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PUBLIC CONSULTATION ON HORIZON EUROPE MID-TERM REVIEW

BusinessEurope sees the importance of Horizon Europe for a competitive European industry. With the need to develop solutions for present and future challenges, and the toughening global competition - investments in research, development and innovation are essential. The Framework Programme plays an important role in leveraging investments, boosting innovation and funding excellent research, and is thus key for Europe to be a competitive player on the global market.

The table below presents the input of BusinessEurope on the public consultation of Horizon Europe mid-term review. It highlights BusinessEurope's assessment of 9 key priority areas in the implementation of Horizon Europe this far as well as recommendations for the Horizon Europe strategic plan 2025-2027 and the future Framework Programme.

Priorities	Assessment of the implementation	Recommendations
1. Budget allocation	<p>Europe needs to do more in terms of boosting RD&I. Increased investments in RD&I is key to providing and enabling sustainable innovations and solutions to tackle the challenges and crises ahead.</p> <p>Insufficient budget is allocated to the second pillar in Horizon Europe. The second pillar is essential to enable ambitious collaborative RD&I, to tackle global challenges and to bring key technologies to industrial maturity. Technology and innovation developed with and from industry plays a vital role for a competitive European economy and is essential to close the EU's knowledge gap towards USA and China.</p> <p>Current funding levels do not allow for the implementation of resource-intensive pilot and demonstration projects. Average funding levels in the Framework Programme for individual (cooperative) projects rarely exceed the €10 million mark.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Secure the current budget for Horizon Europe and increase the overall EU budget for RD&I. ➔ Allocate a larger share of the Horizon Europe budget to the second pillar with a minimum budget of at least 60% of the total Horizon Europe budget (compared to the current level of 56%), aimed at creating more societal impact. ➔ Provide higher funding volumes for "Innovation Action" for cooperative projects in EU priority areas with higher TRLs. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Scale up the overall EU funding to meet EU's target of dedicating 3% of GDP in R&D investments. ➔ Secure a strong budget for the next Framework Programme. ➔ Reallocate funds from less productive parts of the EU budget to the future Framework Programme and protect the industry driven programmes from being reallocated.
2. Industry participation	<p>57,9% of the total R&D expenditure in the EU was funded by business in 2020. However, business only received 28,2% of the funding from Horizon 2020 (and so far, similar numbers apply to Horizon Europe). In view of the societal challenges and the need for</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Strengthen industry-led stakeholder forums.

	<p>technological leadership, it is vital that business become more engaged in the strategic plan for 2025-2027 and the next Framework Programme.</p> <p>Horizon Europe has provided fundamental funding sources for projects that would not have been financed otherwise. However, the different types of support made available by Horizon Europe do not always meet the companies' needs. Mission calls are for instance rather narrow or do not focus enough on technology development and are therefore not suitable for many industrial players.</p> <p>The second pillar is already better geared towards impact (37% funding for business), but more ambitious industry participation is required to maximise impact and valorisation rates.</p> <p>The use of taxonomy in Horizon Europe creates an even heavier administrative burden and restricts the researchers and industry's privilege of defining their own research subjects and projects.</p> <p>While there was good engagement under the SME instrument of Horizon 2020, the evidence of high engagement of traditional SMEs under Horizon Europe is not as visible. SMEs are often involved in projects as end-users, rather than having a strong participating role.</p> <p>Industry 5.0, as defined at the moment, is a threat to the free enterprise connecting the defined goals to for instance financing and venture capital.</p>	<ul style="list-style-type: none"> ➔ Elaborate more business-oriented RD&I work programmes with less broad research topics. ➔ Consider relevant key enabling technologies to ensure global resilience and competitiveness. ➔ Introduce smaller partnerships to facilitate the companies' participation. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Create a more business-oriented Framework Programme to boost industry participation by involving businesses even more in the dialogue than today. ➔ Stimulate more 'collaborative research' between research institutes and industry. ➔ Ensure and encourage strong participation by innovative SMEs (start-up, scale-up) as well as traditional SMEs.
<p>3. Simplification of administrative and implementation procedures</p>	<p>The drafting of a project requires an increasing number of resources, it becomes more and more time consuming and financially heavy. Additionally, administrative procedures constitute a major burden for applicants.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Foresee the possibility of partially covering the costs related to the preparation of a project proposal for the projects that have been funded, e.g., as a percentage of the direct cost of the project.



	<p>The coordination of European project submissions without the involvement of external advisors or partners from science, who take over the formulation of the application, is almost unfeasible in the everyday work of companies (regardless of whether it is an SME or a large enterprise).</p> <p>It has been reported that it takes 6 to 9 months for a project to be approved and a subsequent 6 to 9 months for the grant to arrive (compared to the average time-to-grant of 192 days in 2019). The average time-to-grant is crucial in order to enhance companies' involvement in Horizon Europe. This is important due to the fast innovation cycles and is especially relevant for digital innovations where the research challenge that is specified in a proposal risk being out of date by the time the proposal is granted. It is important that the EU's investments in RD&I through the Framework Programme and other EU-funded programmes is not only accessible for industry, but the timing of the investments is crucial for industry participation and to rapidly drive innovation to the market.</p> <p>A simplified and faster process is thus key to speed up innovation, research, and achieving the benefits of the programme.</p>	<ul style="list-style-type: none"> ➔ Use of the lump-sum funding mechanism for small-scale projects. However, to be cautious that the simplifications in connection to cost accounting do not create additional requirements and uncertainties in the proposal phase or during the course of the project. Caution must also be taken to ensure that the application of lump-sum projects does not result in risk-averse behavior by participants in particular for large-scale projects. ➔ Envisage the cascade funding mechanism and the two-stages proposal submission procedure. For the two-stage procedure to reduce initial burden, the chances of success in the second stage should be significantly increased. ➔ Shorten the average time to grant to a maximum of 3 months, without compromising the quality of proposal evaluations. ➔ Create a concrete and less generic evaluation process, which also provides precise feedback to the participants. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Explore the possibility to offer a contact person during the preparation of the grant application. ➔ Ensure faster access to funding to meet the need of European industry.
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<p>4. Strengthen the industry's linkages with academia and education</p>	<p>There is not enough focus on industry participation in R&D infrastructure and demonstration facilities. From a societal perspective, it is clearly motivated for the EU to take an even bigger responsibility in co-funding facilities that are too expensive and too risky for industry.</p> <p>Synergies between the three pillars are missing. The synergy between the research infrastructure part of pillar 1, the clusters in pillar 2 and the EIC is especially important. The link between pillar 1 and 3 is important due to the disruptive innovation from a wide range of subjects from pillar 1 which can be given further momentum in pillar 3.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Enhance the focus on industry participation in R&D infrastructure and demonstration facilities. ➔ Promote investments in tech infrastructure. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Create stronger financial incentives for academia to cooperate with industry. ➔ Encourage collaboration between industry and academia in all programmes.
<p>5. Synergies with the other EU financial instruments</p>	<p>It is not yet possible to make a complete assessment about the implementation of synergies between structural funds and Horizon Europe. This is due to the long process of defining, negotiating, and approving the Operational Regional Programmes. In any case, the Regional Programmes do not seem to allow for the desired synergies.</p> <p>The 2021-2027 EU programming has established new funding programmes, such as Digital Europe and the Innovation Fund. Such programmes add important pieces to the innovation landscape.</p> <p>The landscape of the EU funding programmes is increasingly complex, making it difficult for actors, especially SMEs, to orient themselves in it.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Further complement and reinforce the links between Horizon Europe and structural funds and ensure effective implementation of synergies through an increased coordination between DG Regio/DG RTD and the managing authorities at the different national levels. ➔ Improve and increase synergies between new funds and Horizon Europe, as well as between Horizon Europe and other funding programmes, such as LIFE, the European Defence Fund, the Single Market Programme, InvestEU, the Recovery and Resilience

	<p>The Executive Agencies do not have sufficient competence on specific sectors and themes to guide and indicate which EU programme and instrument that can better respond to a given need of an applicant.</p>	<p>Facility (RRF), EU Chips Act, Green Deal Industrial Plan.</p> <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> → Envisage new mechanisms to guide and advise the potential beneficiaries. → Ensure that the Executive Agencies rely on internal thematic experts who are specialised on very specific topics and who can manage the interdependence between programmes.
<p>6. Secure an effective partnership landscape</p>	<p>The number of existing Horizon Europe partnerships is still high, thus leading to a dispersion and fragmentation of the resources, and to a lack of quality, clarity, and transparency regarding the role of each partnership.</p> <p>The funding rate of the Joint Undertakings is many times perceived as too low compared to other Horizon Europe instruments. It is also perceived as complicated, making it less attractive to participate, especially for SMEs and newcomers.</p> <p>Executive Agencies are not enough equipped, nor do they have enough capabilities to support applicants, negatively effecting the coherence and synergy among the funded projects.</p> <p>The effort to reinforce the synergies and harmonization between the KICs has not fully been perceived by the different stakeholders. The annual call for proposals of the various calls published by the KICs are complicated to understand.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> → Simplify the rules of Joint Undertakings and harmonize them with the different national eligibility criteria and contractual procedures to enhance impact and participation. → Harmonize the internal procedures and services of the different private associations leading the co-programmed partnerships. → Ensure an effective, uncomplicated implementation and management in the cooperation between different types of stakeholders in a partnership. → Keep monitoring and reporting efforts at an appropriate level. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> → Maintain the industry-oriented partnerships as essential (bottom-up) coordination cells between science/business/EC and Member States on important

		<p>sectors and topics and further expand the budgets for application-oriented R&D.</p> <ul style="list-style-type: none"> ➔ Improve synergies between national and EU level to close the knowledge gap towards e.g., USA and China. ➔ Provide a Commission service (involving the different DGs interested) able to coordinate the dialogue and potential shared activities amongst different European partnerships. It should also be ensured that the Executive Agencies are better equipped, relying on thematic experts that are able to guide the potential applicants among the different Partnerships. ➔ Ensure flexibility for Public-Private Partnerships, in order to respond to new and emerging EU priorities. ➔ Provide clarification on how the first and second wave of KICs will manage the phasing out of European funding (regarding EIT-funded partnerships).
<p>7. The European Innovation Council (EIC)</p>	<p>The EIC instruments currently provide for both open and challenge-driven funding. The process of identifying the challenges has become more inclusive and data based. However, greater involvement of Member States in identifying themes would be desirable as well.</p> <p>The EIC management system involves countless boards, working groups and digital platforms, whose problematic articulation does not facilitate the identification of both political and operational hubs, essential to the development of the programmes themselves.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Reduce the complexity of the EIC management system and define and delineate the role of Program Managers more clearly. ➔ Proceed expeditiously with the selection and adoption of a final management model for the EIC Accelerator that assigns clear and compatible roles to the actors involved (Member States, EIB, external manager Alter Domus).

	<p>The EIC has marked a clear change in the orientation of investments towards purely 'deep-tech' and disruptive innovations, leading to a <i>de facto</i> absence of support for other yet important forms of innovation and for essential development phases, such as the execution of feasibility studies and the development of business plans.</p> <p>The EIC is characterized by a high level of complexity and bureaucracy, in particular regarding the submission of full proposals, which discourages potential candidates to apply. The EIC Accelerator has proven to be an increasingly competitive and difficult tool to access for more traditional SMEs. Hence, the aspirations and ambitions of the EIC have clashed with the limitations related to the way instruments have been implemented.</p> <p>In those countries where venture capital is weak, companies struggle to get funding from the EIC. This is since preference is given to companies which already have connections with investors, in contrast with the original aim of reducing the risks of high-potential deep tech companies. Public venture capital is in addition questionable regarding if the EU really should take equity in companies. There is a big gap between theory (market failure) and practice (finding the right companies to finance).</p> <p>The results of the first rounds of cut-off dates highlight how the EIC Fund is increasingly becoming a co-investment fund, in contrast with the original design, and leaving the prerogative of using the EIC's financial resources to private investors.</p>	<ul style="list-style-type: none"> ➔ Revise the approach of the Work Programmes to better align them with what is stated in the agreements. ➔ Support “all kinds of innovation”, and not exclusively disruptive deep-tech innovations. Hence, ensure a reorientation of investments towards other yet important forms of innovation. ➔ Pay greater attention on the impact of investments by strengthening the involvement of investors and large companies. ➔ Increase the funding shares reserved for open calls in the EIC Accelerator, compatibly with the original intent. ➔ Ensure that all direct funding, from soft loans to venture capital, address market failure and as much as possible avoid unfair competition. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Ensure that industry policy focus on indirect and broad support, e.g., R&D. ➔ Ensure that public co-financing follows the lead of private financing in order to decrease the risk of failed projects. ➔ Ensure that public venture capital focus on the earliest stages with the highest risk, leaving the later stages to private capital.
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<p>8. Missions</p>	<p>While the concept and intentions of missions are understood and generally embraced by industry, their implementation and impact seem for now fuzzier when compared to other actions, such as the partnerships.</p> <p>A high level of industry participation is an essential factor for success of the missions.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Improve the involvement of industry in the co-design and implementation of the missions. ➔ Ensure that the mission boards and assemblies include sufficient industry participants. ➔ Improve and clarify the synergies between the missions, European Partnerships for RD&I and other elements in Horizon Europe as well as EU Structural Funds. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Ensure that missions are industry motivated.
<p>9. Participation of third Countries (including EEA / EFTA)</p>	<p>The processes in the initial phases of new initiatives are at times perceived as non-transparent for participants from associated countries. If there is any doubt about their right to participate, they are not included in the early stages of the processes when thematic priorities, partnerships and consortia are established. In order to ensure the integrity of the Single Market, the EEA/EFTA countries must be included on the same terms and conditions as member states.</p>	<p>Strategic plan 2025-2027:</p> <ul style="list-style-type: none"> ➔ Clearly state that associated countries are included on the same terms and conditions as member countries in new initiatives. <p>Beyond Horizon Europe:</p> <ul style="list-style-type: none"> ➔ Ensure that the EEA/EFTA countries are included on the same terms and conditions as member states.