Improving the Impact of Horizon 2020 -
EARTO Feedback for Horizon 2020's Mid-term Review

5 September 2016

Following our joint paper with IGLO in 2014, EARTO is pleased to present to the EU Institutions a second feedback document on the practical experiences in responding to the various calls for proposals under Horizon 2020 (H2020). This paper aims to support the European Commission's efforts towards simplification in light of the Programme's mid-term review and will be part of a set of various EARTO inputs to follow along the process on issues such as H2020's funding model and the vision for FP9. In addition, EARTO has already contributed with several recent papers to be taken into consideration for the process, including on the revision of the EU Financial Regulation and on the European Innovation Council, available here.

EARTO members would like to start by acknowledging the challenges involved in implementing an ambitious Programme such as H2020 and congratulate the Commission for the large efforts and clear improvements made in particular the faster time-to-grant, the revamped participant portal and the improved on-line submission procedure. The Model Grant Agreement and its annotated version provide excellent guidance for participants in everyday work, even if improvements are still needed. The Commission's continuous efforts towards simplification since 2014 as well as its openness for dialogue on the "glitches" in the system and workable solutions for all parties have also been much appreciated.

H2020 is an extremely relevant Programme for RTOs, RTOs core business being to perform applied research in cooperation with academia and industry. Accordingly, EARTO members are involved in all parts of H2020, strongly contributing to increasing its impact on innovation. Data from the EC eCORDA database from June 2016 shows that so far 7,7% of all the EC funding for H2020 was granted to projects with EARTO members, which represents a total EC contribution of €1,3bn. A summary of the key figures on EARTO members' participation in H2020 can be found here. In addition, an EARTO economic footprint study showing the impact of public grants received by RTOs in the EU economy in 2014 can be found here. The study estimated that in 2014 each job in an RTO generated a total of 3 new jobs in the economy and that for every €1 invested in an RTO, €3,8 returned back to governments (these figures do not include the long time effects of the R&D performed).

EARTO members have been very active in H2020 since its launch. Accordingly, this paper builds on the on-going work by the EC towards simplification and the extensive experience of EARTO members in participating in EU R&D funding programmes. By doing so, EARTO members aim to bring forward new ideas to increase the impact of EU R&I spending done via H2020. EARTO appreciates the dialogue already in place with EU Institutions and Member States on this dossier and is ready to further discuss the recommendations outlined below and in the next papers still to come.

1. Oversubscription

RTOs play an active role in supporting the EU's innovation ecosystem using H2020 funding combined with their national support as well as their own investments and resources. The latest figures show H2020 today as a highly competitive Programme with very low success rate in some areas. H2020 seems to be evolving from a "cooperation programme" towards a "competition programme", which highly discourages participants and undermines the attractiveness of the Programme. Acquisition costs of EU projects are reaching such peaks that they are becoming major drawbacks for applicants.

The Commission has already acknowledged the high oversubscription and has announced plans to extend the use of two-stage submissions to help tackle this issue. The effectiveness of this procedure remains to be demonstrated still, as it can increase time-to-grant. In addition, in practice, applicants most often start preparing the second stage proposal before the results of the first stage are released, thus offsetting the intended burden reduction for those who are not selected.

Here we would like to put forward recommendations to help address this issue:
- **Bring more focus to the calls' topics:** The calls' texts are often too broad for the budget available. EARTO believes that by narrowing the scope of calls, the EC could reduce the number of applicants while still keeping the best parties involved. It is important to note that more targeted calls also facilitate evaluation.
- **Adapt one-stage vs two-stage according to call scope:** The Commission could apply the one vs two-stage procedures according to the level of description of the call. Broadly defined calls could use the two-stage procedure while more focused calls could use only one-stage procedure.

- **Have more strict evaluation on first stage when using two-stage procedure:** For some past calls with two stages, the evaluation of the first stage seems to have been somehow "too friendly" leading to a large number of proposals going to the second stage, bringing the success rate for second stage proposals in some cases to less than 10%. First stage selection should be stricter, ideally leading to a success rate of one out of three projects in the second stage procedure.

2. Number of Calls and Decision on Focus Areas

EARTO members welcome the reduction of focus areas from the past to the current work programme (from twelve to nine). The Commission has announced its goal to continue to reduce the number of focus areas and the number of calls to target fewer projects with higher budget. The number of focus areas as well as the balance between small vs large projects should be carefully discussed with stakeholders within the different advisory groups and programme committees in order to achieve the right balance.

3. Evaluation Reports & Impact Assessment

With the oversubscription and low success rate, the need for sound and clear evaluation feedback is crucial. The Commission has already brought positive changes to the evaluation system but further improvements could still be explored.

Accordingly, EARTO would like to put forward the following recommendations:
- **Provide clear feedback after step one in a two-stage procedure and improve links between evaluators**: Projects having succeeded stage one should have clearer feedback in preparation for stage two. This would significantly increase the quality of projects submitted in phase two. It was also noted that as proposals are evaluated by different evaluation teams in stage 1 and 2, further links between teams are welcome.
- **Choose the right experts to evaluate impact**: To ensure that high-impact projects are funded, the projects' exploitation aspects should be well evaluated. This is difficult for evaluators that do not have an RTO or industrial background. It is of utmost importance that the Commission puts together the right pool of experts to evaluate impact.

4. Model Grant Agreement

EARTO members welcome the improvements brought so far to the H2020's Model Grant Agreement (MGA) and the Annotated Model Grant Agreement (AGA). However, concerns remain on certain clauses in the AGA. Examples in the AGA should be kept indicative and not become obligations, adding significant burden and uncertainty to the beneficiaries. In addition, there is the tendency along the programme's life to add new clauses to the MGA keeping it a "living" document, often adding completely new requirements. One example of this is the prohibitive restrictions on internally invoiced costs which were added in the AGA and which have negative implications for some EARTO members. In addition, it is crucial that the Commission takes into account the business models of all its programme's participants and not only academia when drawing new requirements, for example on research integrity, Human Resources logo, open data, etc. In general, the Commission should use the Regulation and Rules for Participation as the sole documents setting up the rules for H2020 and prevent from adding mandatory clauses in the MGA and AGA along the Programme period.

5. Funding Model and Auditing Burden

EARTO has recently expressed its concerns on the EU audit and control approach in a paper available here and will continue to raise these issues in the on-going discussion on the Revision of the EU Financial Regulation.

In terms of cost calculation, H2020 has launched a new funding model compared to FP7 which will be a key aspect of the mid-term review. A well-adapted funding model is crucial to ensure proper participation of EARTO members in the Programme. Accordingly, EARTO will publish a separate paper addressing this issue with emphasis on the need to respect the usual accounting practices of the beneficiaries and bringing into perspective the current "direct" and "indirect" cost definition, interpretation and application. We will also bring forward feedback on the first audits of H2020 projects once experiences can be collected.

6. Open Access to Research Data

The Commission has recently announced it will extend the open research data pilot to all parts of H2020, while keeping the option for applicants to opt out. This will imply the requirement to create Data Management Plans (DMP) for each funded project. EARTO members welcome this initiative and see the interest of having clear DMPs defined at the start of the project. EARTO also welcomes the fact that the opt-out clause is still available and that during the evaluation phase, proposals are not penalised in case beneficiaries chose to opt-out.

It is important to highlight that DPMs requirements should not be translated into mandatory and free access to research data of a project. EARTO has already expressed concerns on this issue in a paper available here. The recent Council Conclusions also support this thinking and recognise that different access regimes are needed due to intellectual property rights, personal data protection and confidentiality, security concerns, as well as due to global economic competitiveness and other legitimate interests. Therefore, the underlying principle for the optimal reuse of research data should be: "as open as possible, as closed as necessary".

We understand the DMPs requirements in H2020 programme as a support and encouragement to RTOs, industry and academia to draw clear plans on how to manage the data created together within H2020 projects. Here, EARTO members would welcome guidance on how to develop effective DMPs. Similarly to the support EARTO provides to the development of the DESCA model consortium agreement, EARTO is ready to support the thinking on DMPs.

7. Synergies of Funds
EARTO and ERRIN have already expressed their support to the Commission's objectives to stimulate synergies between the various EU funds as a means to create more impact from EU funds. However, we also underlined that synergy should not be an objective in itself. Synergies should not drive future research and innovation policies, but rather support such policies.

To ensure the effective implementation of synergies, EARTO would like to put forward the following recommendations:

- **RIS3 ex-ante conditionality is key to ensure synergies between ESI Funds & H2020 funds:** great efforts are now necessary to ensure that Research and Innovation Strategies for Smart Specialisation (RIS3) are implemented in an efficient and long term manner. RIS3 reports should now become reality. Implementation will take time but DG REGIO and the RIS3 Platform should continue to support the momentum launched in the regions to look more thoroughly at their research & innovation strategies.
- **ESI Funds should be simplified to foster synergies**: More simple and clear regional rules are key for improving the access to all type of R&I actors, including the RTOs, to such funds and allows the actors to better implement synergies of funds as part of their development strategies. EARTO has recently put forward proposals for improving the European Structural and Investment (ESI) Funds Regulation in terms of administration, financing and auditing which can be found here.
- **Synergies to be encouraged at programme & strategic level:** Organisations from more advanced regions, who are very often strong actors in H2020, have much smaller ESIF budget available in their regions, which significantly hampers their capacity to combine funding. It is also important to note that the rationale behind H2020 and ESIF are different: H2020 supports excellence and competitiveness, while ESIF focuses on regional cohesion. Due to these aspects, the Commission should not push synergies between ESIF and H2020 at project level but rather at programme level and should refrain from adding the combination of funds as a criterion for the evaluation of H2020 and ESIF projects.
- **Support interregional collaborations testing synergies:** According to ESIF regulations, it is possible to use a certain percentage of regional funds outside the region. This provision will foster trans-national and trans-regional activities which could support the implementation of RIS3 strategies across Europe as well as increase complementarity between regions. The pilot projects under the Vanguard Initiative as well as the EIT KICs are good examples of interregional collaboration on R&I related topics. They should be further used to identify bottlenecks which require attention by the Commission in order to foster synergies of funds.

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EARTO is a non-profit international association established in Brussels, where it maintains a permanent Secretariat. The Association represents the interests of about 350 Research and Technology Organisations (RTOs) from across the European Union and "FP-associated" countries.

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