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**PROGRESS REPORT**

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from: Presidency  
to : Council

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Subject: 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)'  
Proposal for a Council Decision establishing the Specific Programme implementing 'Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)'  
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  
- *Progress Report*

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## I. INTRODUCTION

1. On 2 December 2011 the Commission submitted to the Council the 'Horizon 2020 package' which, alongside a proposal for a Regulation of the European Parliament and the Council establishing 'Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)'<sup>1</sup>, included the following proposals:
  - a) 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)'<sup>2</sup>;
  - b) Proposal for a Council Decision establishing the **Specific Programme** implementing 'Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)'<sup>3</sup>;
  - c) 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<sup>4</sup>.
  
2. With the Horizon 2020 package, the Commission brings together within a single strategic programme the three main existing initiatives and sources of funding of EU research and innovation: the Framework Programme for research (FP), the innovation part of the Competitiveness and Innovation Framework Programme (CIP), and the European Institute for Innovation and Technology (EIT). The proposals for Horizon 2020 elaborate three mutually reinforcing objectives for research and innovation, supported through a Specific Programme: (1) excellent science; (2) industrial leadership; and (3) societal challenges.

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<sup>1</sup> 17933/11.  
<sup>2</sup> 17934/11.  
<sup>3</sup> 17935/11.  
<sup>4</sup> 17936/11.

3. As to the different parts of the Horizon 2020 package subject to this progress report:
- a) The **Rules for participation and dissemination** are meant to apply to all components of Horizon 2020, including initiatives under Articles 185 and 187 TFEU, actions currently falling within the scope of the CIP as well as the EIT activities. A single set of rules aims at ensuring a single regulatory framework that provides simplification for the efficient implementation of activities;
  - b) The **Specific Programme** defines and develops the specific objectives and the broad lines of the activities which are specific to each of the priorities of the Framework Proposal, putting emphasis on the implementation of the particular objectives and actions;
  - c) The **Research and Training Programme of the Euratom** ensures that Union-funded research and training activities in the nuclear field are continued over the period 2014-2018, maintaining the effective and coordinated activities in Member States, in order to maximise Union added value.

## II. STATE OF PLAY

Under the Danish Presidency, the Council Research Working Party (RECH WP) has examined the Commission's proposal on the Rules for participation and dissemination and the Specific Programme. The Council Research and Joint Research/Atomic Questions Working Party (RECH/ATO WP) has also examined the Commission's proposal on Euratom. In general, most delegations have welcomed the aforesaid Commission proposals; nevertheless, some issues have been raised by delegations during the discussions. The principal reactions on the three proposals are given below.

## **1. Rules for participation and dissemination**

The rules are in accordance with the Financial Regulation and its Delegated Act. There is a number of issues which are not dealt with in the Rules and where the Financial Regulation directly applies, and others where the rules refer to the relevant Articles in the Regulation.

The first reading of the proposal revealed that a number of articles appeared uncontroversial and did not raise discussion (Articles 4, 7, 13, 18, 21, 26, 34, 36, 37, 44, 45, 47, 48, 50, 51).

A substantial number of questions on other Articles were raised. It seemed, however, that most delegations were seeking clarification of the wording and the background of the articles and therefore only minor adjustments without a major impact of the substance seem to be necessary. There was a need to further examine the definitions in Article 2, on which delegations have asked for the insertion or clearer wording for a number of items, such as “background”, “fair and reasonable conditions”, “results”, “demonstration activities”. Finally, a number of issues that have given rise to extensive discussion and revealed a need for in-depth examination of the substance. These issues can be broadly outlined as follows:

### a) Grants - Award Procedure

Several delegations, some of which were quite sceptical, enquired about the European added value related to the proposed funding for single companies through the dedicated SME instrument. A number of delegations also asked about the call modalities and suggested to add a reference to the possibility to use two-stage submission procedures as foreseen in the Financial Regulation. There was a need for further discussion on the provisions in Article 14 regarding the selection and award criteria. As regards the “Grant Decision” several delegations have been asking for a clear definition of this concept and further clarification, as well as examples on when such a decision would be appropriate instead of a Grant agreement.

b) Forms of grants and funding rules

The main discussion focused on the financial aspects, and, in particular, the proposed single reimbursement rate of eligible costs - 100% and 70% for “close-to-market” actions - and the need for exact wording for delineation between research and innovation projects as well as for the funding levels.

Delegations have expressed concerns on the inherent financial discouragement for universities to participate in innovation projects. As regards indirect costs, the proposed flat rate (20%) was considered too low by several delegations. Furthermore, the abolition of the real cost option is considered as a setback rather than simplification for a number of participants. Delegations have requested to maintain the option to declare full costs for all or for selected groups of participants, recalling the substantial efforts that several participants, e.g. universities, have made in this respect. In this context, the Commission stressed that the flat rate was an important element of the simplification process and that it had to be analysed along with the reimbursement rates, recalling the principles of equal treatment and co-financing. The proposed funding levels may need revisiting depending on the decisions on overhead calculation for both research and innovation projects. In addition, further analysis and simulations in relation to the proposed funding models was requested, with a view to addressing potential gains/losses for different participant groups.

Some delegations asked about the compliance with the State Aid rules. The Commission noted that the funding levels foreseen by Horizon 2020 would generally be consistent with State Aid rules principles. Finally, several delegations have asked that simpler options for calculating and recording working time should be sought for research institutions and universities. A number of delegations wished to explore the possibility of introducing a scale of unit cost option for personnel costs not based on the real costs for personnel (Article 27) and applicable throughout Horizon 2020.

c) Dissemination of results

As regards the ownership of results, delegations have asked for clarifications about the joint ownership provisions. Several delegations found the proposed regime for joint ownership to be potentially problematic. Delegations have stressed the need to strike the appropriate balance of interests for requirements of protection and exploitation of foreground. The “additional exploitation obligations” referred to in Article 40 seem to need further clarification. Several delegations have also enquired about the rationale behind the possibility for the Commission to gain access rights to the results of a participant and the possibility that the participant can object to that. Finally, delegations have asked for more clarity on the use of “*Europe first*” provisions, in particular with respect to participation of multi-national participants.

## **2. Specific Programme**

Under the Danish Presidency the RECH WP has discussed the Commission proposal for the Council Decision establishing the Specific Programme implementing Horizon 2020. The discussions have taken place in the context of the negotiations for the Horizon 2020 Framework Regulation. It was understood that the Specific Programme has to reflect the compromises embedded in the Partial General Approach (PGA) on the Framework Regulation.

Delegations have so far transmitted their overall remarks on the text and a number of questions on the Articles have been raised. Some delegations put emphasis on small scale projects (Article 3) while others expressed their concern in relation to administrative costs (6%) and the implications and costs of externalisation (Article 4). Delegations have shown concern regarding the possible implications of the foreseen implementation aspects, regarding work programmes (indicating that work programmes set out in Article 5 should be drawn up in transparent processes involving Member States) and the European Research Council (ERC) addressed in Article 6 (delegations considered it should be assisted by an advisory committee).

Many delegations have called for more information on the governance of the Specific Programme, including the comitology aspects. In this respect, most delegations were of the opinion that the configurations of the Programme Committee should continue to play a role in terms of approving projects and not only focus on a mere strategic role (Article 9).

a) Annex I: Broad lines of the activities

Concerning the Common elements for indirect actions, a number of delegations have proposed that the Commission needs to ensure a well balanced representation in the evaluation panels. Moreover, many delegations have referred to the need of increasing the target for SMEs participation, which should be more ambitious and go beyond 15%. This goes in line with the compromise proposal under the PGA, which reflects a target for SMEs participation that "should lead to a minimum of 20%". On another note, and following the above-mentioned discussions on Article 3, some delegations supported a balanced approach between smaller and larger projects, with small and medium-sized projects being emphasised.

With regard to Excellent Science, issues indicated as requiring further discussion were the prior long-term financial commitment as well as the degree of co-financing in relation to FET Flagships. Several delegations were sceptical about these two points.

In relation to Industrial Leadership, a number of delegations proposed to clearly put emphasis on the non-technological aspects (including services) throughout the pillar. Besides, delegations were of the view that synergies with the COSME programme should be established in relation to access to risk finance, stating that the threshold embedded in the debt facility may require further discussion and close coordination in the ongoing negotiations of COSME and Horizon 2020.

With regard to Societal Challenges, delegations believe that the final structure of the Framework Regulation on Horizon 2020 will have a decisive impact on the definition and scope of the Societal Challenges. The PGA encompasses an agreed division of Societal Challenge 6 into two parts (creating a new Societal Challenge 7) which will need to be duly reflected in the forthcoming version of the Specific Programme text. Discussions have also brought up a broad consensus on the mainstreaming of Social Sciences and Humanities (in line with the purpose of the Horizontal Box on cross-cutting issues and measures proposed under Annex I of the PGA). The need for Horizon 2020 to focus on delivering solutions to societal challenges was emphasized. Other issues delegations paid attention to were: to ensure open calls with room for small and medium-sized projects, to clarify access to Article 185 initiatives and to consistently seek synergies between Horizon 2020 and Joint Programming Initiatives (JPIs) as well as European Innovation Partnerships (EIPs).

Concerning the Non-Nuclear Direct Actions of the Joint Research Center, delegations have not flagged up any substantial concerns on the Commission's text.

b) Annex II on Performance Indicators

Delegations have welcomed the Commission's first list of potential output indicators, although this issue would require further discussion as several suggestions for additional or revised indicators have been made. Delegations support the approach calling for one or a set of general indicators measuring, for instance, the structuring effect of Horizon 2020, which would complement the Headline Indicator on innovation being prepared by the Commission. Some delegations have also referred to the need of balancing the benefit of having the data with the collection costs incurred.



### 3. Euratom

In general, delegations supported the Commission's proposal. Several Member States, however, reserved their position pending the ongoing discussions on ITER. Several delegations were concerned about the future evolution of the current Contracts of Association model under Horizon 2020, pointing out that these Associations have proven to be an extremely efficient tool, allowing the sharing of intellectual property and related results throughout Europe while embracing all Member States into an inclusive approach. According to delegations, Associations should therefore play an important role in connection with the joint programming activities under Horizon 2020. Delegations were also sceptical as to the proposed structure of the two advisory committees, giving the Commission – instead of a Member State – the chairmanship of both bodies.

Delegations agreed that improvement of nuclear safety was the general objective of the fission part of the programme. There was also a call for finding the appropriate balance between a focus on safety aspects and the various other priorities of the programme, including activities on the new reactor systems and future cooperation with relevant technological platforms.

Regarding the administrative costs of the programme, delegations found the budget share devoted to administration (13.5 %) too high compared with the same share of the non-nuclear programmes (6-7 %). On the proposed budget distribution between indirect actions (fission and fusion activities) and direct actions (JRC activities), delegations indicated that the size of the budget for JRC appeared to be very high.

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It is worth noting that, in relation to the three proposals (Rules for participation and dissemination, Specific Programme and Euratom) and pending an agreement on the negotiations on the Multi-Annual Financial Framework (MFF), budgetary questions will be examined in detail at a later stage.

### III. CONCLUSIONS

1. Under the Danish Presidency, the RECH WP and RECH/ATO WP have examined the above-mentioned proposals at various meetings. On the basis of the discussions and Member States' comments, the Danish Presidency has put together the present progress report in order to inform the Council about the progress made to date.
  2. COREPER, at its meeting of 23 May 2012, agreed to forward the progress report to the Council. The Council is invited to take note of this progress report at its meeting on 30-31 May 2012.
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