



Commissioner Carlos Moedas

**BUSINESSEUROPE CEO EVENT ADVISORY AND SUPPORT
GROUP
Berlaymont
Thursday, 3 December 2015
16:45**

<p>Main contact person: [REDACTED], [REDACTED], RTD-B1, [REDACTED]</p> <p>Contributor(s): Name, [REDACTED], RTD-unit, office [REDACTED], [REDACTED], RTD-DDG2.01, [REDACTED], [REDACTED], RTD B3, [REDACTED]; [REDACTED], RTD B3, [REDACTED]; [REDACTED], [REDACTED], RTD J3; [REDACTED], [REDACTED], [REDACTED]; [REDACTED], [REDACTED], [REDACTED]</p>	<p>Cabinet Member: Keith SEQUEIRA</p>
--	---------------------------------------

TABLE OF CONTENTS

0. AGENDA OF MEETING / PROGRAMME OF EVENT	Page 3
KEY MESSAGES AND FIGURES	Page 4
1. STEERING BRIEF	Page 6
2. SPEAKING POINTS	Page 7
3. DEFENSIVE POINTS	Page 11
4. BACKGROUND INFORMATION	Page 15
4.1 Horizon 2020 key figures	Page 15
4.2 Better Regulation and Innovation	Page 15
4.3 Scientific Advice Mechanism	Page 16
4.4 Horizon 2020 Simplification	Page 17
4.5 European Innovation Council	Page 19
5. SOCIAL MEDIA	Page 20
6. ANNEXES	Page 21
6.1 CVs	Page 21
6.2 Factsheet: Horizon 2020 Rules	Page 23
6.3 Factsheet: Industry Participation in Horizon 2020	Page 24
6.4 Synergies between H2020 and EFSI	Page 28

0. AGENDA OF MEETING / PROGRAMME OF EVENT

14h30	Arrival and Registration (Berlaymont, Commission)
14h45 - 15h00	Welcome and Introduction - chaired by  
15h00 - 15h45	Jean-Claude Juncker, President of the European Commission
15h45 - 16h00	Group photo and coffee break
16h00 - 16h45	Günther Oettinger, European Commissioner for Digital Economy and Society
16h45 - 17h30	Carlos Moedas, European Commissioner for Research, Science and Innovation
17h30 - 18h15	Frans Timmermans, First Vice-President of the European Commission, Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights
18h15 - 18h30	Break
18h30 - 19h00	Alexander Italianer, Secretary-General of the European Commission
19h00 - 19h30	Networking cocktails
19h30 - 21h00	Working dinner with Jyrki Katainen, European Commission Vice-President for Jobs, Growth, Investment and Competitiveness
21h00	End of programme and departures

KEY MESSAGES

- Europe does not yet have all the parts of an effective innovation ecosystem. My strategy to address this based around open innovation, open science and open to the world. Priority actions include establishing a venture capital Fund of Funds, removing regulatory barriers to innovation, and creating a European Innovation Council.
- The combined firepower of the European Fund for Strategic Investments, Horizon 2020 and Structural Funds is a unique opportunity to increase investment in research and innovation.
- The establishment of the Scientific Advice Mechanism marks a new approach to the use of independent science advice in Commission Policy making.
- The simplification and innovation focus of Horizon 2020 is working. Forty percent of applicants are new entrants, and the share of business and SME participation has increased (to over 40 percent in the parts on "industrial leadership" and "societal challenges").

1. STEERING BRIEF

You will attend the 5th Advisory and Support Group CEO event organised by BUSINESSEUROPE. [REDACTED] will be leading the delegation of CEOs.

President Juncker, First Vice-President Timmermans, Vice-President Katainen and Commissioner Oettinger as well as Secretary-General Italianer will have also participate to this event.

You are expected to provide a provide a short opening statement (5-10 minutes) followed by Q&A. The topics identified by Business Europe are:

1. Europe must regain innovation leadership by having an investment-friendly environment and scaling up investments in R&D, particularly at close-to-market stage.
2. The EU must 'balance' the precautionary principle with an innovation principle.
3. The EU needs to guarantee a more important role for science and technological evidence in the policy process and the establishment of the Scientific Advice Mechanism will support this.
4. Business Europe is concerned with the issue of oversubscription and low success rate of applicants to Horizon. They are also concerned about their perceived decline in business participation in Framework Programmes since FP7.

List of participants:

[REDACTED], [REDACTED] of **BUSINESSEUROPE**
[REDACTED], [REDACTED] of **BUSINESSEUROPE**
[REDACTED], [REDACTED], **Telefónica**
[REDACTED], [REDACTED] **Polish Confederation Lewiatan**
[REDACTED], [REDACTED] **BASF SE**
[REDACTED], [REDACTED] **Solvay, Solvay Group**
[REDACTED], [REDACTED] **Procter & Gamble Europe**
[REDACTED], [REDACTED], **Google**
[REDACTED], [REDACTED] **VNO-NCW**
[REDACTED], [REDACTED], **Lhoist Europe**
[REDACTED], [REDACTED], **Accenture**
[REDACTED], [REDACTED], **Bayer AG**
[REDACTED], [REDACTED] **Employers' Confederation of Latvia**
[REDACTED], [REDACTED], **Infineon Technologies Austria AG**
[REDACTED], [REDACTED], **ArcelorMittal**
[REDACTED], [REDACTED] **UPS Europe**

[REDACTED], [REDACTED], **Intel**
 [REDACTED], [REDACTED], **HEINEKEN**
 [REDACTED] **Telecom Italia** and Fondazione Telecom Italia
 [REDACTED], [REDACTED] **EMEA-CIS, Hitachi**
 [REDACTED], [REDACTED] - **Henkel AG & Co. KGaA**
 [REDACTED], [REDACTED] Confederation of Employers and Industries of Spain
 [REDACTED], - [REDACTED] **Statoil**
 [REDACTED], [REDACTED] **Confindustria**
 [REDACTED], [REDACTED] **Randstad**

BUSINESSEUROPE represents 40 national federations from 34 countries, including the EU and EEA countries, and some central and Eastern European countries. Alongside the national federations, the Corporate Advisory and Support Group offers particular services to a selection of major companies (around 69) in all sectors of activity. These companies enjoy an important status within BUSINESSEUROPE.

Business Europe have been in contact with the Commission on these issues in the past year.

- BE were co-signatories to a joint statement addressed to First Vice-President Timmermans (22 June 2015) in which the necessity to 'establish the Innovation Principle and the provision of scientific advice as integral components of the EU's policy making process' are highlighted.
- BE contributed to the 'InnovRefit' exercise and noted the need for 'flexible, well-crafted and especially clear, coherent and predictable regulation' to create an attractive environment for R&D investment to stimulate innovation.
- BE were among the organisations formally invited to nominate members of the Scientific Advice Mechanism's (SAM) High Level Group (HLG). None of their nominees were selected but it is likely that the CEO meeting will welcome the November 10th's announcement of the membership of the SAM HLG which moves us closer to a fully operational SAM. Given the content of the June joint statement to VP Timmermans, it is likely that BE will suggest that the SAM HLG considers the 'innovation principle'.
- At a meeting with you last year (18 December 2014) BE raised the issue of their analysis showing a decline in industry participation since FP 7 and raising their concerns about this issue. They suggested setting targets for industry participation. BE also indicated their support for an innovation principle at this meeting.

2. OPENING REMARKS

Thank you for this invitation. I would like to briefly address the four points raised in your key messages for this discussion.

First, I agree that we need to scale up investment in research and innovation. As vice President Katainen will tell you, the Investment Plan has started strongly. I am particularly pleased to see that the new European Fund for Strategic Investment has already made around 1 billion euro of investment in research and innovation projects. It is also investing heavily in the InnovFin SME guarantee which we created under Horizon 2020.

A particular weakness I see in Europe is in Venture Capital which is a critical source of finance for high growth, innovative companies. Venture capital in Europe amounts to around 5 billion euro per year, while in the US it is five times higher at 26 billion euro per year. Furthermore, because venture capital funds are much smaller and fragmented in Europe, they are not able scale up investments as companies grow. To address this problem I am looking to support a **venture capital Fund of Funds** to bring in larger investments and operate at a pan European level.

Second, I would like to thank Business Europe for introducing the concept of an Innovation Principle for regulation. As part of the Better Regulation package we have already introduced an innovation test in the Impact Assessment process. Furthermore, we have consulted with many businesses to identify specific regulatory barriers to innovation. The results of this consultation will be published in a few weeks' time.

One outcome of this process is included in the Circular Economy Action Plan. We will pilot a new approach which we call "**innovation deals**" drawing on the experience of the Dutch "Green Deals". Under "innovation deals" the Commission will work with innovative companies to offer guidance on how new technologies and innovations can fit within EU regulatory frameworks. The experience from the Netherlands is that regulatory barriers are often more perception than reality, and that guidance can overcome the misperceptions.

On your third point, I am pleased to announce that the new Scientific Advice Mechanism is now in place. I have appointed a first class group of high level scientific advisors and am talking with my colleagues in the Commission to identify the needs. The Group will start its work in January and has a mandate to advise on any area of policy where independent scientific advice is critical, and which does not duplicate existing advice.

As a final point for the discussion I would welcome your views on Horizon 2020. For the first time in decades we have seen a significant increase in business participation and a huge influx of newcomers, in particular SMEs. This has, however, brought problems of oversubscription with too many excellent projects not getting funding.

One new initiative I have introduced with Commissioner Cretu is the "**Seal of Excellence**". Thousands of applications by SMEs to Horizon 2020 have been recommended for funding by the independent evaluators, but we have been unable to fund due to budget constraints. From now on, these SMEs will receive a "Seal of Excellence" which they can use with their national and regional funding agencies. In parallel, we are working with Member States so that their Structural Fund programmes and other support schemes will recognise the "Seal of Excellence".

Going forward, I have set myself the goal of creating a **European Innovation Council**. Such a Council should simplify the range of support for innovation so that people do not get lost in the system. In addition it should provide the highest quality support that will attract the best innovators to grow their businesses in Europe. I would very much welcome your ideas on how to make this possible!

3. DEFENSIVE POINTS

3.1 Scientific Advice Mechanism

Why did you choose a high-level group, and not simply another individual chief scientific advisor?

There is no 'one-size-fits-all' approach to the provision of scientific advice. Different Member States have different traditions and practices, as indeed do other countries outside of Europe. Learning from these examples, my belief is that a *mechanism*, composed of a group of eminent scientists and supported by a well-resourced team in the Commission services, coupled with an explicit link to European academies and learned societies, is the best way to ensure independent, multidisciplinary advice in a transparent manner.

Why didn't you select any of the names which Business Europe proposed?

The identification committee, [REDACTED], [REDACTED] and former European Commissioner António Vitorino emphasised to me the difficulty in selecting the membership of the High Level Group. Many candidates not selected were of exceedingly high quality and so the process was very competitive. I am very grateful for your positive contribution to this exercise and trust that you, like me, share the view of the Committee that the final membership represents a very high level, diverse and experienced Group.

Will the EC services, presently heavily reliant on scientific evidence in legislative preparation, be side-lined by SAM?

Absolutely not! SAM HLG will be supported by a secretariat whose role will be (among others) to ensure that the HLG does not duplicate the provision of scientific advice by existing bodies.

What is the added value of the high level group, given the existence of other sources of scientific advice?

HLG meetings will be attended by me or my representative. As a member of the College, I can therefore ensure the appropriate contribution of science advice to all stages of EC policy development.

SAM represents a broad and inter-disciplinary source of advice, as a result of the seniority and expertise of the HLG members, and of its links to the wider scientific community and in particular to the European academies and learned societies.

SAM will not only respond to requests for scientific advice on specific policy issues but may also support the European Commission in identifying specific policy issues where independent scientific advice needs to be reinforced.

3.2 Horizon 2020 Simplification and Participation

What are you doing to address the declining industry participation in Framework Programmes since FP 4?

When comparing rates of participation across Framework Programmes it is important to bear in mind that Horizon 2020 is very different in scope and structure from previous Framework

Programmes. The private sector is getting over 30% of the funding of Horizon 2020 so far, which is well over what it received under the Seventh EU Framework Programme for Research and Technological Development (FP7) so far. Under the priorities 'Industrial Leadership' and 'Societal Challenges' figures are considerably higher, with an EU contribution of 41% and 48% of Horizon 2020 respectively.

Are these simplifications effective enough?

We think that the simplification measures to date have shown their effectiveness. Interest from potential applicants has increased in Horizon 2020 compared to previous Framework programmes - 38% of successful applicants were newcomers. We have seen high industry participation figures so far, well over those in the Seventh EU Framework Programme for Research and Technological Development (FP7).

Why is there still a low success rate?

Increase of participation does not imply increase of funded project. The overall success rate of eligible full proposals is around 14%, compared with around 20% for the whole of FP7. It should be noted, however, that less funding was available in 2014, the first year of Horizon 2020, compared with 2013, the last year of FP7.

What is the correlation between Horizon 2020 grants and debt and equity instruments under InnovFin and EFSI?

Debt and equity instruments cannot substitute grant funding, as their investment rationale is different.

With debt products – loans basically – the debtor is legally bound to reimburse his due. This is the case for with the loans from the EIB under EFSI or InnovFin, although these loans come at attractive rates for high-risk profile innovation projects.

Equity is invested with the intention of making a financial return on investment, as the investor at his own risk is taking an active stake in / co-ownership of a project or an entity.

Grant funding comes with no expectation of reimbursement or financial return (assuming proper use of grant money).

With the EU financial instruments – be it under EFSI, InnovFin or other schemes – the EU is making efforts to stimulate private investment and unlock the liquidity in banks to the real economy, while with grants – for instance under Horizon 2020 – the EU is funding projects directly because their finalities are serving the EU public interest.

How will the investment plan (EFSI) benefit research in Europe?

The benefits are threefold:

- First, because the European Fund for Strategic Investments will have a different risk profile and will support higher risk projects. This can benefit research projects, which are traditionally riskier compared to other infrastructure investments.

- Secondly, the package will use public money to leverage private money for investments that achieve immediate impacts on the European economy. The guarantee fund of €21 billion is expected to multiply the total investment by a factor of 15. (This factor of 15 is a factor of 3 for financing and a factor of 5 for allowing other investors to participate.)
- Thirdly, we are creating an investment-friendly environment by removing barriers and red-tape to make research more attractive for investments.

3.3 European Innovation Council

Why an EIC?

Europe appears to suffer from a relative deficit in the number of high growth innovative companies (i.e. 'scale-ups' as opposed to 'start-ups'), especially compared to the US. Although current EU programmes, notably Horizon 2020, support innovation in various ways, they do not necessarily succeed in attracting those with the capacity to generate large scale innovations needed to boost jobs and growth. The diversity of support available means it is difficult for companies and innovators to know how to access existing programmes.

What is the process?

The Commission (RTD) have set up an internal taskforce to carefully analyse the evidence base, with a view to formulating proposals by about end 2016.

This taskforce was convened in September 2015. It is currently focusing on mapping current innovation support instruments at national, EU and international levels, as well as more precisely defining the nature of the main weaknesses in the current arrangements which could benefit from action being taken at EU level.

The Commission envisages regular discussions (both formal and informal) with a range of stakeholders, with the aim of formulating a proposition for an EIC which commands widespread support. We also intend to draw on external feasibility studies where appropriate. It is too early to say whether/when this initiative will lead to formal legislative proposals.

What is the scope of an EIC?

There are a number of potential models which need to be examined carefully. These could include for example:

- (i) a high level group of independent experts who would fulfil a strategic/advisory role;
- (ii) a one stop shop to provide easier access to existing instruments, e.g. through the provision of a common identity, advice, guidance, signposting etc;
- (iii) an independent agency to provide a type of innovation support complementary to existing instruments (or in more radical scenarios replacing or subsuming existing instruments).

Does this mean EIT is redundant?

Absolutely not. THE EIC is not about creating a new institution, but how can we streamline the instruments we have today in terms of innovation in a one-stop shop. Most of our innovators do not know where to go, due to the variety of instruments to support them, such as the SME instrument, or the Fast Track to Innovation. At the same time, it is about how we

can have these instruments more 'bottom up', which is the Brussels jargon to grant more freedom to people to do what they think it is right. It comes from the model of the European Research Council.

4. BACKGROUND INFORMATION

4.1 Horizon 2020 key figures

Horizon 2020 calls outcome so far: Private for profit entities (excl. education)

(Signed Grant Agreements status on October 2015)

	Participants selected	Total participants selected	%	EU financial Contribution	Total EU contribution	%
Excellence in Science	875	7328	9.9	EUR 227M	EUR 3584M	6.3
Industrial Leadership	3136	6359	49.32	EUR 1056M	EUR 2186M	48.33
Societal Challenges	3157	8460	37.32	EUR 1264M	EUR 3111M	40.64

Horizon 2020 InnovFin

- EUR 50 billion: the targeted amount of investments in research and innovation projects and innovative/ RDI-driven bodies from 2014 to 2020 thanks to Horizon 2020 InnovFin debt and equity financial instruments.

4.2 Better Regulation and Innovation

The regulatory environment is an essential part of the Framework Conditions for Research & Innovation. DG RTD set up an 'InnovRefit' Task Force to identify EU regulatory barriers to innovation at sectoral level and explore whether policy action addressing such barriers could contribute significantly to President Juncker's priorities on Growth, Jobs and Investments.

A number of stakeholders, including BE, were consulted. Other stakeholders included Joint Technology Initiatives, European Innovation partnerships and European Technology Platforms. Member States were also consulted via the European Research Area Committee.

DG RTD has prepared a Staff Working Document, *Better Regulation for Innovation-driven Investment at EU Level*, (planned for adoption on 15 December 2015) describing the issue of EU regulatory barriers to Innovation and providing justification on why addressing such barriers could deliver tangible results in the Better Regulation Agenda.

Fit-for-purpose regulatory frameworks are essential if each sector of EU industry is to fully benefit from opportunities emerging in the internal and global markets for innovative products and services, as well as allow newcomers to challenge incumbents. Moreover, Europe's ability to attract mobile international inward investment also requires a pro-innovation regulatory climate.

Evidence shows that there are many example of well-designed EU legislation driving innovation (e.g. the Water Framework Directive) so the answer is not simply that 'less regulation equals more innovation'. However, there evidence is that a combination of differing interpretations of EU laws at Member State level, gaps and bottlenecks at EU level have resulted in regulatory frameworks that threaten to stifle innovation investments.

Updated Commission Guidelines setting out the general principles to follow in an Impact Assessment and providing a tool box of analytical instruments were published as part of the Better Regulation Package on 19 May 2015.

The new Impact Assessment tool on Research and Innovation is part of the revised Better Regulation Guidelines. 14 sectoral toolboxes have been created, including a "research and innovation tool", containing detailed guidance on how to assess potential impacts on innovation, avoid negative impacts and propose concrete mitigation measures. This offers an opportunity for DG RTD to ensure that new policy initiatives will contribute to creating the conditions in which investors and companies are encouraged to take risks and create new sources of wealth and jobs.

4.3 Scientific Advice Mechanism

The aim of the Scientific Advice Mechanism's (SAM) High Level Group (HLG) is to strengthen the provision of independent, transparent, multi-disciplinary scientific advice to the European Commission in areas which are crucial to the development of policies and legislation, without duplicating existing work.

You will Chair their first meeting of the group in January 2016. You are in discussion with your fellow Commissioners to determine a list of areas which might be amenable to the provision of scientific advice. This list will assist the Group in developing its work plan.

The HLG is well resourced in terms of DG RTD support, and also by a structured relationship with national academies and learned societies across Europe, financed by Horizon 2020.

Questions may be anticipated regarding the subjects which the SAM HLG will consider and how their input will be fed into policy making.

DG RTD is aware of a joint statement produced by the ERF (European Risk Forum), Business Europe and ERT (European Round Table of Industrialists), 22 June 2015, addressed to First Vice President Timmermans, in which the necessity to 'establish the Innovation Principle and the provision of scientific advice as integral components of the EU's policy making process' are highlighted. Given the letter of 22 June 2015, suggestions from Business Europe that the HLG considers the 'innovation principle' may also be anticipated. It is therefore important to note that:

- After the cancellation of the meeting on 7 January, the date of the first meeting of the HLG remains pending. DG RTD's SAM unit is in contact with the Group and is working towards a first meeting in January 2016.
- Work Programme 2016–2017 part 13 'Europe in a changing world – inclusive, innovative and reflective Societies' includes a six million euro grant to European academies and learned societies. Submission of a proposal is expected in February 2016 for agreement in June 2016.

- The first inter-service group (ISG) in support of SAM will meet 3 December 2015.
- The other members of the College are in the process of replying to your letter of 6, in which you asked them to suggest policy areas to which SAM could make a contribution with high-level, independent scientific advice. Thus far replies have been received from Commissioners Malmström, Cretu, Hogan, Georgieva, Vella (the latter two informally).
- These replies will be compiled and submitted to the HLG for their first meeting. It is crucial that the HLG takes the lead in setting its own agenda.

While unlikely to come under discussion in this meeting, you may wish to recall your 13th October announcement that with the expiration of the European Group of Ethics' mandate in January 2016, a new mandate will be issued to ensure continuity. The new EGE will report to you, and its secretariat will be located in the SAM unit.

4.4 Horizon 2020 Simplification

We have achieved a lot on simplification in Horizon 2020. The feedback during the first 18 months shows that we are on the right track. Simplification is a permanent challenge and will stay a key priority of the Commission for the further implementation of Horizon 2020.

Businesses, mainly small and medium sized enterprises, are the target audience of the simplification mechanisms put in place under Horizon 2020. Horizon 2020 introduced one single set of rules, with simplified measures for companies, to ensure cost and time efficiency:

The private sector is getting over 30% of the funding of Horizon 2020 so far, which is well over what it received under the Seventh EU Framework Programme for Research and Technological Development (FP7) so far. Under priorities 'Industrial Leadership' and 'Societal Challenges' figures are considerably higher, with an EU contribution of 41% and 48% of Horizon 2020 respectively.

Statistics show that 80% of the registered newcomers to Horizon 2020 are SMEs or larger private industry players.

The priorities for 2016-2017 are to continue the financial instruments and accompanying measures launched in 2014-2015 and maintain a strong focus on SMEs and small, medium and large midcaps.

- As before, Horizon 2020's financial instruments operate in conjunction with those of COSME.
- In light of the SME Initiative, alongside ESIF resources contributed by Member states, Horizon 2020 resources could be co-funded together with the EIB Group resources that would aim at stimulating SME financing by providing partial risk cover for SME loan portfolios provided by financial entities.
- In addition, with the advent of the Investment Plan for Europe, strong synergies are ensured with the European Fund for Strategic Investments (EFSI) to create the maximum possible impact.

The Fast Track to Innovation Pilot is one of the measures contributing to the appeal of Horizon 2020 for industry. It is a bottom-up innovation support measure that funds close-to-market research and innovation activities conducted by a consortium of at least three and at most five partners, who want to put an innovation onto the market within the next 3 years. The core intention is to fund industrial innovation that is already close to the market, has the potential to be a game-changer, but needs a last push to get there, because risks are high and finance is scarce.

Legal entities – of any type – are left maximum freedom to choose what innovation they want to propose for support under Horizon 2020, as long as the innovation project proposed responds to important societal challenges or helps Europe to gain or maintain industrial leadership, which are policy priorities defined under Horizon 2020.

Potential measures for a second round of implementation are being identified in a close dialogue with stakeholders. Two major feedback exercises have recently been completed - a meeting with European stakeholder organisations on 25 September 2015 and an online survey (to which about 50 000 contacts in all ongoing H2020 grants were invited to reply) closing on 23 October.

A series of meetings for exchanging best practice with national funding agencies will kick off at the end of November and provide further stakeholder input on simplification.

Existing Simplification in Horizon 2020

We made substantial progress with respect to simplification in the Framework Programmes. By design, Horizon 2020 incorporates major simplifications compared to predecessor programmes:

- introduced a simple cost reimbursement approach
- streamlined the ex-ante checks
- simplified requirements for work-time recording for project staff.
- reduced the audit burden
- accelerated all processes for signing grants, with a maximum time of 8 months from call deadline to grant signature.
- built a model example for e-government with the Participant Portal as the unique one-stop shop for all interactions.

These measures are complemented by many detailed operational improvements, including streamlined and more user-friendly documentation, centralised and harmonised procedures and a uniform interpretation of rules by all Commission and Executive Agency staff implementing Horizon 2020, as well as rationalised and harmonised fully electronic internal work flows.

A 'lessons learned' exercise was carried out after the first calls in Horizon 2020 and some short comings were immediately addressed. For instance, following feedback from

organisations in the non-Euro zone, we changed the model grant agreement to better accommodate usual accounting practice with regard to Euro exchange rates.

Stakeholder Feedback on First Wave of Simplification

The European Court of Auditors endorsed the radically simplified cost-funding model in the Horizon 2020 proposal, considering that it 'would facilitate and accelerate the application process' and 'decrease the risk of irregularities'.

An external study on the Participant Portal reported that it "could not find equivalent systems of the functional complexity, working seamlessly across the full functions of government ... There are many grant application and funding systems, but not with the ability to manage sophisticated online evaluation and project monitoring. The Participant Portal is unique".

4.5 European Innovation Council

In a keynote speech outlining your future priorities ('Open to Innovation, Open to Science, Open to the World) at a conference in June 2015, you stated your intention to work towards the setting up of a European Innovation Council. The relevant extract from that speech states:

"..Europe does not yet have a world class scheme to support the very best innovations in the way the European Research Council is the global reference for supporting excellent science. So I would like us to take stock of the various schemes to support innovation and SMEs under Horizon 2020, to look at best practice internationally, and to design a new European Innovation Council. This is not for tomorrow, but I believe we should discuss it as a major element under the mid-term review of Horizon 2020..."

The aim is to help companies to grow quickly using innovation. Too few of our promising start-ups scale and become big companies. A number of promising companies and entrepreneurs are springing up all around Europe but they are not having the scale and impact that we would wish them to in order to maximise the jobs, growth and competitiveness benefits that they could bring.

In order to take forward this work, a RTD Taskforce has been set up with the aim of developing the evidence base and formulating proposals. You are hosting an informal working lunch with selected thought-leaders on 14 December and a range of other ad hoc discussions are envisaged. In addition, a set-piece stakeholder workshop is planned for early 2016.

5. SOCIAL MEDIA

[@BUSINESSEUROPE](#)

[@JunckerEU](#)

[@TimmermansEU](#)

[@jyrkikatainen](#)

[@GOettingerEU](#)

[@](#)  (*dormant account*)

[illegible]

6.2 Factsheet: Simplified rules under Horizon 2020

The Horizon 2020 Framework Programme represents a radically new and comprehensive approach to the EU's research and innovation funding policies. The Rules for Participation and Dissemination are designed to implement this new approach in a way that researchers and businesses can benefit from it to the fullest extent.

The new provisions ensure that the three key objectives of the new Framework Programme – integration of support to innovation, coherence of the rules and simplification for the benefit of participants – will be realised.

Simplification: a major feature of Horizon 2020

Horizon 2020 has been constructed from the outset around a radical simplification of its architecture, rules, procedures and control strategy, to attract the top researchers and the most innovative enterprises. Receiving EU research and innovation funding is a highly competitive process. Reacting to calls for proposals, consortia of industry, academia and other players submit project ideas that are evaluated by panels of independent experts. The Commission enters into grant preparations with the selected proposals (success rate about one in five). Once all administrative and technical details are fixed, the grant agreements are signed. Consortia receive pre-financing at the project start and further payments following the acceptance of interim and final reports. The projects are co-financed by the EU and the participants. For research and development projects the share of the EU contribution can be up to 100% of the total eligible costs. For innovation projects up to 70% of the costs, with the exception of non-profit legal entities which can also receive up to 100 % in these actions. In all cases indirect costs will be covered by a flat rate of 25% of the direct costs.

Simplification in Horizon 2020 has three overarching goals:

- reduce the administrative burden and related costs of participants;
- speed up all processes of proposal and grant management and
- reduce the financial error rate.

Dimensions of simplification

Structural simplification is provided through:

- a simpler programme architecture which makes it easier for participants to identify where funding opportunities exist;
- a single set of participation rules (covering issues such as eligibility, evaluation, Intellectual Property Rights, etc.) applying to all components of Horizon 2020; with deviations only possible when justified by specific needs;
- electronic signature of grants and amendments; to simplify and speed up administrative procedures;

Simpler funding rules, that take into account the stakeholders' preference for the reimbursement of actual costs, including:

- simpler reimbursement of direct costs, with a broader acceptance of the beneficiaries' usual accounting practices;

- the possibility of using unit personnel costs (average personnel costs) in accordance to the beneficiaries' usual cost accounting practices;
- abolition of time-recording obligations for staff working exclusively on an EU project, and simplification of time-recording requirements for other staff by providing a clear and basic set of minimum conditions;
- indirect costs covered by a single flat-rate applied to the direct costs; removing a major source of financial errors and complexity;
- two funding rates but only one predetermined rate applicable to all activities in the same project: one project – one rate;
- lump sums, prizes, output based funding for specific areas where this has proved appropriate;

A revised control strategy will achieve a new balance between trust and control by:

- an extension of the guarantee fund to all actions in Horizon 2020 funded by Union bodies according to the Rules for Participation. This fund belongs collectively to the beneficiaries, who have to contribute to it; it is managed by the Commission and insures against financial losses due to defaulting beneficiaries.
- an ex-ante financial capacity check required only for private coordinators in projects of more than EUR 500.000.
- a reduction of the number of certificates on the financial statements by: (i) not requiring interim certificates (only one at the end of the project per participant reaching the triggering ceiling); (ii) basing the triggering ceiling only on actual costs (i.e. excluding flat rates, lump sums, etc).
- a reduction of the audit burden on participants through an ex-post control strategy with emphasis on risk-based control and fraud detection; a single-audit concept for all Commission services and a reduction of the period for ex-post audits from five to two years after the payment of the balance.

This revised approach should translate into a maximum of 7% of Horizon 2020 beneficiaries being subject to audit over the whole programming period (although the percentage of budget audited will be higher, as many larger projects will be audited).

The Commission is committed to reduce in Horizon 2020 the time to grant (defined as the administrative period between submission of a proposal and signature of the grant agreement) to a general maximum of 8 months.

6.3 Factsheet: Industry participation in Horizon 2020

Horizon 2020 is designed to bring business into the research and innovation chain throughout its various components. Some of the key opportunities for participation and support are highlighted here.

Future and Emerging Technologies (FET)

Under the objective “Excellent Science”, € 2.69 billion will be allocated to Future and Emerging Technologies (FET) which supports collaborative research across scientific and engineering disciplines with a clear final goal or purpose. Researchers may be investigating the foundations for radically new technologies, or working towards a breakthrough, which could transfer new ideas from science into technology. Under Horizon 2020, FET is an integral part of this objective and open to collaborative projects in any technological area (for example material science or health).

Initial results

- 91 Private-for-profit entities were selected for grant signature, representing 17.5% of the total participation in FET; with a total EU contribution of EUR 42.3M, 19.1% of the total EU financial contribution in FET so far.

Industrial leadership

One of the three objectives under Horizon 2020, 'Industrial leadership and competitive frameworks' has a budget of €17.01 billion. It aims to make Europe a more attractive location for businesses, large and small, to invest and set the research and innovation agenda. Three key elements support this goal:

Leadership in enabling and industrial technologies:

Support the development of technologies underpinning innovation across a range of sectors, including ICT and space. Horizon 2020 has a strong focus on developing European industrial capabilities in *Key Enabling Technologies* (KETs) with a budget of €5.96 billion. These include:

- Micro- and nano-electronics; photonics
- Nanotechnologies
- Advanced materials
- Biotechnology
- Advanced manufacturing and processing

Development of these technologies requires a multi-disciplinary, knowledge and capital intensive approach.

Fast track to Innovation pilot action (FTI)

The new pilot is implemented in the form of a full scale pilot action launched in an FTI call in 2015. About 100 proposals with an expected budget of around €200 million are foreseen to be funded under the new pilot action. It supports innovation actions under the specific objective "Leadership enabling and industrial technologies" and under the societal challenges, relating to any technology field, on the basis of a continuously open call, and time to grant not exceeding six months. Proposals may be submitted at any time. The Commission has initiated three cut-off dates in 2015 to evaluate proposals. Any legal entity may apply, with a minimum of 3 up to a maximum of 5 in any action.

Initial results

- At the first-cut-off date, there were applications from coordinators based in 27 countries across the EU and Horizon 2020 associated countries, and at the second cut-off date, coordinators were based in no less than 31 countries, showing the wide geographical interest for the measure.
- 264 eligible and admissible proposals submitted before the first cut-off date were evaluated. Typical consortia at the level of the proposals consisted for 63% of industry, including 46% of SMEs, for 14% of Higher and Secondary Education, for 9% of research organisations and for 15% of other entities.
- 48 of those proposals were evaluated above threshold, and 16 of those proposals (1/3) will receive funding, for a total of EUR 35.6 million, involving participants from 19 countries.

The countries with most participants to funded proposals will be: I) Germany: (13) II) Netherlands, France and UK: (9) III) Spain and Italy: (4) IV) Sweden, Slovenia and Belgium (3) V) Austria and Greece (2).

- Many of the funded proposals are in the domain of the green economy, but also one project was in the domain of the 'Internet of things', which confirms that projects coordinated by Nokia could indeed be fully relevant for selection for funding.

What happens to FTI after 2016?

Continuation of the Fast Track to Innovation beyond 2016 will depend on the results of an in-depth evaluation of the pilot scheme.

Access to Risk Finance:

InnovFin – EU Finance for Innovators: products available so far

- *InnovFin Large Projects* aims to improve access to risk finance for R&I projects emanating from larger firms; universities and public research organisations; R&I infrastructures (including innovation-enabling infrastructures); public-private partnerships; and special-purpose vehicles or projects (including those promoting first-of-a-kind, commercial-scale industrial demonstration projects). Firms and other entities located in Member States and Associated Countries will be eligible as final beneficiaries. Loans from €25 million to €300 million will be delivered directly by the European Investment Bank.
- *InnovFin MidCap Growth Finance* offers senior and subordinated loans or guarantees (including mezzanine and quasi equity financing), in order to improve access to finance mainly for innovative larger midcaps (up to 3000 employees), but also SMEs and small midcaps. Loans from €7.5 million to €25 million will be delivered directly by the European Investment Bank to eligible beneficiaries in EU Member States and Associated Countries.
- *InnovFin MidCap Guarantee* offers guarantees or contingent loans of between €7.5 million and €25 million, in order to improve access to finance for innovative larger midcaps (up to 3000 employees) in particular. This facility is implemented by the European Investment Bank, and is to be delivered through financial intermediaries – banks and financial institutions – in EU Member States and Associated Countries.. Under this facility, financial intermediaries will be guaranteed against a portion of their potential losses by the EIB, which will also offer counter-guarantees to guarantee institutions.
- *InnovFin SME Guarantee* provides guarantees and counter-guarantees on debt financing of between €25,000 and €7.5 million, in order to improve access to loan finance for innovative small and medium-sized enterprises and small midcaps (up to 499 employees). This facility is implemented by the European Investment Fund, and will be rolled out through financial intermediaries – banks and other financial institutions – in EU Member States and Associated Countries. Under this facility, financial intermediaries will be guaranteed by the EIF against a proportion of their losses incurred on the debt financing covered under the facility.

- *InnovFin Advisory* aims to improve the 'bankability' and investment-readiness of large projects that need substantial, long-term investments. It will also provide advice to improve the conditions for access to risk finance for R&I. It builds on a successful pilot operated under the Risk-Sharing Finance Facility in FP7. The main clients foreseen are promoters of large R&I projects that meet Horizon 2020's Societal Challenges.

SME initiative

The SME Initiative is a joint financial instrument of the European Commission, the European Investment Bank (EIB) Group and member states that aims at stimulating SME financing by providing partial risk cover for SME loan portfolios provided by financial entities. Alongside ESIF resources contributed by Member states, the SME Initiative is co-funded by the EU through Horizon 2020 and/or COSME resources, as well as EIB Group resources.

In practice, under the new SME Initiative Member States will reallocate part of their EU funding from European Structural and Investment Funds. Rather than being given as a traditional grant, this pooled money will be channelled through the SME Initiative and used as a guarantee to take first risk in projects. It aims to facilitate access to finance for small businesses by providing a 50% guarantee on each loan and by lowering the interest rates charged by banks. This results in a higher leverage than if the funds were given as traditional grants.

After Spain and Malta, Bulgaria (€100 mn) and Romania (€100 mn) next: signing of inter-creditor agreement by the end of 2015 (tbc).

Surge of interest, with several recent high-level MS announcements: Finland (up to €75 mn) - Greece (ca. €150 mn, keen on so-called 'Option 2', securitisation) - Italy (up to €150 mn, Option 2, regional roadshow underway) - Portugal - plus interest from Croatia and Slovenia.

Innovation in SMEs:

The new dedicated SME instrument (only for SMEs)

The new instrument aims to fill gaps in funding for early-stage, high-risk research and innovation by SMEs as well as stimulating breakthrough innovation. It provides easy access with simple rules and procedures. It will be used across all societal challenges and the enabling and industrial technologies specific objective. It encourages SMEs to put forward their most innovative ideas with an EU dimension. It targets highly innovative SMEs showing a strong ambition to develop, grow and internationalise, regardless of whether they are high-tech and research-driven or non-research conducting, social or service companies.

Only SMEs are able to apply for funding. Even single company support is possible to ensure market relevance and to increase commercialisation of project results. SMEs can decide how best to organise the project and with whom to collaborate, including subcontracting tasks if they lack in-house capabilities.

Support for research intensive SMEs

The Eurostars Joint Programme (2014-2020) undertaken by several Member States and Associated countries in the framework of Eureka, with the participation of the Union,

promotes market-oriented transnational research activities of research performing SMEs in any field. The budget of the programme will be significantly higher than its predecessor (the first Eurostars Joint Programme). By pooling together national resources, Eurostars also aims at strengthening integration and synchronization of national research programmes contributing to the achievement of the European Research Area.

Knowledge Innovation Communities (KICs)

The European Institute of Innovation and Technology (EIT) focuses on creating Knowledge Innovation Communities (KICs) across Europe by bringing together top-level academic and business partners around major innovation challenges. It complements other European initiatives in the areas of education, research and innovation and will be an integral part of the new Horizon 2020 Framework Programme for Research and Innovation.

Tackling Societal Challenges

Companies are also expected to play a major role in the third key objective of Horizon 2020, 'Societal challenges', which has a dedicated budget of €29.67 billion

Public-Private Partnerships (PPPs)

Horizon 2020 includes provisions to continue supporting public-private partnerships. These can take the form of institutionalised public-private partnerships, such as Joint Technology Initiatives (JTIs) and other Joint Undertakings. These allow businesses and other stakeholders to come together to set and organise their own research and innovation agenda.

The Commission has proposed an investment of €17.5 billion, with just under €10 billion coming from industry, under the €22 billion Innovation Investment Package into the following JTIs:

- Innovative Medicines 2 (IMI2): to develop next generation vaccines, medicines and treatments, such as new antibiotics;
- Fuel Cells and Hydrogen 2 (FCH2): to expand the use of clean and efficient technologies in transport, industry and energy;
- Clean Sky 2 (CS2): to develop cleaner, quieter aircraft with significantly less CO2 emissions;
- Bio-based Industries (BBI): to use renewable natural resources and innovative technologies for greener everyday products;
- Electronic Components and Systems for European Leadership (ECSEL): to boost Europe's electronics manufacturing capabilities (CONNECT is leading DG).

6.4 Synergies between H2020 and EFSI

Under the Investment Plan, EFSI aims to mobilise EUR 315 billion of new, additional investments in the EU between 2015 and 2017, of which EUR 240 billion will be directed towards infrastructure and innovation projects.

In line with the European Council conclusions of December 2014, which invited the EIB Group to "start activities by using its own funds as of January 2015", the EIB and the EIF have already approved many operations to be pre-financed ('warehoused' on their own risk) under the EFSI label via the two 'windows' of EFSI: (1) Implemented by the EIB, the Infrastructure & Innovation Window (IIW) and (2) Implemented by the EIF under mandate from the EIB, the SME Window (SMEW).

The synergies between H2020 and EFSI relates essentially to the SMEW. The SMEW is to be implemented by the EIF under mandate from the EIB. It covers small midcaps, provides debt

and equity financing with a particular focus on higher-risk, innovative or research-intensive companies.

In this context, EFSI Agreement for the product "Horizon 2020 Enhancement" allows for the immediate enhancement of the InnovFin SME Guarantee Facility (SMEG) capacity. Through guarantees provided by the EIB to the EIF, EIF will be entitled to enter into more guarantee exposures under SMEG, so as to anticipate the payment of the initial EU Contribution to be allocated to SMEG for the period 2016-2020, and within a maximum amount of EUR 750 million.

Concretely, frontloading of the COSME Loan Guarantee Facility (capped guarantee for riskier SMEs) and the SMEG (uncapped guarantee for R&I-intensive SMEs and small midcaps) has been undertaken since spring 2015: without EFSI, due to unprecedented demand, all the budgetary resources for both facilities would have been allocated by April/May this year.

According to the pipeline report of operations received from the EIF issued on 13 August 2015, we were informed that EFSI frontloading will reach EUR 310 million as at the end of 2015. Accordingly, by the end of 2015, the EFSI frontloading will allow the EIF to provide with EUR 1400 million of additional guarantees which will lead to at least EUR 2800 million of additional loans to SMEs and small mid-caps.

Looking at the impact on the InnovFin SME Guarantee Facility in concrete terms: before EFSI, some EUR 229.7 million was available in 2015 from Horizon 2020; with EFSI, around 516 million is now on tap.

Moreover, it is important to flag that EFSI will also be complemented by the European Investment Advisory Hub (EIAH). The EIAH went live in September¹ offering a single point of entry for guidance and advice supporting innovation and infrastructure investments in the EU. It will prominently link to Horizon 2020's InnovFin Advisory service.

Third Pillar of the Investment Plan – State of Play

The Third Pillar of the Investment Plan involves taking actions both at EU and country level to unlock the full potential of investment in Europe by providing supportive framework conditions and further reinforcing the Single Market. It consists of:

- **Improving the regulatory framework** which will contribute to its greater transparency and predictability, crucially important in particular for long term and large-scale investments such as in infrastructure and cross-border.
- **Strengthening competition**, improving price responsiveness and lowering entry barriers are also important incentives for investors.
- Reinforcing the Single Market which will **allow firms to operate on a bigger scale**, thereby enhancing their capacity to innovate, invest, become more productive and create jobs.

¹ <http://www.eib.org/eiah/index.htm>

At EU level, actions have been adopted on financial market integration, further deepening of the Single Market for goods and services, creating a Digital Single Market, and improving the Single Market in transport and energy.

- The recent **Single Market Strategy** is proposing a set of actions to remove economically significant barriers that hold back Europe's investment agenda. It includes targeted measures to support start-ups, remove barriers to firms' growth and make sure that entrepreneurs have a second chance, to facilitate access to finance particularly for SMEs. It foresees a legislative initiative introducing a services passport with a harmonised notification form and an electronic document repository to increase certainty and reduce barriers for service providers who seek access to other EU markets in order to expand their activities. The Single Market Initiative proposes to set up a voluntary ex ante assessment mechanism of the procurement aspects of certain large-scale infrastructure projects. It will also encourage Member States to improve the review of procurement decisions.
- Recent reforms of the EU's financial regulation framework and the completion of the **Banking Union** will help develop a transparent and resilient financial sector contributing to stability and confidence. Building on the actions carried out by the Banking Union, the creation of a **Capital Markets Union** (CMU) will over time further reduce fragmentation in the EU's financial markets and lower the cost of funding for the real economy. In particular adopted measures to enhance securitisation will bring about a more diverse supply of finance to SME and the amendment of Solvency II with more positive treatment of infrastructure investment as an asset class will increase financing for long term investment projects. Remaining weaknesses and market failures in the functioning of European capital markets will be assessed as part of the "Action plan on building a Capital Market Union".
- The **Digital Single Market Strategy** aims to further reduce its fragmentation along national borders and to maximise the growth potential of the digital economy. It includes initiatives to improve the access for consumers and businesses to digital goods and services and puts a particular emphasis on creating a level playing field for digital networks and innovative services to develop. The DSM Strategy envisages an overhaul of EU telecoms rules, notably through more effective spectrum coordination, and common EU-wide criteria for spectrum assignment at national level; as well as the creation of incentives for investment in high-speed broadband. The Strategy also foresees actions to end unjustified geo-blocking in Europe facilitating corresponding economies of scale and investments to unfold. Further initiatives concern harmonising contractual laws, especially in terms of the supply of digital content and online sales of tangible goods, overcoming bottlenecks to e-Commerce which is still fragmented along national borders as well as modernising copyright regimes and the enforcement of IPR to allow for wider online access to works across the EU.
- **In the energy and transport sectors, full implementation and strict enforcement of existing legislation is a first priority to foster investments in infrastructure and assets.** In particular, the implementation of the third energy package, Fourth Railway package and the European Infrastructure policy (TEN-E and TEN-T) provides the foundation to competitive and efficient energy and transport markets, a pre-condition to investments. **The Energy Union** has created momentum to bring about the transition to a low carbon economy. The Energy Union strategy has five mutually-reinforcing and closely interrelated dimensions designed to bring greater energy

security, sustainability and competitiveness: energy security through diversification of supply (energy sources, suppliers and routes), a fully integrated European energy market; energy efficiency; decarbonising the economy through an ambitious EU Climate policy; and research and innovation. In particular, the development of electricity interconnection until 2030 will contribute to the energy internal market. In 2016, work on infrastructure projects will be stepped up and it is essential that Member States implement the provisions of the Regulation on guidelines for trans-European energy infrastructure, in particular those on permit granting. In transport, the new instrument **Connecting Europe Facility** aims to finance the core network by 2030. Until now, it has been successful to attract investments.

In parallel, with its **Better Regulation agenda** the Commission seeks to simplify the legal framework, to reduce regulatory burdens across the single market and to achieve a better regulatory predictability.

In addition, the implementation of structural reforms in the Member States is complementary with action at EU level to improve the investment environment. A key priority is for Member States to remove country-specific barriers. Relevant reforms cover a wide set of measures that aim to improve the functioning of labour and product markets and at improving the framework conditions in which economic actors operate. Most frequent barriers to investment notably include product and labour markets distortions, unfavourable business environment, inefficient taxation system, low transparency and efficiency of the public administration, barriers to access to finance both for SMEs and for long-term projects, lack of cooperation between academia, research and business, lack of alternative source of financing for innovation projects, as well as more specific barriers to investment in infrastructure (in energy, transport and broadband).

In a **SWD on Investment Challenges** (which is part of the recent Autumn package), the services of the Commission have started to map policy fields (including research and innovation) and instruments with a view to providing an overview of the main challenges to investment at national level. In addition, the challenges to investment will be a priority of the 2016 European Semester and the Country Reports will take stock of the priority reforms proposed in this context in February 2016. The Commission services intend to engage in a dialogue with the Member States on the identification of these challenges and the possible actions to remove them, including through thematic discussions in the Council and its Committees.