Horizon 2020 in Practice
DIGITALEUROPE latest observations and recommendations

Brussels, 27 June 2016

Introduction

With an ambitious Horizon 2020 (H2020) package, the European Union gave a strong sign for the importance that research and innovation can play in strengthening Europe's economic growth and social welfare. The ICT industry in general - and the member companies of DIGITALEUROPE in particular – have welcomed this effort, and have been eager to continue their participation in collaborative research, following their engagement in previous framework programmes.

After two years of experience with Horizon 2020, DIGITALEUROPE would like to offer with this paper its comments on the functioning of the programme, drawing from members' direct experience. DIGITALEUROPE's recommendations focus on what would need further improvement in order to make sure that (1) the EU maximizes industry participation, in accordance with Horizon 2020's objectives; (2) the key role of ICT as an innovation enabler across industries is recognised and strengthened in the next Work Programmes.

The ICT industry's participation to EU R&D funding programmes has brought a number of important benefits and has also allowed stakeholders from academia and other industries to take advantage of such resources. Successful progress in research and innovation is enabled by strong ecosystems, including larger companies, SMEs, research centres and academia, joining forces and bringing complementary skills and experience to solve complex issues. Moreover, it is worth noting that half of the economic growth in Europe is related to the introduction of ICT to other sectors, while 5% of European GDP, with an annual value of about € 660 billion, is generated today by the ICT sector itself[1]. It can continue to grow, providing more highly skilled jobs in knowledge intensive organisations, if we invest now.

DIGITALEUROPE therefore strongly believes that European investment in H2020 needs to continue focusing (1) on collaborative research of the highest scientific and technical quality, (2) on impact, including the capacity to deliver timely results that will form the basis of the next generation of global technologies and services, and (3) on strengthening Europe's industrial leadership and to address societal challenges.

Given the essential role ICT plays in supporting other sectors, we argue that it needs to be kept as an independent area of collaborative research efforts in the LEIT part of H2020. Furthermore, ICT must be given sufficient budget allocation, to ensure that future generations of technologies can be researched while, at the same time, the latest available ICT products and services based on previous research investments are used to solve societal challenges and to improve Europe's competitiveness.

Against this background, DIGITALEUROPE details below possible improvements to operational issues which we think would allow taking more into consideration the inherent characteristics of the ICT industry. We strongly

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1 http://europa.eu/rapid/press-release_IP-12-259_en.htm

hope these contributions can be taken into account to improve the current and future effectiveness of the programme's implementation – namely in view of the next Work Programmes as well as of the mid-term review. Our members are ready to offer further contributions toward this process, drawing on their experience and expertise on the ground, including contributing to the EC public consultation for the mid-term review.

Observations and Recommendations

1. Industry participation in projects

DIGITALEUROPE welcomed the overall objective of H2020 to reverse the gradual decrease of industry participation in previous Framework Programmes. As latest figures show, Private-for-Profit entities received 26% of the total EU contribution to signed grants[3] (25% average in FP7[2]). However, recent experience indicates that many barriers still remain. For instance, the new reporting rules for cost claiming by beneficiaries in the ECSEL JTI have been worsened for industry partners instead of improving. Furthermore, the current IPR regime hampers rather than fosters industry-academia collaboration (e.g. the conditions for joint ownership regime). In addition, the current oversubscription and decrease in success rates could put at risk industry participation. Therefore, the quality of the evaluation is even more important. Finally, protectionist measures such as the existing affiliates' clause or any measure in line with the proposed "In Europe First" IP policy advocated by the KET HLG, prevent companies from operating in global value chains, serving worldwide markets in the most efficient way and fully exploiting H2020 results in addressing global challenges.

Recommendations

The Commission and Member States should further stimulate industry partners to participate in EU collaborative research projects by (1) swiftly reducing heavy administrative burdens, (2) reducing the longer lead times compared to national research programs, (3) improving the Intellectual Property Rights (IPR) regime in H2020 and (4) refraining from protectionist measures which do not take into account the global character of the ICT industry, including the commercialisation of results all over the world.

2. Industry participation in evaluation

We know that in 2014, 21.8 % of evaluators came from the private sector[3] (a breakdown of the statistics according to call/strategic objective and organisational type might be useful). As Horizon 2020 puts increased emphasis on innovation, it is crucial that evaluators contribute the necessary knowledge to assess the impact of projects. Industry participation in evaluation tasks is required in order to ensure that the selected projects serve the interest of the markets in the most efficient way and that projects have the necessary elements to succeed in a very competitive environment.

Recommendations

We understand that for various reasons it might be more difficult to attract and retain experts from industry than from academia. However, the Commission should strengthen efforts to encourage the participation of Industry in the evaluation of projects, simplifying the criteria for identification of experts, recognising the value of the

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2 Seventh FP7 Monitoring Report
http://ec.europa.eu/research/evaluations/pdf/archive/fp7_monitoring_reports/7th_fp7_monitoring_report.pdf

industry expertise and reconsidering undue fears for conflicts of interest, especially for the evaluation of close-to-market proposals. Here the European Commission should also keep in mind that in our experience, it is not necessarily the offer of Industry experts that is an issue but possibly the selection of these experts.

3. Time to grant

DIGITALEUROPE members welcome the European Commission's commitment to reducing 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. According to Article 20 of the Rules for Participation (RfP), this period of 8 months is split into "a maximum period of 5 months from the final date for submission of complete proposals" for "informing all applicants of the outcome of the scientific evaluation of their application" and "a maximum period of 3 months from the date of informing applicants they have been successful" for "signing Grant Agreements with applicants or notifying grant decisions to them". Following our earlier recommendations, in view of the problems experienced in the first year of H2020, the artificial split into "maximum 5 months" for informing applicants of the evaluation results and "maximum 3 months" for preparing Grant Agreement has been re-considered and DIGITALEUROPE members consider this a very positive orientation. This way the earliest possible communication of the selection outcome to the selected proposals coordinators is possible, leaving them more time for preparing their position towards the proposed Grant Agreement and Consortium Agreement. We also appreciate the improvements and easier access to documents brought about by the European Commission portal.

Recommendations

Wherever possible, the European Commission should explore options to further reduce the overall time-to-grant so as to better fit to the short innovation cycles characteristic of the ICT industry.

4. Grant Agreement and optional clauses

DIGITALEUROPE would like to state its concerns about the lack of clarity and consistency surrounding optional clauses in the Grant Agreement and whether they will or will not be activated by the Project Officer. The final terms of the Grant Agreement impact on the terms required in the related Consortium Agreement for the action. These optional clauses can significantly alter the requirement on partners, and can in some cases make participation by multinational companies extremely difficult.

At proposal-writing stage partners need this information. In fact, if some optional clauses apply to an action, these need to be reflected in the Description of Action as this will also influence whether and how partners participate in the project. It would be highly beneficial if Coordinators (in consultation with other consortium partners) had room for maneuver at contract preparation stage to negotiate with the Commission on opting in/opting out of such optional clauses. In the context of H2020 Call 1, some Grant Agreements were not released until almost two months after the Commission announced that the actions were selected, i.e. approximately one month before signing deadlines. During that two-month period, the optional clauses ticked in the Participants Portal changed regularly, so there was no clarity as to which of the optional clauses definitively applied to the projects. This delayed Consortium Agreement negotiations and increased the uncertainty of the partners, contributing negatively to the effective development of the project.

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Recommendations

The Commission should issue the final Grant Agreement for each project as soon as it announces funding. The Commission needs to allow 5-6 months between the announcement that an action is funded, and the date by which partners must sign the Accession Form to the Grant Agreement. It is extremely challenging to close Consortium Agreements within three months of the funding announcement, particularly where entities have had more than one action approved for funding. Such exercise becomes more complex and uncertain where partners have not received the final version of the Grant Agreement. The European Commission's services should strive to announce their funding decision as early as possible, giving partners sufficient time to negotiate the Consortium Agreement.

Furthermore, the EC should state in each Call for Proposals which of the optional clauses it envisages applying to actions funded under that Call. The EC should also take steps to ensure that Project Officers take a consistent approach to applying optional clauses and that they are only applied in the situations envisaged in the Rules for Participation and the Model Grant Agreement. At the Call issue date, the EC should already know the main clauses that will apply, e.g. Article 15.1, Article 30.3, and other clauses around Access Rights to Results.

Sometimes it could be beneficial for EC and consortium to be allowed to make small technical changes or adaptations to the Technical Annex. The take-it-or-leave-it approach used in the Grant Agreement is in contradiction with the notion of «agreement». This is particularly troublesome for legal and IP terms and conditions, as the Model Grant Agreement goes in many instances much farther than stipulated in the Rules for Participation

In addition, the European Commission should take into account consortium partners' views with regard to the options concerned by the GA, in particular the IPR, as the beneficiaries are the ones to develop the results and therefore have much better visibility on what kind of results will be developed within the project and which IP rights have to be taken into account for the exploitation and disseminations of results.

5. Formal and informal evaluation criteria

In addition to the three formal criteria of excellence, impact and quality/efficiency of implementation, other policy aspects (such as funding synergies with ESIF, see section 11 below) are slowly but gradually taken into account into the evaluation process, via "additional conditions" in the Work Programme.

Recommendations

DIGITALEUROPE recommends sticking only to the three formal criteria. The solutions should remain non-prescriptive in regards to the technologies to be used for solving the technical problem/challenge. In LEIT and Societal Challenges, proposals should be first evaluated on impact and only then on excellence. Despite the fact that the whole ranking process is fully transparent and faithfully documented in an evaluation report that is further validated by the presence of independent observers, rules for evaluation should be clear from the beginning without other unknown criteria during the evaluation.

6. Oversubscription and increased competition

The trends in the first call for proposals of H2020 correspond to a globally higher oversubscription compared to FP7. This is certainly due to the fact that strategic objectives were too broadly defined and not specific enough in WP 2014-15. The potential confirmation of the current trend (overall success rate of eligible full proposals in 2014

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of around 13% (in terms of proposals), compared with around 19% for the whole of FP7[3]) could lead to a decrease of industry participation because of too low success rates and increased proposal preparation time to possibly comply with proposal selection criteria (some proposals are currently not selected despite their scores of 14.0-14.5/15).

Strategic objectives in the forthcoming Work Programme should be more focused. Considering LEIT PPPs, the industry drive in the definition and implementation of the Private part of the PPPs should be clearly acknowledged and mandated. The evaluation processes (such as instruction of reviewers on the application of the evaluation criteria) are expected to lead to the implementation of strong Industry-driven PPPs.

Recommendations

DIGITALEUROPE recommends that strategic objectives in future Work Programmes are made more focused and specific to avoid a huge oversubscription of proposals. This will guarantee to channel the efforts on the most strategic research and innovation areas.

7. Two-stage submission

In some cases, two-stage submissions might provide a mechanism to help address the oversubscription problem, though at the risk of prolonging the time-to-grant, which does not fit the very dynamic nature of the ICT sector. Selection in the first stage is mainly based on Excellence, the page limit is set to 15 (in some cases less than 10) pages (little more than an extended abstract) which puts serious doubts on the possibility to effectively assess the real quality of the proposal. In addition, there is no evidence that the oversubscription will be lower than with one-stage submission, the current trend being that the number of stage-two proposals is often comparable to the usual number of proposals submitted in a one-stage submission process.

Recommendations

In an effort to reduce time-to-grant, DIGITALEUROPE clearly recommends to stick to one-stage submissions in highly dynamic domains such as ICT. However, in some cases, a two-stage process could be effective. If used, the initial length of a proposal to be submitted in stage 1 should not exceed 20 pages and a strong filtering process should take place. In addition, the first stage must be more selective (leading to a success rate of at least 33% or even if possible 50% in the second stage). The scope of the call objective must be narrowed, meaning that the challenge or problem that has to be solved must be more focused on topic and/or impact.

8. Consortium Agreement for H2020 Actions

DIGITALEUROPE launched the MCARD-2020 model Consortium Agreement. MCARD-2020 was drafted by a respected team of 12 lawyers who have both long standing skills and experience in the field of collaborative research and who work within research departments of DIGITALEUROPE Corporate Member Organisations and are hence close to day-to-day issues in such projects. In producing MCARD-2020, DIGITALEUROPE sought to preserve the best practices learnt throughout the last three Framework Programmes. The MCARD-2020 model is continually being scrutinised for improvement by dedicated experts from DIGITALEUROPE's constituency who take into account the best practices in the application of such a model. As such, MCARD-2020 aims to ease the

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3 Horizon 2020 Annual Monitoring Report 2014
http://ec.europa.eu/newsroom/horizon2020/document.cfm?doc_id=15108

process of CA negotiations by adopting common practices of many stakeholders. It is important to note that similarly to its predecessor - the Integrated Project Consortium Agreement (IPCA) developed by DIGITALEUROPE for FP7 – MCARD-2020 offers a model which can be adapted to consortia in any scientific field, not just in the ICT domain.

The experience with the implementation of MCARD-2020 in H2020 are positive. Thanks to the clarity of its legal language, reflecting the clear choices made among others with respect to management structures, IPR and liability, the model is well accepted and not only by industry.

Recommendations

DIGITALEUROPE emphasises again its strong recommendation that the negotiation and establishment of the Consortium Agreement should be left to the contractual freedom of the Partners in the Action. Although we acknowledge that the Commission shall publish guidelines on the main issues that may be addressed by participants in the Consortium Agreement, DIGITALEUROPE believes that the Commission should refrain from endorsing specific model agreements or model clauses. Consortium partners should have full freedom to determine themselves what model and contractual clauses best serve their interests and goals in the action.

9. Cost Claims for H2020 Actions

First of all, the reimbursement rate is not really "single" as often stated by the Commission because industry receives 70% in Innovation Actions and Fast Track to Innovation projects, whereas the non-profit sector receives 100%. For the direct costs, the calculation of the productive hours has become more complex compared to FP7 resulting in the difference between nominal and effective funding rates. Furthermore, the flat rate for real indirect costs introduced an extra and parallel accounting, deviating from the usual accounting principles of the beneficiary. Especially SMEs often lack the necessary resources to implement this parallel accounting system and are further discouraged from participating in EU-funded collaborative research projects.

Recommendations

Beneficiaries want to be allowed to make use of their own usual accounting principles (like under FP7). Most companies calculate an average fully loaded cost rate, i.e. an average rate combining direct personnel cost with indirect cost. If such an approach could be accepted this would significantly simplify cost calculation. An additional option for reimbursement on the basis of real indirect costs would be to allow the charging of indirect costs based on the accounts of the beneficiaries instead of the 25% flat rate.

10. Open Research Data Pilot

DIGITALEUROPE members appreciate the Commission's approach in the pilot on open research data in Horizon 2020 to keep data "as open as possible, as closed as needed". Open access should not apply by default to data from private-sector R&D performed in public programmes for research and innovation, nor from public-sector research performed in collaboration with industry or (co-) financed by industry. Failing to do so would endanger the interest of private parties in participating and/or co-investing in public programmes for research and innovation. As companies participating in such public programmes carry a substantial part of their R&D costs themselves, it is reasonable that they expect a return on their investments. Widely sharing all data from a research project could destroy the competitive advantage that consortium partners have gained in the project and negatively impact the worldwide competitiveness of Europe.

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Recommendations

DIGITALEUROPE is in full support of open access to scientific publications. In principle, it is also in favour of open research data (or rather optimal re-use of research data), provided that granting access remains voluntary, with the possibility to opt out, that the protection of intellectual property, confidential information and data (e.g. privacy) is safeguarded, and that applicable security rules (e.g. export controls) and the legitimate commercial interests of private partners are respected. To ensure adequate private-sector participation, it is essential to maintain an opt-out provision as in the current pilot on open research data also in the remainder of Horizon 2020, its successor and other public programmes for research and innovation at European, national and regional levels.

DIGITALEUROPE has developed more detailed recommendations for an EU Open Access Policy that can be found here[4].

11. Synergies with Structural Funds

Whereas DIGITALEUROPE welcomes the strong focus on innovation in the European Structural and Investment Funds (ESIF) and the synergies foreseen with H2020, it is concerned about suggestions for combining these two different sources of funding at the level of an individual project. Indeed, (1) forced synergy in the form of combined project funding from H2020 and ESIF would become very complicated in practice and would reverse the simplification achieved in H2020 and (2) the availability of ESIF funding is too unevenly distributed across Member States, making synergy at project level nearly impossible in practice. Furthermore, co-financing H2020 projects is not foreseen in many or even most of the regional Operational Programmes for the ESIF in the 2014-2020 period.

Recommendations

Therefore, instead of trying to achieve synergies at the level of individual projects, synergies between H2020 and ESIF should be sought at the programmatic and strategic level. This could be achieved for instance by using ESIF funding for capacity building upstream of a H2020 project or by using ESIF downstream for valorisation or implementation of the results. For example, the Seal of Excellence seems an effective solution for achieving synergy and efficiency and should be further pursued and promoted.

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[4]http://www.digitaleurope.org/DesktopModules/Bring2mind/DMX/Download.aspx?Command=Core_Download&EntryId=2140&PortalId=0&TabId=353

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ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies.

DIGITALEUROPE ensures industry participation in the development and implementation of EU policies. DIGITALEUROPE's members include 62 corporate members and 37 national trade associations from across Europe. Our website provides further information on our recent news and activities: http://www.digitaleurope.org

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