

FRAUNHOFER FEEDBACK ON THE HORIZON 2020 MID TERM EVALUATION

Seven areas where we see room for
improvement

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Brussels, 15/01/2017

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As Europe's biggest program to foster research and innovation, Horizon 2020 plays an essential role in strengthening European competitiveness and tackling societal challenges. Horizon 2020 provides the unique possibility for excellent collaborative research and innovation projects to generate true European added value for EU citizens.

There are manifold motives to participate in Horizon 2020. An internal Fraunhofer survey shows that Fraunhofer applicants especially value the possibility of cooperation with excellent European partners, internationalization of research and development topics as well as targeting new markets.

On the occasion of the Horizon 2020 midterm evaluation Fraunhofer has selected seven areas where we see room for improvement.

1 Oversubscription

Oversubscription remains one of the main problems of Horizon 2020. It led to frustration and caused unnecessary costs for proposal writing and evaluation. It can be career threatening for researchers trying to apply EU grants with such a low success rate. This development discourages participants enormously and undermines the attractiveness of the program unnecessarily.

2-stage evaluation procedures can be helpful in some cases if implemented properly. However, besides changing evaluation procedures we believe it is highly important to tackle the root cause of the low success rates in the medium and long term. Depending on the thematic area we see two options to go forward:

- 1) Narrowing the scope of the calls to limit the number of potential applicants and thereby focus on core (technological) challenges.
- 2) Maintaining a broad challenge / mission based approach but for a limited number of areas with enough budget to fund several projects i.e. larger number of applicants + sufficient budget. This would require a more consequent focus of the thematic strategic programming of Horizon 2020 and its successor.

2 Funding instruments

Grants for collaborative projects are by far the most relevant form of EU funding for almost all participants. Collaborative projects best stimulate cooperation among the EU countries and different participants groups (e.g. industry – academia). More than other forms of funding, collaborative projects are accessible for participants from all countries i.e. can support closing the innovation divide.

Fraunhofer believes it is important to keep a careful balance between large and small collaborative projects along the whole innovation chain. Large projects can be useful in specific cases but can be very costly and have a high administrative burden, while not necessarily generating higher impact.

Other instruments such as prizes or public procurement can be means to foster the commercialization and the visibility of European research projects in individual cases.

However, only in very specific circumstances these forms of funding can be relevant for many of the participants of the framework program. These instruments should therefore complement collaborative projects rather than becoming main forms of funding.

Under Horizon 2020, project funding is increasingly being provided by means of other financial instruments than grants. However, in Germany and other Member States public research organizations are legally not allowed to make use of loans.

A framework program for research and innovation should therefore continue to be primarily grant-based. For these same reasons, the European Fund for Strategic Investments (EFSI) does not represent an alternative to many public research institutions, and should therefore under no circumstances continue to be financed by transfers from Horizon 2020 funds.

3 Structure and number of instruments

An internal Fraunhofer survey showed that Fraunhofer applicants didn't perceive the three pillar structure of Horizon 2020 as particularly helpful. Overall, the program remains very complex and is not easily accessible - especially for new applicants. The sheer number of different instruments, initiatives and sub-programs with different rules and objectives hinder accessibility and cause high administrative burden.

In comparison to its predecessor, Horizon 2020 has made improvements in terms of unifying the rules of participation. However, the rules for initiatives such as JTI and KICs strongly divert from the general Horizon 2020 rules. Moreover, JTIs and KICs are often perceived as little transparent when implementing their programs and specific targets ("closed shops").

The Commission has increased the number of these instruments under Horizon 2020. The possibility to establish funding rules deviating from Horizon 2020 standard rules requires a high - and growing - administrative investment and legal support when participating in these initiatives. Further difficulties arise because the rules are frequently implemented and interpreted in a different manner and are combined with highly complex contracts and grant agreements.

Fraunhofer recommends to further reduce deviations from the general rules of participant to a minimum. A first step under Horizon 2020 would be to list and assess all the deviations.

4 Funding model

Horizon 2020 introduced a new funding model that makes a clear distinction between direct and indirect costs. Eligibility of costs is a clear-cut issue in Horizon 2020: direct costs are generally eligible and funded at 100% and topped with a 25% flat rate for covering indirect costs. Actual indirect costs are not eligible. This concept is based on the assumption that there is a clear separation ("firewall") between the category of direct costs and the category of indirect costs.

The Commission should take the chance of the midterm evaluation of Horizon 2020 to refine the concept of eligible direct costs. Eligibility of cost items should not depend on booking technicalities (e.g. invoice by third party), but also consider the materiality of the item and therefore also accept qualified cost accounting methodologies used to establish the cost (e.g. internal services, use of infrastructure).

It is a prerequisite for organizations using methodologies for accounting for such causally related costs that those methodologies are their usual accounting practice, reflect national rules and regulations and provide a proper audit trail.

Furthermore, Fraunhofer encourages the Commission to include Large Research Infrastructures (LRI) rules in the proposed refinement of the direct cost concept, thus lowering the administrative burden for beneficiaries.

For further details please consult the EARTO Paper on the Horizon 2020 Funding Model:
http://www.earto.eu/fileadmin/content/03_Publications/EARTO_Paper_on_H2020_Funding_Model_-_22_September_2016_-_Final_01.pdf

5 IT systems

A user-friendly IT interface is more important than ever to facilitate access, project management and reporting. An internal Fraunhofer survey showed relatively high satisfaction of Fraunhofer participants with the improvements of the participant portal. However, the participant portal is not yet an entirely user-friendly "one-stop shop" for EU research. In the following areas we especially see room for improvement:

- 1) Include all EU funded research and innovation initiatives completely under the participant portal (e.g. all KICs, JTIs)
- 2) Improve the presentation of the offer and develop a real (full text) search function - Modern online shops could provide useful examples how to better present the grants on offer with the help for instance "cross selling" approaches or searching with the help of filters
- 3) Further improve layout and usability – e.g. develop a proper "web version" of the work programs
- 4) Improve personalization of the interface and funding alerts

6 Innovation support

Fraunhofer welcomes the efforts undertaken by the European Commission to establish a European Innovation Council (EIC). The need to spur innovation and to bridge the infamous 'valley of death' has been long identified and several initiatives were introduced from different players across programs in Europe. However, despite the good intentions, the problem remains and the different initiatives have led to a rather complex and largely scattered support landscape.

Setting up a European Innovation Council (EIC) provides a unique opportunity to put everything under close scrutiny with regard to its impact on the European economy and to implement subsequent adaptation measures according to the outcome. The EIC should therefore fund the maturation and valorization of cutting edge technologies with strong business potential. It has to take a collaborative, non-exclusive approach that accelerates the valorization of ground-breaking technologies with a well-defined market potential and return of investment forecast.

Fraunhofer believes that collaborative projects with SMEs are a good mean to stimulate academia and SME collaboration and to transfer knowledge from public research to industry. Funding for collaborative projects under the Horizon 2020 "Innovation for SME" scheme is limited and mainly implemented through the Fast-track-to-innovation pilot (FTI).

Our first impressions of the FTI pilot were generally positive. FTI projects funded so far have high potential to bring research to the market. Fraunhofer would be pleased to see a continuation of the FTI instrument. In addition we recommend to further strengthen collaborative elements for SME support.

7 European added value and impact

Fraunhofer believes that the EU's framework program for research and innovation has to focus on funding European projects with an added value for Europe as well creating benefits for the citizens of the EU. In comparison to other policy areas research often has low visibility and it is often difficult to show its positive impact. We recommend that the Commission:

- 1) Re-focuses on European collaboration instead of funding single participant projects.
- 2) Increases efforts to show and measure the impact of EU funded research.
- 3) Further increases the involvement of citizens on project and programming level.