



EUROPEAN COMMISSION

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C(2018)8444 final

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination {COM(2018) 435 final} in connection with the proposal for a Decision of the European Parliament and of the Council on establishing the specific programme implementing Horizon Europe – the Framework Programme for Research and Innovation {COM(2018) 436 final}.

As stated in the Opinion, the Horizon Europe proposal builds on the Interim Evaluation of the successful current Framework Programme Horizon 2020 under the guiding principle of ‘evolution, not revolution’. The Horizon Europe design and implementation modalities will rationalise the European Union funding landscape for research and innovation, and maximise its impact, its relevance to society and its potential for breakthrough innovation.

The Commission is pleased to note the Bundesrat’s explicit support for adequate Union research and innovation funding along the entire research and innovation chain. All three pillars of the Horizon Europe proposal are designed to support projects and activities with a strong Union added value. The second pillar ‘Global Challenges and Industrial Competitiveness’ is indeed intended to focus on cross-border collaborative research and innovation for addressing the global challenges of our time, as embodied in the United Nation’s sustainable development goals. The Key Enabling Technologies (KETs) should play a key role in tackling Global Challenges by contributing to all clusters of the second pillar. Key Enabling Technologies are crucial in taking ‘excellent science’ towards the market, and to ensure the success of innovations ‘made in Europe’.

Research and Innovation missions are proposed in Horizon Europe to prioritise investments and set directions to achieve objectives with societal relevance. They should

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also bring science and innovation closer to society. The Commission appreciates the Bundesrat's encouragement for this new concept and for stronger citizen involvement.

With regard to the European Innovation Council (EIC), an operational pilot has been launched for the 2018-2020 period under Horizon 2020. The focus is on radical, market-creating innovations to improve productivity and international competitiveness and generate new jobs and higher standards of living. The small and medium-sized enterprises Instrument and the Fast Track to Innovation (FTI) are part of this European Innovation Council pilot.

For the European Innovation Council under Horizon Europe the Commission has proposed two new instruments, using all available funding instruments ("blended finance"), that are to take over the current ones: 'The Pathfinder for Advanced Research', dedicated to breakthrough innovation, and 'The Accelerator', whose aims will be to bridge the financing gap between late stages of innovation activities and market take-up, effectively deploying breakthrough market-creating innovation and scaling up companies where the market does not provide viable financing. By using blended finance, a tailor-made support would be provided to meet the specific needs of supported companies. The European Innovation Council's Accelerator aims to build on the small and medium-sized enterprises Instrument, improve and enhance it, and focuses it to achieve EU added value. Given the overall relevance and focus of Horizon Europe for innovative small and medium-sized enterprises and start-ups, a quantitative target for small and medium-sized enterprises is no longer needed.

The InvestEU Fund will support "bankable projects" whose risk level is in accordance with its own rules. There is therefore a need for a sufficient budget in Horizon Europe to support breakthrough innovative businesses that are not yet bankable. EUR 10 billion is a minimum to support, across the Union, a disruptive ecosystem mainly based on start-ups and small and medium-sized enterprises. The number of supported companies is not as important as the final impact that shall be achieved in terms of competitiveness and high level jobs. In fact, the most measurable goal is to allow the emergence of many European unicorns, which are few today.

Simplification will continue to be the guiding principle for the implementation of the Union's Research and Innovation funding. The Commission will strive to keep the administrative burden of participating to a minimum, increase legal certainty and modernise processes, whenever necessary, including any steps needed to vigorously uphold the quality of the evaluation system. It has paid great attention to develop synergies between Union programmes during the design phase and will continue to do so during implementation, including between Horizon Europe and the European Structural and Investment Funds. This should in particular benefit low-performing Research and Innovation Member States that would further benefit from the ring-fenced programme part for 'sharing excellence' with dedicated instruments, building on the Horizon 2020 experience, but with doubled funding.

The Commission hopes that these clarifications address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

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First Vice-President*

*Carlos Moedas
Member of the Commission*