Parliament's ITRE Committee is due to fix its position at the end of November (28th/29th), while the (Competitiveness) Council is set to agree its views on December 11th.

Overshadowing this is the separate discussion about the EU budget from 2014 onwards, including the budget for H2020. All of the signs are that there will be less money than proposed by the Commission (€80bn) or demanded by the Parliament (€100bn), perhaps no more than €60bn – and reaching that decision is likely to be difficult and may drag on into 2013. Once the budget is finally settled, there may well be a need to rethink H2020's structure and content in order to re-align the agreed funding and the programme's ambitions.

At this stage in the policy cycle – as special interests lobby hard and decision makers offer compromises in exchange for support – there is a tendency for strategic objectives to take second place to tactical interests.

EARTO has consistently emphasised and supported H2020's innovation ambitions¹ and has proposed corresponding amendments to the draft Specific Programme.

Our message today to decision makers – in the Commission, in Parliament and Council – is: FOCUS, BALANCE, GOVERNANCE. These are also the watchwords identified in a new study, commissioned by EARTO from Technopolis Group, into "Getting the Balance Right: Basic Research, Missions and Governance for Horizon 2020", which will be released on December 4th.

¹ EARTO has published several position papers ([link](#)) related to H2020 during the past 12 months, in particular:

- Initial EARTO Response to the European Commission's *Horizon 2020* Proposals, 7th December 2011
- Comments on the European Commission's *Horizon 2020* Proposals, 21st February 2012
- EARTO Position on the European Parliament Rapporteurs' Recommendations concerning *Horizon 2020*, 21st June 2012

FOCUS MEANS, ABOVE ALL, REMEMBERING THAT H2020 IS AN INNOVATION PROGRAMME. It is about science and research for innovation, to produce growth and jobs. That must mean a predominant focus on **application-oriented, problem-solving research to tackle societal grand challenges (Pillar III) and to build and sustain industrial leadership (Pillar II).**

This implies, in its turn, adequate incentives to attract the participation of those organisations able to contribute significantly – through their expertise and experience – to H2020’s innovation objectives, including Europe’s Research and Technology Organisations (RTOs). The **flat-rate cost-reimbursement model** proposed by the Commission – and since given initial endorsement by the Council – is not so much simplified as simplistic. It fails to recognise economic realities and flatly contradicts the recommendations of all of the main stakeholder groups including Europe’s leading university and business organisations². EARTO welcomes the **realism of leading Parliament figures in demanding a more realistic funding model with an option to claim real costs and full reimbursement of project coordination costs.**

Focus means, too, **resisting the pressures to include everybody’s favourite research subject as a priority in Pillar II or III.** The more the programme’s focus and, therefore, funds are diluted, the less likely we shall be to achieve significant innovation impact.

By the same token, focus means that **H2020 must target its spending on objectives that are mutually consistent and re-inforcing.** It has been proposed, for example, that the **European Institute of Innovation and Technology (EIT)** should receive significant funding from Pillars II and III. In our view, this should be subject to a strict requirement that the funding be employed for activities that support and reinforce those already being undertaken and/or foreseen in the respective H2020 Pillar. Similarly, there are suggestions that future **Public-Private Partnerships and Joint Programming** exercises might receive an element of Commission co-funding. Again, this should be subject to stringent conditions:

- Union funds should only be deployed when the other participants have given solid commitments on participation and funding.
- Funding mechanisms must be structured in such a way that all participants in selected projects can be funded (i.e. even when “national” allocations have been exhausted – cf. the negative examples of ARTEMIS and ENIAC today).
- Funding instruments and participation rules should be modelled on H2020 instruments and rules, with deviations allowed only in exceptional, justified cases.

² cf. [EUA news article](#), 2nd December 2012 and “[BUSINESSEUROPE views on Horizon 2020](#)”, 20th February 2012

BALANCE MEANS GIVING ADEQUATE SPACE TO DIFFERENT STYLES AND TARGETS OF RESEARCH. Thus there must be adequate support for curiosity-driven basic research, while recognising that there is a limit to the share of resources it should receive. H2020 needs above all to **raise investment in mission-driven research and to ensure that adequate investment is made downstream of research such that viable innovations reach the market fully and fast.**

The Commission's proposed Pillar I – "*Excellent Science*" – includes the successor to the present **FET scheme** (which some in Parliament are now proposing to re-label "*Forward and Emerging Science and Technology*" – as a precursor perhaps to its future absorption by the European Research Council as another instrument of researcher-initiated science?)

Relegating FET to Pillar I is imbalance. EARTO underlines the critical importance of preserving the FET objective of **stimulating radical innovation by targeting the development of breakthrough technologies.** Potential innovation impact must, therefore, be a key evaluation criterion. **FET in H2020 should be operated across all three pillars.** In Pillar I it could be operated in fully bottom-up mode, in Pillars II and III in targeted mode as at present in FP7. The allocation of the FET budget between the three pillars could follow the allocation of the total H2020 budget between them.

Adequate support for SMEs is another essential element of balance. A major novelty in H2020 is the proposed new **Dedicated SME Instrument**, which is modelled broadly on the United States SBIR programme. Its ambition is to support innovative SMEs – not just technology-based – with promising European and global growth ambitions. EARTO welcomes the scheme. It is to be funded out of Pillar II and Pillar III resources, but the manner of its management is yet unclear. We would argue for a single management unit so as to ensure consistent rules and their implementation, and so as to offer a single entry point to potential applicants. Critical, too, is to allocate sufficient resources to the programme in order to have adequate opportunity to test its usefulness.

GOVERNANCE OF H2020 IS A SUBJECT LARGELY IGNORED ... and if it continues to be ignored there are good reasons to fear that H2020 will fail to meet its innovation ambitions. There are two issues. First is the need to **ensure that H2020 in its practical implementation remains resolutely focussed on innovation** and second (but related to the first) is the equally urgent need to **bring order to the confusing array of actually and potentially competing EU-level structures and instruments that have emerged over the past several years.**

Since the later years of Framework Programme 6 (FP6), and on through FP7, a plethora of new instruments and structures has taken root on the EU-sponsored innovation landscape, in a more or less opportunistic, un-coordinated manner. Thus we have the EIT and its KICs, European Technology Platforms, JTIs, contractual PPPs, Joint Programming, the SET-Plan, European Innovation Partnerships, and more besides. These structures are not going to disappear with H2020, nor are they going to rationalise themselves spontaneously. They will persist, seek to claim a special status each for itself, and will aim to exert self-interested influence on the Commission's annual work programmes. There is an urgent need to put in place for H2020 **an over-arching governance framework with the mission to safeguard the programme's innovation focus and to ensure that the self-interest of existing structures is subordinated to programme objectives, by avoiding duplication and needless competition, and by identifying gaps in existing work.**

The Parliament's Rapporteurs Maria da Graça Carvalho and Teresa Riera Madurell have argued for advisory bodies somewhat along these lines, and there has been talk in both Council and Parliament of some form of advisory body for health research (why only health research is a mystery), but the shared presumption seems to be that such advisory bodies should be of predominantly scientific composition. Again, the proponents seem to have forgotten that H2020 is an innovation programme!

EARTO continues to argue for an "Innovation Council" for each societal grand challenge for Pillar III and for industrial leadership in Pillar II, each to comprise a limited number of high-level individuals representative of – but acting independently – the principal concerned innovation communities (politics, enterprise, research, users, etc.)³. Each Council's initial principal task should be to ensure the co-ordinated production, and subsequent updating, of strategic roadmaps and the identification of innovation priorities in the respective area, which should guide the preparation by the Commission of its operational work programmes. They should give on-going strategic advice on present and future planned actions as well as draw attention to neglected subjects and duplicated effort. **There is urgency. The launch of H2020 is little more than a year away: these structures should be in place and operational already!**

³ ERAB has gone further still, arguing for [arms-length mission-driven agencies](#) to tackle grand societal challenges. This seems politically beyond reach today – but perhaps for Framework Programme Nine.