

21.09.18

## Decision Of the Bundesrat

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**Proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination**

**COM(2018) 435 final; Council doc. 9865/18**

Official Document: 261/18

in conjunction with

**Proposal for a Decision of the European Parliament and of the Council on establishing the specific programme implementing Horizon Europe – the Framework Programme for Research and Innovation**

**COM(2018) 436 final; Council doc. 9870/18**

Official Document: 262/18

In its 970th session on 21st September 2018 the Bundesrat adopted the following Opinion pursuant to §§ 3 and 5, Act on Cooperation between the Federation and the Federal States in European Union Affairs (EUZBLG):

1. The Bundesrat takes note of the Commission's proposals and refers to its statements in the context of the "Commission Consultation on Interim Evaluation of the Framework Programme for Research and Innovation, Horizon 2020" of 16th December 2016 (BR Official Document 749/16 (Decision)) and "Interim Evaluation of Horizon 2020 - Maximising the Impact of EU Support for Research and Innovation" of 23rd March 2018 (BR Official Document 5/18 (Decision))

2. The Bundesrat welcomes the decision to base the proposal on the results of the "Horizon 2020" interim evaluation, on comprehensive feedback from stakeholders and on strategic recommendations from the independent High-Level Group on Maximising the Impact of EU Research and Innovation Programmes (the High-Level "Lamy Group"). In particular, the key cornerstones for further development of the strategy must include further simplification, heightened impact through mission orientation and citizen participation, enhanced synergies with other Union funding programmes and Union strategies, reinforcement of international cooperation, greater openness, and rationalisation of the funding landscape.
3. The Bundesrat also welcomes the Commission's proposed budget of 94.1 billion Euro for "Horizon Europe" and supports the European Parliament's call for the budget to be increased to 120 billion Euro. It recalls that in 2017 the High Level "Lamy Group" established by the Commission recommended doubling the budget compared with Horizon 2020.
4. The Bundesrat welcomes the Commission's structural proposal for the "Horizon Europe" programme, which aims to ensure continuity and further development. The Bundesrat recommends that designations for the three pillars, in particular I and III, be formulated more clearly, since the designations proposed so far describe methodological concepts that have become established in recent years. In this context, the Bundesrat refers to the draft Regulation, point 4 of the recitals, which stipulates that the terms "open science, open innovation and openness to the world" are to be regarded as general principles.

The German version of the draft Regulation deviates from the established terminology. The English word "pillar" is translated by the German term "*Pfeiler*" in the draft Regulation. The Bundesrat proposes that the German term "*Säule*", which is commonly used among research actors, be used when referring to the programme structure.

The Bundesrat considers the term "*Auftrag*" that is used in the German translation to be misleading when referring to measures aimed at achieving a measurable goal and effect within a defined timeframe and proposes that this term should be replaced by the German term "*Mission*".

5. There are still many uncertainties concerning the new strategic programming instrument. The Bundesrat presumes that the Member States will be involved in decision-making for the strategic programme planning process and calls on the Federal Government to likewise involve the federal states in this process in an appropriate manner.

6. Funding from the European Research Council (ERC) has become a mark of prestige as research funding with a strong international reputation.

The Bundesrat acknowledges that the Commission intends to ensure tangible funding increases for the ERC, which is anchored in pillar I of "Horizon Europe". The Bundesrat welcomes the continued independence of the ERC in the future Research Framework Programme. It calls on the Commission to make efforts to increase the funding rate of positively evaluated ERC projects.

7. The Bundesrat emphasises the particular importance of the Marie Skłodowska Curie Programme with its various activities (including networks and scholarships) for young academics and for universities as a whole. The Bundesrat finds it regrettable that the Commission's plans do not reflect this importance through a significant increase in funding. The Bundesrat therefore calls for further improvements to the financial resources earmarked for this programme.

8. The Bundesrat welcomes all measures that contribute to building up and consolidating European research infrastructure. Cross-border access to advanced research infrastructures leads to real European added-value and in particular fosters participation by smaller scientific institutions.

9. The Bundesrat emphasises the special importance of transnational projects, particularly for universities and research institutions. It therefore calls for the majority of the respective cluster funds to be earmarked for joint research projects in the second pillar in order to ensure equitable opportunities for universities and research institutions to collaborate.

10. Pillar II aims to support the entire innovation chain from basic research to the development of marketable products. The Bundesrat calls for balanced distribution of funding along the entire innovation chain
11. Availability of key enabling technologies (KET) as a basis for technological innovation is a decisive criterion for securing employment and growth. The Bundesrat takes note of the recommendations of the independent High-level Group on Industrial Technology, "Re-finding Industry - Defining Innovation". The Bundesrat calls for the full potential of the revised KET to be tapped into with a broad and firm anchoring. In this respect, in addition to the measures proposed so far, independent and non-application-dependent funding of KET is crucial.
12. The Bundesrat regrets that in Pillar II, the cluster "Inclusive and Secure Societies" brings together areas that differ greatly in every respect. In the light of this, the Bundesrat calls emphatically for these to be divided into independent areas again. The Bundesrat once again emphasises the importance of the social sciences, economics and the humanities in solving social challenges and the need to provide these academic disciplines with independent and appropriate funding under Pillar II. This also includes the important area of educational research. The Bundesrat welcomes the inclusion of the intervention areas "Democracy", "Cultural Heritage" and "Social and Economic Transformations".
13. The federal states in principle welcome the mission orientation adopted. The Bundesrat considers that it would be advisable for only a few "missions" with a limited budget to be launched initially and for these to be evaluated promptly. It calls on the Federal Government to ensure that the federal states are actively involved at an early stage in defining and selecting missions. In designing these missions, there should be a focus on ensuring that researchers can adopt a flexible and open approach.

14. Against the backdrop of Europe's relative weakness in the field of innovation, the Bundesrat in principle supports the structure of the third pillar and the proposal for a European Innovation Council (EIC), yet considers the funds envisaged for the EIC area to be disproportionately high, also in the light of the partial lack of any increase in other areas. The Bundesrat also points out that a large proportion of the funds allocated from the "InvestEU" programme will also be made available to this sector.

15. Since 2014, more than 250 applicants in Germany have benefited from European innovation funding for small and medium-sized enterprises (SMEs) through the SME Instrument. Cumulative total funding to date for the funded projects amounts to around 130 million Euro.

The Bundesrat advocates retaining the SME instrument and recommends that evaluation results for the SME instrument be taken into account in redesigning "Horizon Europe".

The aim must be to ensure that the number of SMEs receiving support is generally higher for "Horizon Europe" than for "Horizon 2020" - also for fundamental European policy reasons. At the same time, the current share of support for SMEs should also be at least 20 percent for "Horizon Europe" in areas where innovation is supported, comparable to "Horizon 2020".

16. The policy restructuring planned by the EU must not result in any disadvantages for SMEs in terms of EU innovation funding or in any new gaps in overall innovation funding. Even when "Horizon Europe" is implemented, SMEs should continue to receive specific SME funding opportunities. This applies in particular to the realm of innovative products, services and business models for development of prototypes to market maturity, as well as for incremental improvements.

SMEs guarantee growth, prosperity and jobs. Steps must be taken to ensure that highly innovative European SMEs are not at a disadvantage compared with American SMEs, for example, which have benefited greatly from SBIR for decades, especially against the backdrop of increasingly tough global competition for innovation, which makes it crucial that SMEs do not lag behind.

17. The planned restructuring of the EU's support for innovation could go hand in hand with a reduction in the number of companies receiving support. Instead of a high level of support for a reduced number of companies, improved support for a larger number of companies with European potential should be achieved. In this context, it would also be extremely desirable to extend support to companies with more than 250 employees. The Bundesrat requests the Commission to explain how it will be possible to ensure that there is no reduction in the number of SMEs receiving funding.

18. The Bundesrat notes that the EIC's "Pathfinder" and "Accelerator" will be introduced as new instruments to promote innovation.

With regard to the prerequisites for utilization of funding, the concepts currently envisaged for SME funding are vague - both in the "Pathfinder" phase on the basis of grants and in the "Accelerator" phase on the basis of mixed financing, combining grants and equity capital. The Bundesrat considers that rapidly establishing even greater transparency concerning the intended funding conditions for the new "Pathfinder" and "Accelerator" programmes is essential.

The Bundesrat requests the Commission to specify both the funding objectives and the areas that will be funded. These should encompass all areas of the knowledge triangle and take account of the decisive role played by universities.

19. On the whole, the Bundesrat would be critical of any technically uniform funding concept ("one fits all"). What is needed instead is greater individualisation of funding for the target group of innovative companies with European potential, which should also generally tie in with what is termed their Technology Readiness Level (TRL). In the accelerator phase, the Bundesrat recommends awarding grants for innovations up to a TRL of 7 and for TRLs of 8 and that above this level only mixed financing (blended finance) should be deployed, if the company so wishes.

As equity capital funders are primarily involved in larger-scale equity finance rounds, it is important to ensure that financial assistance in the form of pure grants can also be used in the "Accelerator" phase, as in future there may also be cases in which grant funding might in the first instance meet the specific needs most aptly.

20. The Bundesrat requests the Commission to specify both the funding objectives and the areas to be funded. In particular, it requests that the Commission specify which groups of companies would benefit from the intended restructuring of funding and which groups would be disadvantaged compared with the current funding system.

Furthermore, the Bundesrat requests the Commission to specify the impact of the planned restructuring on the number of companies receiving funding and to explain how a more individual focus in funding can be ensured to meet the needs of the company funded in each case.

21. The Bundesrat in principle, welcomes the concept of "high-profile research and innovation missions". However, care must be taken to ensure that these are not carried out at the expense of conventional research and innovation projects under Pillar II.

The programme merely defines the criteria and procedure for elaborating missions. In the course of strategic programme planning, special missions should be developed in close cooperation with the Member States, the European Parliament, stakeholders and the general public.

The Bundesrat calls on the Federal Government to likewise involve the federal states in this process in an appropriate manner.

22. With a view to ensuring that research and innovation in any field can be funded, there should be comprehensive integration of all research and innovation actors into the European research and innovation landscape. SMEs and research institutions should be supported to make headway jointly on advancing innovations. The Bundesrat advocates reintroducing a programme comparable to "Research4SME" in FP7 and earlier, since SMEs also need a funding context tailored directly to their needs in the realm of joint research projects; this allows them to engage in research and innovation with an open-ended thematic focus and to gain further direct access to European funding for research and innovation through such a programme.

23. In addition, the Bundesrat calls for increased flat-rate sums for research institutes or scope for full reimbursement under "Horizon Europe", as research institutes often report that flat-rate sums for projects are insufficient. In particular for applied research with lower basic funding, this means there is a risk that projects will not be carried out, as the flat-rate sums are inadequate to finance the necessary work and infrastructure (acquisition and operation).
24. The Bundesrat in principle acknowledges the considerable continuity in the rules concerning participation in "Horizon Europe". Nevertheless, further specification of these rules will be decisive. The Bundesrat calls on the Federal Government to involve the federal states in further detailed design of the rules for participation.
25. The Bundesrat welcomes the further simplification of the current system for reimbursement of costs incurred, in particular with regard to personnel costs. However, the Bundesrat continues to reject the lump-sum method for research funding for universities and non-university research institutions. In addition, the Bundesrat identifies a cost risk for participants, as no definition has yet been provided concerning the criteria for evaluating successful or appropriate implementation of completed work packages. The Bundesrat expects that projects' scientific excellence will not be subordinated to cost considerations. Furthermore, the Bundesrat considers that it would be appropriate to optimise the review process and make it more transparent.
26. Increased participation of scientists from the EU-13 Member States in the future Framework Programme continues to be of central importance in ensuring the acceptance and legitimacy of European research funding. Targeted funding of projects with partners from these Member States should be significantly expanded while complying with the criterion of excellence. To that end, existing participation methods must be modified, new participation formats and incentive systems must be developed and appropriate funding must be made available. It is however important to bear in mind that "Horizon Europe" alone cannot ensure that individual Member States will no longer lag behind; the Member States in question must ensure they can close the gap by investing more in research and innovation.



27. The Bundesrat welcomes the Commission's plans to simplify the partnership system

28. The Bundesrat also welcomes the Commission's intention to exploit synergies with other EU funding programmes in implementing "Horizon Europe".

In the Bundesrat's view, the existing system for awarding seals of excellence has so far shown no evident synergetic effect. The Bundesrat requests the Commission to implement synergy potential in the detailed design of the administrative arrangements by the Commission and the agencies it entrusts with this task.

29. The Bundesrat supports strengthening of the European Research Area through "Horizon Europe". Synergies with the "Networks of European Higher Education Institutions" initiative are also cited in this context. The Bundesrat asks the Commission to specify in greater detail the contribution "Horizon Europe" will make to complementing the initiative.

30. The Bundesrat acknowledges that although the planned defence research is to be carried out under the general aegis of "Horizon Europa", this will be within a specific and distinct programme. Referring to Article 5(1) of the draft Regulation (BR Official Document 261/18), the Bundesrat notes that synergies with the European Defence Fund are not possible.

31. The Bundesrat shall transmit this opinion directly to the Commission.