

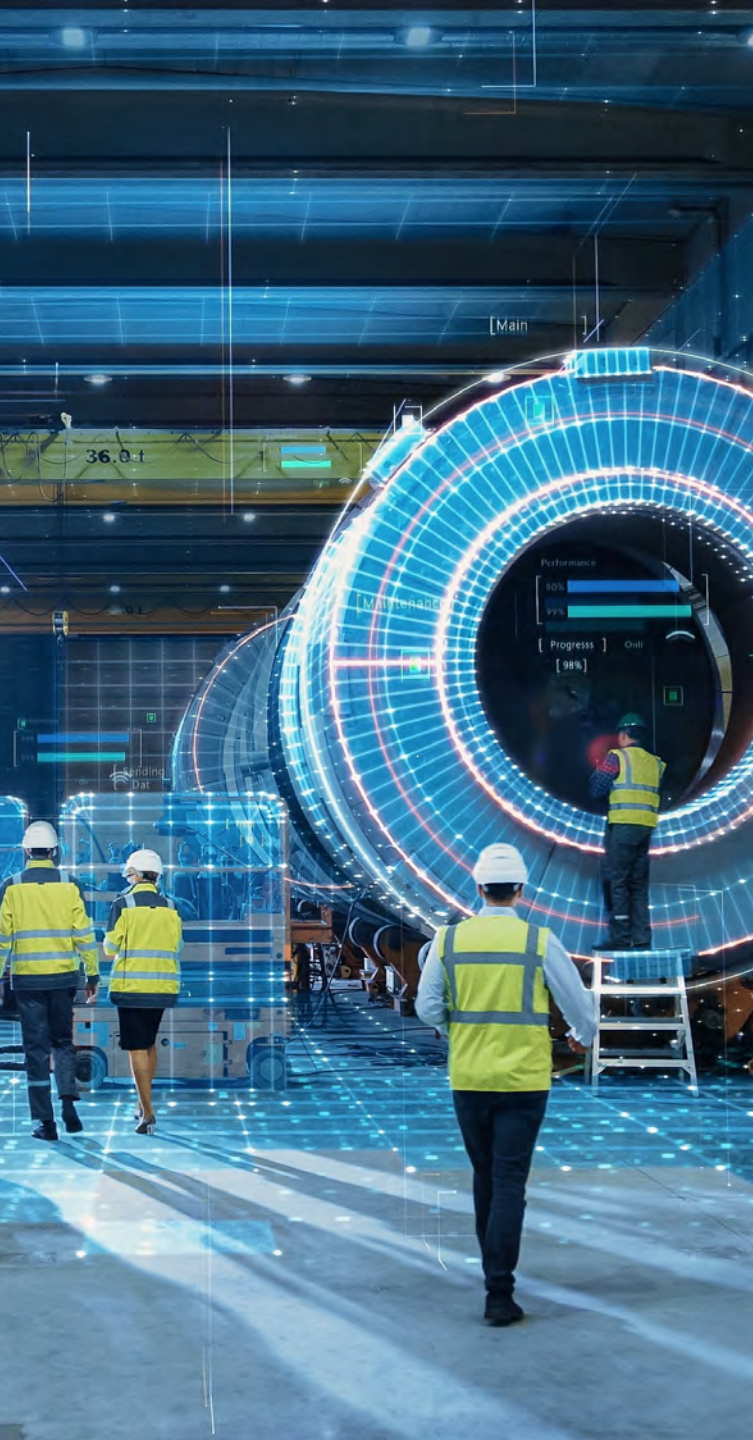
EU RESEARCH & INNOVATION

BusinessEurope priorities
for **2024-2029**



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THE CONTEXT

The EU is facing multiple challenges in a global economy that is highly dynamic, transformative, and increasingly competitive.

The EU has been and continues to be a successful research union. However, with international competition intensifying, Europe's performance keeps improving at a slower pace than that of our key global competitors. This widening gap has turned into a critical challenge, with long-term negative implications for the EU's competitiveness.

The EU has no other choice than to become radically more attractive as a place to invest in R&I. With no change in the course of action, the long-term competitiveness of the EU is under serious threat.

Figure 1:
Gross domestic expenditure on R&D, 2012-2022
(%, relative to GDP)

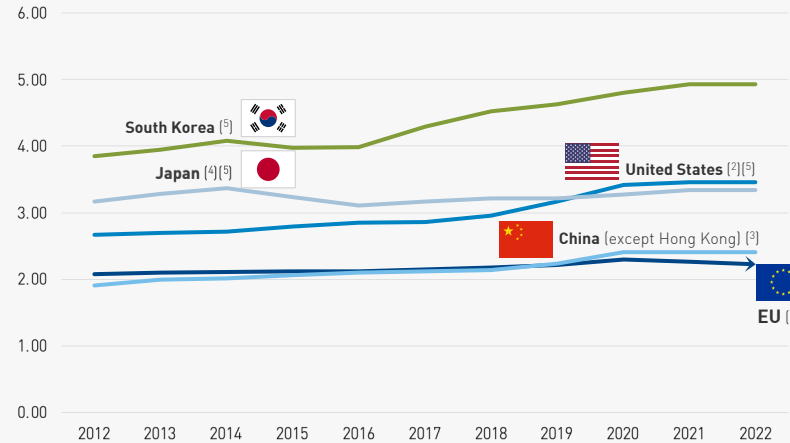


Figure 1:
(1) 2012 and 2022: estimates
(2) Excludes most or all capital expenditure, definition differs: 2012-2021
(3) 2020 instead of 2021 and 2022
(4) 2013 and 2018: break in series
(5) 2021 instead of 2022

Source Figures 1 and 2: Eurostat (online data code: rd_e_gerdtd) and OECD database

Figure 2:
Gross domestic expenditure on R&D by sector, 2022
(%, relative to GDP, ordered by the expenditure in the business enterprise sector)

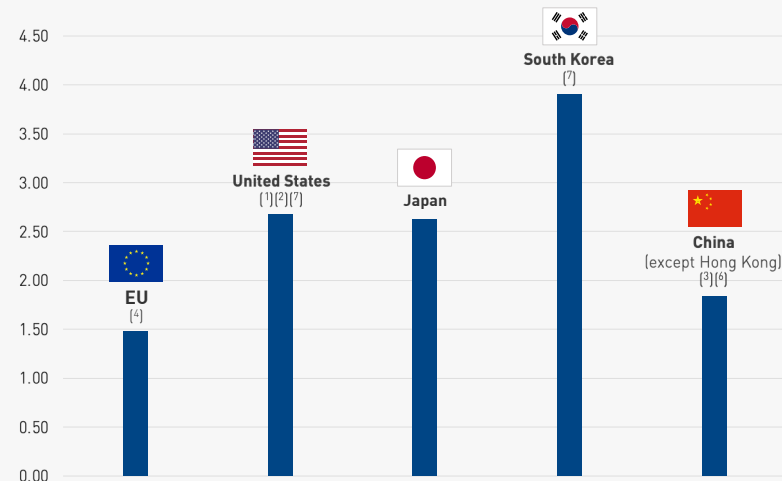
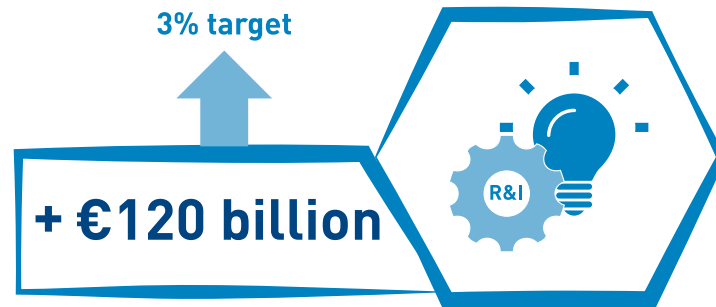


Figure 2:
(1) Provisional
(2) Definition differs
(3) Private non-profit sector: not available
(4) 2022 estimates
(5) 2018
(6) 2020
(7) 2021

OUR VISION

Creating an attractive climate for investment and innovation in Europe must be a top priority in the coming years. It is central to increasing investments in R&I in line with the 3%-of-GDP target, and to improving Europe's innovation performance.



Source: Eurostat

In 2022, the EU would have needed additional R&I investments to reach the 3% target.

The EU has an important role to play in funding R&I, in particular through the Framework Programme for Research and Innovation (FP). Due to the central role of industry in developing solutions to current and future challenges, the direction of EU funding should be based on industry needs, competitiveness and the excellence criteria. Now is the time to increase the budget for FP10 with the main objective of strengthening the long-term competitiveness of the EU.

As R&I largely lays the foundation for productivity, growth, long-term competitiveness and the green and digital transition, Europe needs to step up. The EU needs a forward-looking, competitive R&I policy which enables greater agility and speed. This paper provides 9 policy priorities for action to reverse the negative trend by the end of the next mandate.

“Horizon Europe successfully established a highly collaborative R&I ecosystem bringing the power of working with scientific partners and across industry value chains to solve today's challenges. Nevertheless, as other regions – by other means – intensify competition, only a commitment to R&I and collaboration can protect European competitiveness. For FP10, we need to extend what works well, like the PPPs, but also improve speed, agility, and openness. Next to co-investing as a means to take innovation risks, we need innovation-friendly regulation to go faster from basic research to market introduction and scaling.”

Georg List, VP Corporate Strategy and Research & Technology at AVL List GmbH, Chair of the Research & Innovation Working Group at BusinessEurope

“Collaboration within the European Technology Platforms and European Partnerships has provided us with important technology and competence development in critical areas for our transformation into a fossil-free and digitalised industry. Large-scale demonstrations have improved market readiness by securing that users and societal perspectives are taken into account. These instruments are of strategic importance also in the next FP10.”

Lars Stenqvist, Chief Technology Officer, Volvo Group

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1

Adopt innovation-friendly regulation

To ensure that the EU does not miss out on value creation of research, inventions must be brought to market more efficiently in the EU than anywhere else. Balanced, proportionate and pragmatic regulation enhances predictability for investments by companies. To foster more innovation in Europe, a stronger risk-taking mindset should be an integral component of policy design.



OUR TOP POLICY RECOMMENDATIONS:

- **Introducing a European innovation stress-test:** it provides political and qualitative guidance to policymakers on how to ensure that EU policy initiatives offer the most attractive framework conditions for investment in R&I.
- **Implementing the innovation principle adequately:** whenever concrete EU legislative proposals are considered, the quantified impacts on innovation should be addressed, in accordance with the regulatory toolbox.
- **Ensuring a solid and well-functioning IP framework:** valorisation of research knowledge should be reinforced in FP10 by incorporating generalised requirements on the use of IP management and standardisation in the calls, according to the published Codes of Practice.
- **Boosting the use of regulatory sandboxes to allow for the development of new innovations and technologies:** the use of sandboxes should be accelerated to speed up demonstration and testing of new innovations and technologies.



2

Prioritise EU funding for industrial competitiveness

Access to EU funding for R&I must be based on a result-oriented approach and the criteria of excellence. This is critical for increasing the involvement and interest of the private sector in FP10, and for improving knowledge transfer and the output of public research.



OUR TOP POLICY RECOMMENDATIONS:

- **Re-focusing FP10 on its initial purpose:** FP10 should have a significant focus on industrial R&I, be more business and competitiveness-oriented, and offer more attractive conditions for industry participation. Based on these conditions, the budget for FP10 should be ambitious, ring-fenced and not be excessively politically driven.
- **Setting up a governing body for the ‘industrial competitiveness’ pillar in FP10:** pillar 2, and the partnerships in particular, should have a clear focus on industrial competitiveness and be supported by a governing body, as is the case with the ERC and the EIC. This governing body should be industry-driven and responsible for steering and promoting the work under pillar 2.
- **Foreseeing additional dedicated and easy-to-access measures in FP10 for SMEs, both traditional and innovative:** these should have a strong industrial vocation, be easy to manage, market-oriented and bottom-up.
- **Simplifying and reducing administrative burdens and streamlining processes in FP10:** this would enable speed and agility, and allow companies to use their resources more efficiently in their core business, such as on the actual R&I activities.

"Working with European partners under Pillar 2 of Horizon Europe is a fantastic catalyst for sustainable construction. As a leading provider of wood construction products, we envisage the project will help to identify new ways to deploy, reuse, and recycle wood in construction – this is key to creating the conditions for the market to grow and material efficiency to increase in line with cascading use, while also reducing emissions."

Tobias Bäärnman, Executive Vice President, Strategy & Sustainability, Stora Enso



3

Reinforce collaboration and the R&I ecosystems

The collaborative nature of the EU's R&I ecosystem, enabled by the Framework Programmes, offers a differentiating advantage compared to global competitors. R&I activities should evolve into collaborative formats between companies, Research and Technology Organisations (RTOs) and academia, from low to high technology readiness levels (TRLs), with more cross-sectoral and cross-disciplinary participants.



OUR TOP POLICY RECOMMENDATIONS:

- **Strengthening collaborative research and industrial innovation in FP10, covering all TRLs:** improve the linkages between main elements in the future pillars of FP10 and foster collaboration between industry, RTOs and academia.
- **Enhancing the development and use of technology infrastructures:** they are key for innovation and as experimentation spaces where all companies and R&I actors can test solutions in a controlled environment. Regulatory Sandboxes could become an integral part of technology infrastructures when needed.
- **Strengthening the deep-tech ecosystem:** the dialogue between companies and universities in the deep-tech ecosystem should be enhanced to ensure that universities can better align their R&I activities with industry. We also need to enhance collaboration in the start-up ecosystem with established companies.



4

Strengthen public-private partnerships

Public-private partnerships (PPPs) play a central role in the implementation of long-term R&I agendas, and in the EU's competitiveness. They should be the focal point of FP10 as they enable important risk-sharing, long-term impact and collaboration between stakeholders. Companies contribute financially or in-kind in the PPPs, providing unique assets and expertise that are not present in the public sector and which public partners and SMEs can benefit from.



OUR TOP POLICY RECOMMENDATIONS:

- **Maintaining the PPP approach in FP10:** it enables genuine collaboration between R&I actors from the private and public sectors, as well as the translation and implementation of scientific hypotheses into industrial standards and product development cycles.
- **Putting more emphasis on industry needs and ensuring more transparent and faster decision-making processes:** industry should be in the driving seat for the design of PPPs and their respective calls. Simplified application processes and less detailed reporting requirements are needed in the calls under the PPPs to attract and incentivise industry participation.
- **Avoiding fragmentation and lack of transparency in the PPP landscape:** the large number of existing PPPs can lead to a fragmentation of resources and to a lack of quality, clarity and transparency of the role of each partnership.

“At Siemens, innovation is our capital and ingrained in our DNA. We cannot just rely on our own internal knowledge though. That is why international collaboration is key for us to enhance global competitiveness as a leading tech company. Participating in Horizon Europe helps us to enlarge our R&D partner ecosystems, to acquire talents and to drive (pre-)standardisation activities in many industrial relevant topics. Overall, it remains crucial to decrease complexity, administrative burdens, and fragmentation in the European public funding landscape, and to reduce inefficiency and duplication of efforts, including at Member State level.”

Peter Koerte, Chief Technology & Chief Strategy Officer, Siemens AG



5

Secure robust engagement with industry

Private investments in R&I are of significant importance for the EU's performance, but more effort to leverage them is needed. Rather than politically prescribing which technology solutions should be invested in, the direction of EU funding should follow the lead of private investments and the needs of industry.



OUR TOP POLICY RECOMMENDATIONS:

- **Ensuring that public support for strategic investments in FP10 rests on a transparent, stable, and predictable framework, with systematic consultations with the business community:** public funding has a central role in fostering the overall innovation ecosystem and thus in leveraging and stimulating private investments.
- **Guaranteeing representation of industry in the European Commission advisory bodies:** the large research-intensive companies are central in the innovation ecosystem. However, in relevant advisory bodies such as the EIC, research-intensive industry is underrepresented.
- **Supporting companies which hold the role of coordinators in FP10 projects:** such support could include technical assistance in horizontal activities that are critical for the success of a project, such as management, exploitation of results and impact.

6

Assess the performance of funding instruments

The Commission should assess and adjust the performance of the EU Missions, the European Innovation Council (EIC) and the Widening Activities. These should be accessible for industry to ensure effectiveness. It is important that the instruments do not distort competition, but rather provide value for the business sector as a whole.



OUR TOP POLICY RECOMMENDATIONS:

- **Shifting Missions from politically set objectives:** adequate focus on industrial R&I, excellence, and competitiveness must be ensured, to create incentives for industry to participate.
- **Refocusing the EIC to enable collaboration with companies of all sizes for improved market uptake:** the EIC should clearly focus on shortening the time-to-market and not only on disruptive deep-tech start-ups. Funding through the EIC is important to improve market uptake but should not distort competition or crowd out private capital and exit strategies must be clear.
- **Ensuring that the Widening Activities do not compromise the criteria of excellence:** funding under FP10 should not be used for objectives that are meant to be supported under the European structural and investment funds.

“Public-private partnerships, such as the Innovative Health Initiative in the Horizon Europe programme, allow for stronger collaboration and idea sharing, as well as longer-term sustainability. This unique combination drives innovation and better health outcomes for patients.”

Penny Heaton MD, Global Head Infectious Diseases & Vaccines and Global Public Health, and Global Head R&D Business Operations, Johnson&Johnson

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7

Improve coherence and synergies

Relevant EU funding programmes should be structured with the perspective of increasing industrial competitiveness and of pursuing the green and digital transition. To facilitate synergies during their implementation, they need to be developed in an integrated manner.



OUR TOP POLICY RECOMMENDATIONS:

- **Ensuring effective implementation of synergies:** increase the coordination between relevant DGs, such as DG REGIO, DG RTD, DG GROW, DG TRADE and DG COMP, and the managing authorities at the various national levels. Better coordination should also be ensured in the general management of contracts, both for tenders and grants.
- **Improving the role of the Executive Agencies** (e.g., HADEA, REA, EISMEA): deepen their specialisation and introduce internal thematic experts able to guide the potential applicants within and across the different financing instruments. This would allow for the management of interdependence and synergies between programmes.
- **Enabling better understanding of all instruments, their respective scopes, and objectives:** map the EU programmes for R&I and work towards simplification.



8

Enhance international collaboration

International collaboration, based on reciprocity, is central to excellence, the exchange of know-how and as such to strengthening our R&I performance, technology leadership, high-quality and high-skill jobs in Europe.



OUR TOP POLICY RECOMMENDATIONS:

- **Enhancing collaboration with partners of strategic value, especially those that support European values and fundamental rights:** while collaboration should be promoted to strengthen R&I in industrial technologies, the strategic interests of the EU must be safeguarded, and the transfer of sensitive knowledge and technologies to third parties must be protected. The right balance in this respect is crucial to strengthen the long-term competitiveness of the EU and to make the European economy more resilient.
- **Ensuring that the EEA countries are integrated in FP10:** it is important that these countries are included on the same terms and conditions as EU Member States, as is the case in Horizon Europe and the preceding FPs.

"Philips has been active in European public-private partnership projects since the very start of FP1. Over the years, this has consistently strengthened the collaborative spirit and research and innovation opportunities that consistently rejuvenate innovation ecosystems. The joint-undertakings KDT (now Chips) and IHI have been instrumental in driving market attractive innovations. This has been further enabled by the direct interaction between academic scholars, small and medium-sized enterprises and Philips Research and Innovation teams working together on ground-breaking PPP projects."

Betsabeh Madani Hermann, Global Head of Research, Philips



9

Attract and educate a skilled workforce

Access to a skilled workforce is key to the innovation potential of companies, thus also to their productivity and competitiveness. A high-quality technology-based education policy would enable greater freedom to innovate and would accelerate the transformation of the European economy, creating a more entrepreneurial and innovative society.



OUR TOP POLICY RECOMMENDATIONS:

- **Promoting and fostering the interest in STEM from early ages:** such skills should also be fostered and integrated in present professions.
- **Promoting stable and attractive career plans for European researchers:** it would help ensure that their professional activity develops in the EU. It would also attract the return of researchers trained abroad and avoid that research talents transfer to other regions. This could be enabled by promoting more ERC funds linked to industrial companies and RTOs as host institutions.
- **Establishing coordination between universities, RTOs and business associations:** it is important to align teaching activities with business needs in terms of specialised staff, especially in areas where there is a greater lack of qualified personnel.

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BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.



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