



Association of
European Research Establishments in Aeronautics



EACP
EUROPEAN AEROSPACE
CLUSTER PARTNERSHIP



EREA-EASN-ASD-EACP-EUREC-HER one pager on Critical aspects of operational principles for (institutionalised) partnerships in Horizon Europe

November 2020

In the context of the preparation of (institutional) partnerships in Horizon Europe (HEU), it is essential to develop administrative / operational principles which ensure the full and unrestricted participation of private partners in such partnerships. Such principles should foster the continuation of the well-functioning ecosystems of industry, Research and Technology Organisations (RTOs), Small and Medium sized Enterprises (SME) and Universities. To contribute to the discussion on these operating principles, the signatory organisations share their views on the following four principles.

1. Funding rate & IKOP (In-Kind contribution for Operational Activities) methodology – Need to ensure recognition of full in-kind contributions from industry, non-profit and SMEs

The European Commission expressed the desire to increase private investments in European PPPs, by decreasing funding rate while simplifying financial reporting by counting the difference between eligible costs and reimbursed cost as in-kind contribution.

Administrative simplifications are always welcome. Yet, any simplification needs to account for the following facts:

i) For companies, RTOs and universities, the *total project costs* of a project are *significantly higher* than the eligible costs reimbursable by the Commission. In fact the EU-funding of eligible costs in H2020 covers a maximum of around 60-70% of the actual total project costs and less (50%) for large industries. The real difference between total project costs and eligible costs represents *in-kind contributions to the partnerships* and needs to be credited to the private partners. By applying the rule proposed by the Commission, the situation is made particularly difficult for **RTOs and universities** as the figure corresponding to their in-kind contribution would drop to **zero**. As a consequence the participation of RTOs and universities would represent an **additional burden for industry** and would therefore make the participation of RTOs and universities significantly less attractive.

A large part of the project costs is ignored by the proposed simplification of HEU IKOP definition. Therefore, **the signatories recommend keeping the H2020 definitions and certification methodology** as the participants and their auditors have learnt to cope with them over the H2020 JU duration.

ii) For RTOs and universities, the 100% funding of eligible direct costs with 25% flat overheads rate principle is appropriate and desirable and needs to be retained. In general, partnerships derive their added value from a well-balanced composition of participants, therefore the *funding rate* must not undermine the attractiveness of the partnerships for the specific sectors, this holds particularly true for SMEs.

iii) **In terms of funding rate, and regardless of the type of actor (industry, SME, RTO, academia) in the ecosystem, 50% of total project costs (which is equivalent to 70% of the total eligible costs) is the lower limit which can be afforded for a wide range of partners.**

In order to allow all (research) stakeholders to participate appropriately in partnerships, the **signatories recommend to maintain the current approach of bringing in total project costs, of course with appropriate certification, for calculating in-kind contributions and retain the 100% funding plus 25% flat rate principle for non-profit entities. Incorporating SMEs at an early stage of the research phase into new potential products and processes is essential to allow them to be integrated until the final production of future products and to be involved in global and competitive supply chains in the long run. Thus, a higher funding rate for SMEs up to 100% of Total Eligible Cost is needed. It is necessary to maintain at least the same funding conditions for HEU partnerships as for H2020 ones.**

Comparison CS2/H2020 - CAP/ HE (Based on full costs incurred 2014 - 2018)			TEC: Total Eligible Cost TPC: Total Project Cost IKOP: in-kind contribution of co-funded operational projects				
All values TEUR	Years	Total Project Cost (1)					
RTO #	2014 - 2018	41.557,79					
	Total Eligible Cost (3)	Grant (2)	IKOP (1)-(2)	TPC Funding Rate (2)/(1)	TEC Funding Rate (2)/(3)	IKOP "simply (TPC - grant)"	IKOP (visible)
H2020	24.839,18	24.839,18	16.718,61	59,77	100,00	16.718,61	16.718,61
HE	26.047,57	26.047,57	15.510,22	62,68	100,00	15.510,22	0,00

Table: Example from one of Europe's leading aerospace RTOs showing that under current scheme, approximately 40% of the total project cost is contributed to the PPP as an in-kind contribution and that under the new rules, this amount would be reduced to zero on paper

2. Need to ensure a sufficiently broad scope of eligible IKAA (In-Kind contributions for Additional Activities)

The operating principle on IKAA should not limit the scope of additional activities that allow accounting for in-kind contribution only to activities either which *contribute directly to the uptake of results* under current and previous partnerships, or which can serve as a basis for *synergies* with other EU, national or regional programmes.

By allowing for a broad scope of additional activities **the whole community (industry, SMEs, RTOs and universities) has an opportunity to bring in higher leverage as requested by the Commission.** As an example a **significant additional contribution** of academia and other stakeholders (industry, RTOs) in realising any PPP is to **ensure high quality and properly skilled human power.** This contribution should be **recognised as in-kind contribution** from the stakeholder academia and other stakeholders and hence as a contribution from private partners, in case the particular activity can be certified and directly contribute to achieving the goals of the respective Partnership. In general, **the signatories recommend accepting additional activities with a much broader scope, including synergies with national and regional programmes and own institutional funding.**

3. Need to limit the financial contributions to 50% of the running costs of the JU

As far as the financial contributions are concerned, there is a need to limit the financial contributions to 50% of the running costs of the Joint Undertaking (JU) and not to further increase it for financing operational activities. It needs to be underlined that although RTOs and universities are allowed by law to contribute to the *running costs* (administrative costs) of a JU, in most countries it is *prohibited* by law to pass on institutional research funds to another organization for further distribution; the same prohibition applies to industry as well. **If such an additional financial contribution were required, it would make it almost impossible for private participants to take part in a partnership. Therefore the signatories recommend limiting the financial contribution only to running/administrative costs of the JU.**

4. Need to clarify questions on private members' commitment & avoid any conflict of interest for private members

The signatories ask for clarification on the commitment of the *Founding Members* to the partnership and stress the importance of avoiding any conflict of interest for private partners as *Founding Members* with regard to calls for proposals.

In partnerships in which *only associations* provide the private partners, the problem of conflict of interests will potentially be solved because the approval of the work programme is given by the respective association; the individual organisations are not per se involved.

When it comes to pre-commitment of resources from associations, the capability of associations to fulfil their liabilities for the duration of the Partnership needs to be secured prior to commitment. However, this securement of pre-commitment has been eroded by the new framework conditions as the number of members terminating their membership will dramatically increase due to the unbalanced financial burden between members and free-riders. In consequence, associations in partnerships in which *only associations* provide the private partners will no longer be capable to fulfil their liabilities.

Before the kick-off of institutionalised partnerships, *Founding Members* will be requested to sign an individual Letter of Commitment to contribute with their *own resources* to the implementation of the partnership's objectives.

Such an approach leads to the following open issues in the planned partnerships:

- One of the roles of members of the respective Governing Board will be to decide on the *work programme* of the partnership. Given that the *private Members* of the Governing Board *will apply to calls for proposals* based on this work programme, clarifications are needed to avoid a prospective **conflict of interest** and to **ensure that all Founding Members are entitled to make bids in the open calls**.
- Since the *Founding Members* must engage in competitive calls for all EU funding under the partnership, **a legally binding commitment by companies, RTOs and universities will need to refer to the fact that this is subject to the condition that relevant EU funding is available for the specific entity/organisation as a result of competitive calls for proposals**.

The signatories ask the Commission to clarify the above mentioned two main issues on both pre-commitment in PPP in which associations are the private members and conflict of interests for private partners as Founding Members with respect to calls for proposals.

Conclusion and proposal

As the partnerships can contribute significantly to solving the industrial problems of the Covid-19 crisis and at the same time to achieving the Commission's objectives (Green Deal, Digitisation), especially through the interaction of industry, RTOs, universities and SMEs, addressing the above-mentioned issues is essential to ensure the smooth operating of partnerships and in particular the protection of established ecosystems, which is a central issue in the preparation of Horizon Europe.

Signatories

- EREA – Association of European Research Establishments in Aeronautics
- EASN – European Aeronautics Science Network
- EACP – European Aerospace Cluster Partnership
- HER – Hydrogen Europe Research
- EUREC – The Association of European Renewable Energy Research Centers
- ASD – AeroSpace and Defence Industries Association of Europe