

# Position Paper

## UEAPME's<sup>1</sup> comments on the mid-term review of Horizon 2020 and first ideas for the 9<sup>th</sup> EU Framework Programme for Research and Innovation (FP9)

### Executive Summary

#### On Horizon 2020 SME instrument – UEAPME recommends:

- better advice for applicants at national level, including support for SME associations to help their members
- more detailed information in evaluation reports to allow SMEs to understand feedback better
- interviews with applicant in final selection for phase 2 without delay in time to contract
- to improve the attractiveness of the “Seal of Excellence” and give more public visibility to international investors

#### On FP9:

- General aim should be: 3% R&D quota beyond 2020, creation of knowledge and its use to improve competitiveness and contribute to solve societal challenges and a focus on EU added value and on impact.
- Maintaining a fair balance between grants for projects before commercialisation phase and financial instruments for highly innovative but risky companies.
- Support for European Innovation Council, but clear intervention logic is needed and business community should get involved in programming process.
- Special support for SMEs, including the prolongation of the very successful SME Instrument and an earmarking of a dedicated budget of 20%, should be maintained.

## I. Experiences and recommendation on Horizon 2020 and its implementation

### 1. General comments on Horizon 2020

The current Framework Programme for Research and Innovation is in general well received by SMEs. The stronger focus on innovation within the pillars two (competitive economy) and three (societal challenges) has been requested by UEAPME when the programme was designed and contributed to a

<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/regexp10/index.cfm?do=entity.entityDetail&entityId=55820581197-35).

higher participation of companies, including SMEs, in project applications; which directly helped to improve leveraging H2020 investment and achieve a higher impact.

SMEs appreciate the already implemented simplification measures like shorter time to grant and time to money and the revision of the Model Grant Agreement announce on 28 February 2017 as well as the easier accessible single portal – even if further improvements are recommended. The overall improvement resulted also in a significant number of newcomers from the business world to the programme.

Further improvements recommended by UEAPME are:

- the use of normal accounting practices in order to avoid double accounting, which may also reduce the error rate. This is also recommended by the European Court of Auditors.
- running pilot projects on replacing real cost refunding by lump sums or refunding of average costs, while at the same time avoiding a significant reduction of the effective funding rate.

Currently, the Commission is testing a pilot on the basis of lump sums for big collaborative projects to be used in Horizon 2020. Support based on lump sums could lead to considerable simplification in the operational handling of grants and greatly facilitate the reporting for beneficiaries. Future rules for lump sums should be based on the lessons learned from those pilot instruments

## 2. Comments on the H2020 SME Instrument

The new SME Instrument for innovation as part of the Horizon 2020 programme was strongly demanded by UEAPME to provide a programme which is better aligned with the needs of SMEs running innovation projects. This new instrument, which covers different phases of an innovation project, is very attractive for highly innovative SMEs and start-ups, the target group of the instrument, and has resulted in a refreshingly high number of applications for the first, but also for the second phase of the instrument.

Problems reported so far are related to:

- the very low success rate for applications, which is for some calls and for some countries below 5%;
- some inconsistencies in the evaluation process, where the results in case of reapplication vary significantly;
- evaluation reports which are too generic and may give little orientation to applicants and
- difficulties for companies to switch between regional, national and European innovation programmes and support measures, where such support is available.

Possible improvements as regards these problems could be achieved, if:

- applicants are better advised and supported at national level for example by national contact points or the European Enterprise Network. Furthermore, a stronger collaboration between national contact points and other actors supporting SMEs in the preparation of applications (e.g. associations, consulting companies, etc.) is recommended to correctly and impartially address applicants towards the most appropriate funding scheme.

- in countries where needed, SME associations are supported to improve their capacity to advise and guide their members to the instrument best suitable.
- evaluation reports provide more detailed information and advice, which helps SMEs in the interpretation and understanding of the European Commission feedback.
- at least for the second phase the final selection is also based on interviews with the applicant = owner of the company without extending the time to grant and to money.
- further efforts are made to make it easier to use support programmes at different levels in a more seamless way and to improve the attractiveness of the “Seal of Excellence” for investors and ensure that national / regional programmes can be complementary and compatible with EU measures while avoiding competition between programmes. Therefore, a significant improvement could be achieved, if the different services in the European Commission would use the same definition of eligible costs for R&D expenditures in the regulations for ESIF (DG REGIO), Horizon 2020 (DG R&I) and State aid (DG COMP).
- via a portal the visibility of SMEs projects is granted to a large network of international investors in case a high quality project cannot be funded due to limited EU resources (seal of excellence).

## II. First ideas for a future Programme for Research and Innovation (FP9)

### 1. The general aim of FP9

The general aim of a new Framework Programme for Research and Innovation (FP9) should be: **more innovation oriented, simpler and based on a clear division of work.**

**Core objectives and elements of FP9 should be:**

- maintain the European core target of 3% R&D quota beyond 2020
- creation of knowledge at top level and its use to improve competitiveness, strengthen growth potentials and contribute to solutions for societal challenges
- pooling resources and support for projects with a European added value
- going beyond research policy and following an innovation approach, which focuses on impact, i.e. by providing solutions for economic and societal challenges and improving competitiveness

This means the overall focus of the programme must be geared towards **measurable effects in the real world (impact)**. Furthermore, UEAPME recommends that the existing Horizon 2020 **programme structure based on its three pillars - *Excellent Science, Competitive Economy and Societal Challenges* - should be maintained**. The second and especially the third pillar should focus on higher TRLs to ensure real impact. FP9 should have a progressively increasing budget starting from the available budget amounts of the last year of Horizon 2020.

## 2. On financial instruments

Due to the specificity of RDI, UEAPME recommends to **maintaining specific financial instruments for innovation** within FP9. Financial instruments for highly innovative companies should also be developed for those areas, where the possible scalability of innovations does not correlate to the very high expectations of the venture-capital funding or where the time frames between research and market success are very long. Appropriate instruments for those cases are guarantees for mezzanine finance, i.e. subordinated loans or silent participation.

In addition, UEAPME strongly recommends keeping grants as the main form of support for projects below the commercialisation phase, because neither banks nor financial markets are able finance such projects.

## 3. On a European Innovation Council

The **European Innovation Council (EIC)** should combine all bottom-up instruments such as *Eurostars*, the *SME Instrument* and *Fast Track to Innovation*. Ideally, the funding for these instruments should be provided by a joint budget (real common pot) for all topics under the pillars two and three of Horizon 2020. Since the solution to future economic and societal challenges **may be based on business models, which partly do not even rely on R&D themselves**, it will be crucial to support also such business models and to develop **clear intervention logic** in this respect. Such an EIC should attract newcomers to FP9, who will not be attracted without such instruments.

For the *EIC*, an **own programme committee** as well as effective information and support instruments for potentially suitable companies should be established. This has to be linked to **other funding programmes at national or regional level** so that the participation of SMEs can take place in an efficient and targeted way and at the most suitable level. In this context, it is desirable that the objective geared towards innovation and growth as the motive for the establishment of an EIC, will be maintained within the European Commission also beyond FP9.

In order to improve the participation of the private sector, it has to be ensured that **the European business community** receives the opportunity to **get involved in the programming process**.

## 4. On the open data regime

For FP9, the **degrees of openness concerning the handling of data and the connected risks and advantages at different levels have to be better balanced**. This applies especially with regard to the application of open-data and open-access-concepts in the area of competitive research and innovation. While open-data concepts do not pose a lot of difficulties in the area of fundamental, accompanying and systemic research, it creates significant problems in the area the competitive and applied research and development, where companies aim for competitive advantages for themselves. Also the use of their own resources follows a different logic. "Open-to-the-world" should not be understood as an invitation to lose of competitive advantages, nor should it be prejudicial to novelty for a patent application or future exploitation.

## 5. Special support for SMEs

Finally and most important, SMEs face certain conditions (e.g. no own R&D infrastructure, start-ups, access to the European market not feasible exclusively by themselves, financing of internal innovation and growth), which justify special measures with secured funding opportunities. Therefore, and due to our positive experience made with the intention to dedicate 20% of the budget from the second and third pillar of Horizon 2020 to SMEs, this **earmarking should be maintained** under FP9 with at least the same amount of funding.

This is also true for the very successful specific SME instrument, which should continue at European level for highly innovative European added value projects. It provides specific European added value and complements other European, national and regional funding schemes for other forms of SME-innovation.

Furthermore, the European Commission should make every effort to encourage similar instruments at national and / or regional level for innovative SMEs not aiming (yet) for a European project and further facilitate their financing of such measures from structural funds, without creating competition to other programmes. In this context, UEAPME reiterates the need for a more harmonised definition of eligible costs for R&D expenditures in the regulations for ESIF (DG REGIO), FP9 (DG R&I) and State aid (DG COMP).

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