

**Give Business Priority**  
**Political Aspects for shaping “Horizon 2020”**

**Promoting research and innovation to boost growth as a way out of the crisis.**

Europe is facing huge challenges as a result of the government debt crisis and the ensuing loss of confidence in the financial markets. The real economy could help master the crisis if Europe creates the conditions for sound economic growth. Even for social reasons stabilising national finances cannot be funded exclusively by cutbacks in expenditure: growth is therefore the most socially acceptable way out of the crisis.

The steady growth of the European economy is based on research and innovation as only with innovative products can it keep pace with international competition. While Asian countries, such as South Korea and increasingly China, are massively boosting investment in research and innovation, there is a huge need to catch up in Europe<sup>1</sup>. The target of investing three percent of the gross domestic product in research and development Europe-wide has not yet been achieved. The European Union should not miss the boat. Promotion of research and innovation is therefore rightly a core element of the European economic strategy “Europe 2020”. The “Horizon 2020” programme proposed by the Commission to promote research and innovation, with an envisaged volume of approx. EUR 87 billion, has the potential to make Europe truly competitive.

**1. Priority for Business as regards Horizon 2020**

The Commission proposal’s integrated approach for “Horizon 2020” is a step in the right direction. Innovation enhances the competitiveness of the EU Member States, creating jobs for its citizens.

The objectives set out in the new programme can only be achieved if European business plays a major role in the new programme “Horizon 2020”. However, in the 4<sup>th</sup> FRP companies’ 39% share of the funding of the European Research Framework Programmes (FRP) fell to just over 24% in the 7<sup>th</sup> FRP<sup>2</sup>. The Commission should therefore make reversing this trend its top priority. As a yardstick for industrial participation, the aim should be to achieve a share of 50% of the total budget. Dynamic interaction between basic research and applied R&D along the entire value creation chain can only succeed if companies and their interests are better integrated. A balance between the world of science on the one hand and that of business as a driving force for innovation on the other is therefore necessary.

- **The Commission should take up measures to give European companies priority as regards access to the growth package Horizon 2020, thus giving them a real chance to participate!**

<sup>1</sup> Evolution of R&D Intensity, 2000 - 2009, Innovation Union Competitiveness Report 2011, p. I 21.

<sup>2</sup> Share of companies in total FP7 participants and total FP7 EC funding, Innovation Union Competitiveness Report 2011, p. I342.

## **2. Gear Horizon 2020 to value creation potential – greater participation of SME**

To successfully implement Horizon 2020 in the sense of European industry, verifiable objectives should be formulated together with industrial representatives. Projects should be assessed according to their economic potential and should be characterised by a “European value added“. It would be important, for example, to

- use the potentials between research institutions and/or companies as regards cooperation projects across borders,
- build up European partnerships to enhance the transfer of knowledge and accelerate innovation,
- support projects which no Member State could complete individually or for which the risk of failure for a single Member State would be greater.

Small and medium-sized enterprises (SME) are an important part of value-creation structures. In almost all Member States SME’s contribution to the gross domestic product totals more than 50 percent<sup>3</sup>. They are often highly innovative and participate in the development of new products as business and development partners of large companies. To ensure SME participate more strongly in Horizon 2020, not only those companies which are already acquainted with the framework programme but also young, innovative companies should be motivated to take part. To substantially boost SME participation in general, as well as the number of first-time applicants, visible funding modules are required. In an initial step, these should enable an unbureaucratic entry into applied collaborative research and then lead to focusing on more ambitious projects. Following the example of the German promotion initiative “SME innovative“, SME access to all programme sections should be facilitated via a “one-stop shop” providing SME with a supporting navigation tool to the appropriate measure. In this context the current SME definition should also be reviewed as typical SME are often innovative companies with considerably more than 250 employees.

- **Together with industry the Commission should place the focus of Horizon 2020 on business potentials. And the Commission should encourage SMEs to take part by providing them with an unbureaucratic entry.**

## **3. Focus promotion on realistic priorities**

The envisaged division into the funding areas “Industry and Technologies” (second pillar) on the one hand and “Societal Challenges“ (third pillar) on the other does not seem appropriate and should be withdrawn. Maintaining the edge in the field of key technologies can reveal new ways to resolving societal challenges, thus ensuring Europe’s industrial leadership. Horizon 2020’s programme structure should take this close link into account. Advantage should be made of business expertise to draw up a clear definition of societal challenges.

Moreover, by selecting the topics of the second and third pillars, the Commission’s draft programme for Horizon 2020 takes over almost all the topics of the 7th FRP. However, there is the

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<sup>3</sup> Eurostat 2008.

question of whether Europe wants to have a leading position in the world market in all these areas and/or whether this would in fact be at all realistic. In addition, with the increasingly difficult budget situation it is doubtful whether the EU can still afford a watering-can approach to funding. The areas to be promoted by Horizon 2020 should be reviewed with the target of focusing on realistic priorities together with industrial partners. The key question should be: What direction would create the greatest possible economic lever for Europe and its Member States?

- **The Commission should combine the second and third pillars of the programme under the title “Industrial leadership to master major societal challenges” and focus only on a restricted but realistic number of key issues!**

#### **4. Simplify and accelerate funding procedures**

In addition to the relevance to innovation of the topics funded, simplified participation rules and prompt funding decisions play a key role as regards companies' willingness to participate in Horizon 2020<sup>4</sup>. The current announcements on the rules for participation for companies participating in the funding programme are too vague in the Commission proposal. Concrete assessments can therefore not be made. The rules for participation should be made concrete in such a way that it would be more profitable for companies to participate in European projects.

To enhance planning certainty for companies, it should be possible to submit applications by several deadlines per year. The period from the project idea via the call for proposals to the project launch should be significantly reduced. The Commission should codify a reduction of the time to grant to 100 days up to a funding decision after the complete application documents have been submitted as a binding target. In addition, the accounting rules should be simplified in all programmes, as, for example, in the German central innovation programme for SME (“*Mittelstand*”) (ZIM), and national provisions to assess cost rates recognised as the basis for project accounting. As an alternative to the billing of lump sums, the billing of actual costs should be possible. Access to the flanking credit, participation, and risk funding as well as offers of support by the Commission should be made possible without significant extra effort on the basis of the data already collected.

- **The Commission should focus all relevant Community regulations, from the state aid framework to the regulations for the formation of consortia and the exploitation of results, on promoting the participation of companies!**

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<sup>4</sup> In the current DIHK Innovation Report 2011 almost 30 percent of companies state that they have had negative to very negative experiences with European research promotion (7th FRP).