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From: Presidency

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17936/11 RECH 413 COMPET 581 ATO 152 + COR 1

Subject: *Preparation of the Council ("Competitiveness") of 20-21 February 2012*
Horizon 2020

- a) Proposal for a Regulation of the European Parliament and the Council establishing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)
 - b) Proposal for a Regulation of the European Parliament and of the Council laying down the rules for the participation and dissemination in 'Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)'
 - c) Proposal for a Council Decision establishing the Specific Programme Implementing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)
 - d) Proposal for a Council Regulation on the Research and Training Programme of the European Atomic Energy Community (2014-2018) complementing the Horizon 2020 - The Framework programme for Research and Innovation
- *Orientation debate*
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Summary of discussions of the informal ministerial meeting (Research part)
Copenhagen 2 February 2012

The informal ministerial meeting on 2 February 2012 focused on the three important questions in relation to Horizon 2020, namely: (1) Complementarities with other EU programmes and in particular Cohesion Policy funds, (2) Simplification, and (3) Importance of bridging research and innovation.

On the issue of complementarities with other EU programmes, the discussion touched upon the contribution of EU cohesion policy 2014-2010 to research and innovation. The importance of smart specialisation strategies at national level which shall help create stairways to excellence was stressed. In addition, the importance of ensuring complementarities in the actual design and implementation of the two programmes was highlighted.

Regarding the issue of simplification, it was noted that considerable progress for simplification has been achieved with the new structure in Horizon 2020. For example, adopting one set of rules for all parts of the programme as well as the proposed single funding rate. Further steps towards simplification were highlighted such as a risk-based audit strategy leading to a maximum of 7 % of participants being audited and the further reduction of the time-to-grant by 100 days. Also, the reintroduction of possibly charging real indirect costs was brought up, as well as the importance of finding the right balance between simplification and flexibility.

On the issue of innovation and bridging the valley of death, participants discussed the relevancy of innovation to all three pillars in Horizon 2020 and that innovation should therefore be embedded in these. SMEs must not only have access to the targeted SME instruments. Simplification is crucial to increasing SME participation. It was also highlighted that the education of students and researchers is important to creating a more entrepreneurial mindset. Innovation shall be integrated in the education of students and the industrial PhD shall be further promoted. In addition, there was a discussion of the balance between attracting SMEs to the programme through a flexible single-participant instrument and creating European added value.

Based on the informal ministerial meeting, the Presidency noted that the Commission's proposal appears to be a good basis for the further negotiations. The Presidency also noted support for the overall structure of the proposal and the balance between the three pillars.

Orientation debate on Horizon 2020

The cross-cutting issues between the three pillars such as gender, international collaboration as well as social sciences and the humanities were not discussed in dedicated sessions at the informal ministerial meeting. However, it is clear that these issues will require additional attention in the negotiations throughout the coming months.

It is also clear, that Horizon 2020 has a new and a much stronger link between research and innovation compared to previous programmes. In order to deliver on the Europe 2020 objectives and on the environmental and societal challenges that Europe is facing, Horizon 2020 is turning its focus towards creating a more accessible and SME-friendly research and innovation environment. This new ambition is reflected in the new instruments targeting SMEs in particular.

This also entails a closer connection between research and innovation activities, as well as stimulating partnerships across sectors, disciplines and regions. Furthermore, in the Commission's proposal for programmes under grand challenges and industrial leadership, emphasis is placed on supporting large-scale pilots and demonstration activities, test beds and living labs, prototyping and product validation in pilot lines. Access to risk finance and a new debt and equity facility are proposed to ensure sufficient funding for research intensive SMEs. And several simplification measures that both reduce the administrative burden of participation in the new programme as well as target more flexibility for SMEs are taken¹. A broader approach to innovation and less specific calls are also suggested.

¹ Simplified reimbursement of real direct costs, with a broader acceptance of beneficiaries' usual accounting, including the eligibility of certain taxes and charges;
The possibility of using unit personnel costs (average personnel costs) for beneficiaries for which this is their usual accounting method, and for SME owners without a salary;
One single reimbursement rate for all participants instead of 3 different rates by type of participant.

A specific action for support to SMEs modelled on the successful Small Business Innovation Research (SBIR) scheme in the United States has been proposed. It is still open for discussion how the Commission's proposal for specific instrument for "Innovation in SMEs: Mainstreaming SME support²" will be implemented in practice, and how it will be integrated horizontally in the programme, ensuring increased attractiveness and participation of SMEs across the prioritised fields.

This will be subject for further discussion during the course of the negotiations in the Council.

To complement the discussions in the informal ministerial meeting and to the future discussions, the Presidency proposes the following questions for discussion at the Council:

- How can it be ensured that cross-cutting issues such as international collaboration as well as social sciences and the humanities are effectively mainstreamed in the programme? How can the best framework for interdisciplinarity be established?
- In order to secure a comprehensive approach to increasing SME participation, policies at national level are equally important. How can member states contribute to increasing SME participation in Horizon 2020? Should advisory and monitoring mechanisms be maintained or established?

² COM(2011) 811: 3 phases: 1) Concept and feasibility assessment, 2) R&D, demonstration, market replication, 3) Commercialisation.