

Position Paper

UEAPME's¹ comments on the Commission proposals for Horizon Europe (COM(2018) 435 final) and the specific programme (COM(2018) 436 final)

Executive Summary

General comments on Horizon Europe:

- UEAPME welcomes the even stronger focus and the additional efforts to create innovations providing an European added value.
- UEAPME strongly recommends to apply a meaningful and not too restrictive definition of innovation, in order to ensure access of highly innovative SMEs to the programme.
- UEAPME strongly recommends to increase the share of budget dedicated to the EIC from 10% to 15% and to ensure a preferred access of SMEs and start-ups to these instrument.

Specific comments on programme regulations:

- UEAPME strongly recommends to include a 20% target for the participation of SMEs (including start-ups) in order to motivate the Commission to ensure calls which are also designed for SMEs, to advertise the programme towards SMEs (as currently the SME Instrument) and to ensure that the participation of SMEs is documented.
- The EIC should take into account the experiences made with the SME instrument and maintain its a mono-beneficiary nature and a substantial budget in line with its ambitious goals.
- UEAPME recommends to use a realistic definition for innovation, which allows a wide range of SMEs to present their ideas within competitive calls.
- UEAPME welcomes the improvements achieved as regards the State aid rules for the “seal of excellence”.
- UEAPME would like to ensure SME representation at the EIC board (Article 10, specific programme) and to provide business organisations with the opportunity to comment on the annual work programmes.
- UEAPME asks to include entrepreneurs, business angels and other investors in the evaluation process of the EIC.
- UEAPME recommends concrete actions to tackle specific problems encountered with the current SME Instrument in Horizon 2020.

¹ 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](#).

General comments on Horizon Europe

Transferring excellence in science into new and innovative solutions for the society and to increase the overall competitiveness of our economy is crucial for the future welfare of the European Union. This can only be achieved, if a European Programme for Research and Innovation is attractive for businesses and supports them to transfer knowledge into commercialisation. Already with a stronger focus on innovation in the current Horizon 2020 programme and some simplification measures the participation of businesses has increased significantly and reversed the trend of falling participation with the 6th and 7th Framework Programme.

SMEs especially 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 28th 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.

Therefore, UEAPME welcomes the even stronger focus on innovation and the additional efforts to create innovations providing an European added value in the new proposal for the Horizon Europe Programme.

In order to achieve this aim, **UEAPME strongly recommends to apply a meaningful and not too restrictive definition of innovation, in order to ensure access of highly innovative SMEs to the programme.**

Furthermore, **UEAPME supports the new clustering in Pillar II**, because it will contribute to break-up traditional silos and to allow for new ways of cooperation and **agrees with the concept of defining “missions”** where different parts of the programme are working together in a coordinated way to find new answers. In addition, these collaborative research projects are an important instrument to allow SMEs to participate in common projects with other businesses and research organisations and to **allow open and broader innovation projects** .

Finally, UEAPME would like to see a reconsideration of the division of budget between the 3 Pillars. In the Commission proposal only 10 % of the budget is dedicated to the European Innovation Council, which provides the main support to breakthrough and market creation innovation and contributes to the scaling-up of innovative companies.

UEAPME strongly recommends to increase the share of budget dedicated to the EIC from 10% to 15% and to ensure a preferred access of SMEs and start-ups to these instrument , because these companies more problems to finance the commercialisation of innovation than larger companies.

Specific comments on the programme regulation

1. Ensuring a minimum participation of 20% for SMEs

The current programme has the objective to reach a 20% participation of SMEs, this aim is not in the new draft proposal. UEAPME would strongly recommend to include a paragraph and a recital to define a target for the participation of SMEs (including start-ups) in order to motivate the Commission to ensure calls which are also designed for SMEs, to advertise the programme towards SMEs (as currently the SME Instrument) and to ensure that the participation of SMEs is documented.

Therefore, UEAPME proposes for the Horizon Europe regulation a:

(new recital): The Commission should carry out evaluations and record the rate of participation by SMEs in Horizon Europe. If the target of 20 % of the total combined budget for “Global Challenges and Industrial Competitiveness” and “Open innovation” going to SMEs is not achieved, the Commission should examine the reasons for this situation and should propose, without delay, adequate new measures for allowing SMEs to increase their participation.

(new paragraph in Article 7 or 9): Horizon Europe will take an integrated approach to the participation of SMEs, which should lead to a minimum of 20 % of the total combined budgets for “Global Challenges and Industrial Competitiveness” and “Open innovation” being devoted to SMEs.

2. EIC instruments should relate to the real needs of innovative SMEs

The current SME Instrument in Horizon 2020 has been an efficient instrument for innovative SMEs, especially for those running European projects not sufficiently supported by national programmes and provided many European small and medium size companies with the opportunity to develop highly innovative projects.

UEAPME supports the new European Innovation Council with its two main instruments (1) the “**Pathfinder**”, which provides grants to individuals, start-ups and SMEs to create and develop new innovative ideas and (2) the “**Accelerator**”, which offers blended finance for SMEs to realise new innovative projects.

Both instruments should **take into account the successful experiences made with the SME instrument** by maintaining the **mono-beneficiary nature, its structure with different phases and a substantial budget** in line with its ambitious goals.

In order to make these instruments real accessible to innovative SMEs, **UEAPME recommends to use a realistic definition for innovation**, which allows a wide range of SMEs to present their ideas within competitive calls. Aiming for market creating innovation should not mean to use a theoretical concept of innovation, which may formally exclude relevant projects.

3. Improving the impact and the use of the “Seal of Excellence”

UEAPME welcomes the improvements achieved as regards the **State aid rules for the “seal of excellence”**, which will make it easier and more feasible to fund such projects at national level or with support from the European Regional Development and the Cohesion Funds.

4. Ensuring the right balance as regards access to data

As regards access to data, UEAPME agrees on the principle “as open as possible, as closed as necessary as established in Article 10 of the regulation and paragraph 35/3 provides a quite fair and balanced solution, which is also important that a larger number of companies and the society at large can benefit from projects supported by Horizon Europe. However, SMEs are missing one aspect of legitimate interests, which is the need for confidentiality.

Therefore, UEAPME would suggest to add in paragraph 35/3 “confidentiality needs” as fourth element to any other constraints:

(Article 35/3) Beneficiaries shall ensure that open access to scientific publications applies under the terms and conditions laid down in the grant agreement. In particular, the beneficiaries shall ensure that they or the authors retain sufficient intellectual property rights to comply with their open access requirements.

*Open access to research data shall be the general rule under the terms and conditions laid down in the grant agreement, but exceptions shall apply if justified, taking into consideration the legitimate interests of the beneficiaries and any other constraints, such as data protection rules, **confidentiality needs**, security rules or intellectual property rights.*

The work programme may provide for additional obligations to adhere to open science practices.

5. Ensuring governance structures which take the needs of SMEs into account

The strategic planning process, the programme committees and the elaboration of annual work programmes are currently strongly dominated by representatives from the European Commission and national governments with a strong bias towards representatives from the science world. This results in work programmes and calls, which are rather determined by the interest of universities and research organisations and do not sufficiently respond to the needs of businesses and especially of SMEs. 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.

Therefore, UEAPME would like to ensure SME representation at the EIC board (Article 10, specific programme) and to provide business organisations with the opportunity to comment on the annual work programmes. SMEs have a specific interest in the work programme for the EIC (Article 11, specific programme).

Furthermore, it has to be ensured that the experts selected for the evaluation of EIC projects are not only representatives from the science world, but have expertise in business development, innovation processes and business finance.

Therefore, UEAPME asks to include entrepreneurs, business angels and other investors in the evaluation process of the EIC.

6. Rules for participation

UEAPME welcomes the continuation of rules which work already in the current programme and some improvements presented in the Commission proposal such as:

- the principle of single rules based on the new financial regulation;
- keeping the funding rates of Horizon 2020
- acceptance of usual cost accounting practices;

Further improvements for small companies could be achieved with simplified reimbursement rules for small projects or with lumpsum finance in some justified circumstances.

Additional problems reported by SMEs, especially related to the current SME Instrument, should be tackled:

- 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 Enterprise Europe Network. Furthermore, a stronger collaboration between national contact points and other actors supporting SMEs in the preparation of applications (e.g. associations, accountants, consulting companies, etc.) is recommended to correctly and impartially guide applicants towards the most appropriate support 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.
- the final selection is also based on interviews with the applicant / the owner of the company without extending the time to grant and to money.
- via a portal the visibility of SMEs projects is ensured to a large network of international investors in case a high quality project cannot be funded due to limited EU resources (seal of excellence).

Brussels, 18th September 2018

For further information on this position paper, please contact:

Gerhard Huemer
Director Economic and Fiscal Policy
g.huemer@ueapme.com