



## EUROCITIES statement on Horizon 2020

As centres of economic activity, innovation and markets, cities are where the supply side and the demand side come together. Cities offer 'living labs' for market, public, social and cultural innovations that address concrete local and global challenges. Therefore we see cities at the centre of delivering on Horizon 2020's ambition, in particular under the specific programme societal challenges.

### THEMATIC PRIORITIES AND SPECIFIC PROGRAMMES

#### Societal challenges

- We support the strong focus on societal challenges as one of three specific programmes set out in Article 5 of the draft regulation establishing Horizon 2020 (COM (2011) 809 final) and Articles 2 and 3 of the draft council decision establishing the specific programme implementing Horizon 2020 (COM(2011) 811 final).
- We welcome in particular the emphasis on activities close to the end user, such as demonstration, piloting and proof-of-concept that are foreseen under the specific programme on societal challenges. These activities must be strongly coordinated with the key enabling technologies to promote breakthroughs.
- The challenges that society faces may be different some years from now. Therefore we support a review of societal challenges halfway through the programme.

#### Smart cities

Currently it is unclear from the annexes of the draft regulation establishing Horizon 2020 (COM (2011) 809 final) and the draft council decision establishing the specific programme implementing Horizon 2020 (COM(2011) 811 final) how the Smart Cities and Communities initiative would be linked to all relevant fields of research.

- The Smart Cities and Communities initiative needs to make use of Europe's leading industries to support the deployment of state-of-the-art-green technologies and ICT, strongly focusing on the demand-side management of energy production and consumption. However, a smart city is also an inclusive place, using technology and innovative solutions to improve social cohesion and citizen involvement whilst contributing to the development of a low carbon economy.
- Therefore it is paramount that the Smart Cities and Communities initiative goes beyond the current activities under FP7 and cuts across both societal challenges and industrial leadership under Horizon 2020.

- Technical assistance should be provided to cities to help them mobilise the local investment needed to develop and deliver large infrastructure projects in green and smart technology. There is very little funding available to support cities with the early preparation of large investment packages (e.g. feasibility studies), and projects of this kind often take time and considerable resources to get off the ground. There are examples of this type of support at EU level, through ELENA and Intelligent Energy Europe, but the future of these programmes beyond 2013 is uncertain.

## Small and medium enterprises

We support the proposal to integrate support for small and medium-sized enterprises (SMEs) across the industrial leadership and societal challenges objectives, as outlined in Article 18 of the draft regulation establishing Horizon 2020 (COM(2011) 809 final). Particular attention should be given to the following activities:

- supporting SMEs with strong international ambition
- use of the specific instrument for SMEs to enable them to fulfil their research potential, assisting them at all stages of the research cycle, from prototype to full implementation, similar to the Small Business Innovation Research programme (SBIR)
- providing special support for intellectual property rights negotiations in open innovation projects
- providing support measures to help bridge delays in grants, as cash flow remains a key concern for SMEs
- providing support measures for awareness-raising activities among SMEs

## HORIZON 2020 AND COHESION POLICY

Horizon 2020 must have a strong territorial and transnational dimension. The programme must ensure an exchange between European research and innovation policy and the regional and local actors implementing the policy on the ground.

- A new programme, Regions and Cities of Knowledge, should be incorporated into Horizon 2020 to ensure that capacity-building activities with direct access for cities remain an integral part of Horizon 2020.
- The proposal to limit capacity building to structural funds policy could exacerbate inequalities between regions in terms of their research infrastructure and undermine equal participation in the European Research Area.
- Under the current proposals for thematic concentration in cohesion policy, significant structural funds spending on research and innovation would only be guaranteed in competitiveness regions. Operational programmes in less advanced regions might not include sufficient capacity building in the area of research and innovation, resulting in a widening gap.
- In regions where capacity building would be available, cities would need to work through managing authorities and would thus be very limited in their freedom to access available funding.
- Furthermore, direct access for cities to unconditioned funding for research and innovation under the principle of competitive bidding would be cut.
- It remains unclear to what extent the transnational capacity building, mentioned in recital 7 of the draft regulation on the European Territorial Cooperation goal, would provide for cooperation between research-driven clusters of regional and local authorities, universities, research centres and companies - as it is the case in the current Regions of Knowledge programme.

- It is also unclear what role smart specialisation strategies would play when linking Horizon 2020 funding to support under cohesion policy. Clarification on this is needed.
- The new debt and equity facilities look very promising. However, the potential for mainstreamed use of these two instruments by cities and member states wishing to contribute from structural funds remains unclear. In particular, will this be a policy-driven instrument adhering to priorities within the individual operational programmes, or a bottom-up instrument? Furthermore, who would manage the use of this instrument in cohesion policy?

## SIMPLIFYING ACCESS & FLEXIBLE INSTRUMENTS<sup>1</sup>

Based on cities' experiences with current funding schemes, we have the following comments on the proposed regulation laying down the rules for the participation and dissemination of Horizon 2020 (COM (2011)810 final).

- We support the proposals on simplifying rules for grants, more specifically:
  - broader acceptance of participants' accounting practices for direct costs, as proposed in Article 29
  - flat rate for indirect costs, as proposed in Article 24
  - no timesheets for personnel working full-time on a project, as proposed in Article 25
  - possibility of output-based grants
- We recommend the following:
  - Participation rules should provide for greater flexibility to bring in new partners or change existing partners where there is a demonstrable benefit in doing so. There should also be recognition that methodologies may need to change part-way through a project, if this can be clearly justified.
  - The definition of non-profit entities (as referred to in the explanatory memorandum and Article 27 in the proposed participation rules) should be clarified. It is unclear whether or not the definition includes public sector organisations.
  - Article 40 should be amended to reflect that projects should communicate the findings and implications of their research beyond the scientific community<sup>2</sup>. This is essential to encourage a greater level of engagement between the research community and industry with citizens and civil society.
  - The Commission should provide accessible forecasts of annual call plans for different funding programmes, including draft indications on the themes to be covered - a type of 'call calendar'. The current Horizon 2020 proposal still relies too heavily on the modus operandi of annual work programmes, which in practice are often only available very close to the call publication. Only few

<sup>1</sup> See also EUROCITIES response to the Consultation on the Review of the Financial Regulation, which can be downloaded at [www.eurocities.eu](http://www.eurocities.eu)

<sup>2</sup> The CASC (Cities and Science Communication) project explicitly referred to the need to equip the 'public' with good/trustworthy science in order that they can play a full part in civil society. More detailed policy recommendations can be found at [www.eucasc.eu](http://www.eucasc.eu). Examples from the DEHEMS FP7 project show that, through press releases in the local press, dissemination carried out in this way led to actual business contacts taking place, potentially widening the impact of the R & I.

cities have sufficient resources to check regularly the relevant websites or to analyse the European institution work programmes to establish an overview of upcoming calls. Most cities either rely on external service providers (e.g. EUROCITIES funding forecasts) or do not have this information at all.

Very little information is currently available on the design and use of the proposed funding instruments. The points below require particular attention:

- To ensure full participation of local and regional authorities, staff time of civil servants should be an eligible cost.
- VAT should be fully reimbursable to every partner to ensure equal treatment across member states
- Clearer rules are required on using subcontractors to ensure that it is easier for cities to work with small, grassroots organisations.
- It is unclear how the two co-financing rates proposed in Article 21 of the draft regulation on participation rules would be used by the individual funding instruments proposed, in particular under the research and innovation grant, which covers activities ranging from industrial research to 'testbedding', user involvement and market replication. Would projects combining different elements of the innovation chain use more than one funding instrument, or the same funding instrument with a different funding rate?
- Horizon 2020 is proposing an instrument on public pre-commercial procurement. It is unclear to us how this would work in practice and whether it would use the provisions in the proposed revision of the public procurement directive (COM(2011) 896 final), i.e. the new Innovation Partnership procedure (Article 29) and the provisions on research and development services (Article 13)
- The portfolio of instruments under Horizon 2020 should provide for smaller grants to formulate ideas, test a partnerships and pilot activities prior to embarking on a large-scale project.
- Feasibility studies in the area of pre-commercial procurement should also receive support, to allow for a comparison of different cost models for pre-commercial procurement and the procurement of off-the-shelf solutions

## **RESEARCH AND INNOVATION: WHY CITIES MATTER**

City administrations are both supporters of innovation and innovators themselves. They provide services and support for the skills, processes and structures required for innovation. They are in part responsible for strengthening creative and entrepreneurial skills and for developing a climate favourable to innovation and entrepreneurship. They offer infrastructure and platforms for research and technology organisations (RTOs) as well as for creative start-ups.

With the right combination of partners, cities are equipped to take actions designed to cover the whole process of research and innovation to development and deployment. In partnership, for example, they can stimulate ambitious transnational joint public procurement, provided there is the necessary regulatory framework at European level. Cities can coordinate or facilitate the 'testbedding' of products and services or social experimentation to provide evidence about the impact and outputs of European funding programmes.

Innovation and research are major building blocks of the Europe 2020 strategy, with the flagship Innovation Union designed to drive research and innovation standards in the EU. As the network of major European cities, we support the strategic objectives of Europe 2020 and the Innovation Union to develop an economy that is driven by knowledge and innovation. Europe's major cities play a central role in supporting research and innovation, and this role needs to be better supported within future European funding.

The proposal on Horizon 2020 as a new funding framework for research and innovation should not just bring very specific funding programme together, but must be ambitious enough to support a holistic approach to innovation, as introduced in the Innovation Union.

To achieve the goal of territorial cohesion through European research and innovation policy and the Innovation Union means the programmes and their objectives must be closely linked to the realities of our cities and regions. This is an opportunity to embrace the role of local government in innovation and research, and mainstream a holistic view of innovation to meet Europe 2020's growth ambitions - the 'sustainable' and the 'inclusive' as well as the 'smart'. This was supported by the European Parliament in a report<sup>3</sup> on the implementation of the synergies of the Seventh Framework Programme and ERDF research and innovation funding, as well as in recent debates.

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<sup>3</sup> European Parliament report on the implementation of the synergies of research and innovation earmarked Funds in Regulation (EC) No 1080/2006 concerning the European Fund of Regional Development and the Seventh Framework Programme for Research and Development in cities and regions as well as in the Member States and the Union (2009/2243(INI))