

Press Release – Paris, 15th November 2018

Horizon Europe: chronicle of an under-funding foretold?

The European Commission proposed a budget allocation of €100 billion for Horizon Europe, the next Research and innovation framework programme for the period 2021-2027. An increase of more than 25% compared to the current programme, Horizon 2020 (€80bn), running from 2014 to 2020 (1). This proposal was well received but is it enough to match the ambitions announced for Europe?

A budget increase judged as insufficient

The budget proposed by the Commission, €100 billion is certainly an impressive and symbolic figure, but when contextualized, only represents around 5.5% of the EU cumulative expenditure on research and innovation over the same period (2).

In 2017, the European Commission published the interim evaluation of the Horizon 2020 programme. This report emphasizes that a considerable number of very high quality projects are not funded due to a weak financial envelope. In fact, in the first three years of H2020, only 11,108 projects were funded out of 102,076 eligible projects submitted and 45,632 projects were assessed as being of very high quality. Nearly 34% of high-level projects failed to start due to lack of funding.

These figures show that this significant budget increase will not maximize the chances of funding for good projects.

Another example over the period 2014-2017: out of the 15,215 projects submitted to the SME instrument Phase 2, 729 projects were funded while more than 6,700 projects met or exceeded the threshold of 13 out of 15.

These projects did not take advantage of the leverage effect generated by the instrument: according to the Impact assessment published early 2018 by the European Commission, €1 invested in this instrument represents €1.6 invested by private financiers.

In addition, Horizon Europe does not mention any target in terms of budget allocation for SMEs at this stage, unlike Horizon 2020 which sets a goal of 20%.

In conclusion

This underfunding has concrete consequences for the EU, its Member States, companies, researchers and ultimately citizens: in terms of research-innovation continuum, it diminishes Europe's capacity to influence and anticipate the changes brought forward by the 21st century while forsaking opportunities for growth.

In view of the ongoing negotiations regarding the Union's multiannual financial framework, it seems unrealistic that the budget proposal put forward will cover 100% of the needs.

However, the proposal of €120 billion made in the Lamy report (3), or better, the €160 billion proposal formulated by the President of the European Commission (4) seems to us more in line with the reality of projects requiring financial support, especially those under the European Innovation Council (EIC).

- (1) *Excluding the United Kingdom's departure from the European Union. 27% considering the Horizon 2020 budget without the British contribution.*
- (2) *According to Eurostat, European Union RDI expenditure amounted to €300 billion in 2016 (British contribution included). Assuming an equivalent expenditure for the period 2021-2027 and excluding the United-Kingdom's contribution, the cumulative expenditure of the Union would add up to €1816.5 billion, the €100 billion originally announced representing only a moderate 5.5% of this amount, which puts the effort made by Member States into perspective. For example, in 2015, the gross domestic expenditure on research and development (GERD) was close to €50 billion in France. By comparison, the tax system of research tax credit represents the equivalent of nearly 10%.*
- (3) *LAB - FAB - APP, Investing in the European future we want, Report of the independent High Level Group on maximising the impact of EU Research @ Innovation Programmes, European Commission, July 2017.*
- (4) *<https://sciencebusiness.net/framework-programmes/news/juncker-dreams-eu160b-research>*

About ACI, the Association of Innovation Consultants

The Association of Innovation Consultants was created from the merger of ASCOFI, founded in 2007, and UNATRANTEC, founded in 1984. The French Association of Innovation Consultants gathers 70 consulting firms from across France, who collectively employ 3000.

The members of the Association offer their expertise across the full range of innovation consulting services and work alongside all stakeholders in the innovation ecosystem (businesses of all sizes, research and higher education, public bodies) to reinforce, develop and strengthen economic competitiveness and territorial attractiveness. www.asso-conseils-innovation.org

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