Council of the European Union

Brussels, 15 June 2021
(OR. en)

9843/21

Interinstitutional File:
2021/0048(NLE)

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COVER NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Proposal for a Council Regulation establishing the Joint Undertakings under Horizon Europe - Opinion of the European Economic and Social Committee

Delegations will find attached copy of the above-mentioned opinion.

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INT/936
Joint undertakings / Horizon Europe

OPINION

European Economic and Social Committee

Proposal for a Council Regulation establishing the Joint Undertakings under Horizon Europe
[COM(2021) 87 – final 2021-48-NLE]

Rapporteur-general: **Anastasis YIAPANIS**

Referral	Council of the European Union, 06/05/2021
Legal basis	Articles 187 and 188 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Bureau decision	23/03/2021
Adopted at plenary	09/06/2021
Plenary session No	561
Outcome of vote (for/against/abstentions)	160/0/3

1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) considers that the end results of the joint undertakings' (JUs) activity are of utmost importance for the future of the European economy. The momentum to mobilise all possible resources and transform our economy is now, empowering breakthrough technologies and sustainable economic models.

1.2 Interaction and collaborations with other European partnerships should focus on strategic and impact-driven results. Synergies between the different Union funding programmes and Union policies, as well as synergies with EU and national funding provided at Member States level, are vital for guaranteeing R&I projects have the greatest possible impact.

1.3 It is not very clear if and how the European partnerships will be open to as many stakeholders as possible. The EESC considers that the principles of open participation and transparency should govern the activity of all joint undertakings.

1.4 The involvement of social partners and civil society organisations is of paramount importance for the JUs' success, both as providers of expertise and as communication channels. The EESC calls for permanent civil society dialogue within existing JU advisory groups and the inclusion of relevant social partners and Civil Society Organisations (CSOs) in the Stakeholder Groups of the JUs.

1.5 Heterogeneous rules across the different JUs create a lack of clarity and the EESC calls for a homogenous approach as much as possible, while respecting the specificity of each JU.

1.6 The EESC is worried about the limited number of organisations called for as private founders for several undertakings. It also calls for openness and transparency in the selection of the associated members. The joint undertakings should seek to attract the membership of as many Member States as possible. The benefit to become member is very limited considering the open calls principle for funding. Hence, the number of private seats in the governing board should be increased such as in the Clean Aviation JU.

1.7 Article 26(4)(b) should be changed to "members **and** contributing partners' financial contributions to the joint undertaking for the operational costs". The role of contributing partners is unclear in terms of participation in the activities, involvement in governance, benefit to bring financial contribution, etc.

1.8 There is a need to ensure the leverage effect of the EU funding as much as possible and foster private contributions that reflect the capacity of the contributors. The EESC appreciates the proposal that the annual costs for SMEs should be significantly lower and is in favour of dedicating a part of the JUs' budget to SME activities.

1.9 The EESC calls for an exact explanation of the procedure to set up the work programme for each JU and to have it included in part I of the Regulation. Full availability of the final research results should be disseminated to all the EU stakeholders.

1.10 The EESC highly appreciates the proposal to eliminate the obligation for partners to report on non-eligible costs and the intention to avoid double auditing.

1.11 The EU's own interest must be pursued and the European Research Area and Europe's capacity for innovation strengthened. The EESC clearly points out that the results of the research by the joint undertakings should be put to good use industrially in the EU using European technology.

1.12 European innovation and patents should be well protected from hostile intentions and economic espionage. The implementation of the European Unitary Patent is a must and intellectual property and patents are a key issue, but they are not mentioned in the Commission's legislative proposal.

1.13 The EESC welcomes the monitoring obligations for SME inclusion, geographical composition and the co-funding rate. Qualitative indicators, such as the type of innovations brought, advantages for civil society and the number of new jobs created should also be introduced.

2. Introduction

2.1 The European recovery strategy is very clear, focusing on the twin transition: green and digital, and addressing strategic dependencies. In this regard, the joint undertakings have a very important role to play in bringing together European expertise from different economic sectors, fostering competitiveness, improving skills and strengthening the industrial base.

2.2 The European Commission proposes to create nine joint undertakings, under Horizon Europe's Pillar II – "Global Challenges and European Industrial Competitiveness": Circular Bio-based Europe, Clean Aviation, Clean Hydrogen, Europe's Rail, Global Health EDCTP3, Innovative Health Initiative, Key Digital Technologies, Single European Sky ATM Research and Smart Networks and Services.

2.3 The agendas of all joint undertakings should build on the European Green Deal[1], the European Digital Strategy[2], the United Nations Sustainable Development Goals[3] and translate the goals of the update of the 2020 Industrial Strategy: towards a stronger single market for Europe's recovery[4]. They should include the EU social partners and civil society organisations, SMEs, public authorities and other interested stakeholders. This has not been the case so far.

2.4 The main objective of the JUs is to stimulate research and innovation across the Union, while accelerating economic, social, digital and ecological transitions. It is very clear that the JUs have the capacity to develop strong public-private partnerships capable of strengthening EU leadership, boosting competitiveness and growth and gathering knowledge, expertise and

1 COM(2019) 640 final.

2 COM(2020) 67 final.

3 The United Nations Sustainable Development Goals.

4 https://ec.europa.eu/commission/presscorner/detail/en/ip_21_1884.

scientific excellence from across the Union and third countries. Sharing the knowledge across territories, and among citizens and businesses is extremely important.

2.5 Research and innovation are also extremely important for Europe's sustainable recovery after the pandemic, ensuring the competitiveness of the economy, job creation, sustainable growth and contributing to its autonomy. Only by investing big in R&I will the EU prevail on the world stage. The momentum to mobilise all possible resources and transform our economy is now, empowering breakthrough technologies and sustainable economic models.

2.6 In terms of investments in R&I, the EU is lagging behind compared to other parts of the world, especially the USA and Asia. The same goes for capacity and the speed with which R&D results are translated into innovative products and services. This is not acceptable in the long run and Europe can only become a worldwide leader if it capitalises on the momentum created by Horizon 2020. The EESC has already warned that "technologies developed in Europe are far too often commercialised elsewhere. The EU has not been able to create tech giants. Too few young leading innovative companies grow to be large R&D-intensive firms"[5].

3. General comments

3.1 Joint undertakings are mobilising European, national and private funds with the intention of bringing together the most important stakeholders from the European research arena including associated countries. The EESC considers that the end results of their activity are of utmost importance for the future of the European economy.

3.2 Full transparency and ambitious objective-driven activities should characterise the activity of each JU. Interaction and collaborations with other European partnerships, and especially with the other some 120 partnership initiatives within Horizon 2020, should focus on strategic and impact-driven results. Finally, "synergies between the different Union funding programmes and Union policies, namely with structural funds through compatible regulations, are vital for guaranteeing the greatest impact of R&I projects"[6].

3.3 The EESC appreciates the Commission's intention to open up the European partnerships to as many stakeholders as possible, but it is not very clear if and how that will be actually done. The private founding members are quite limited, while the associated members are to be selected by a limited governing board. It is also not clear how the contributing partners are going to be incentivised to join the joint undertakings. Finally, the EESC considers that the principles of open participation and transparency should govern the activity of all joint undertakings.

3.4 The EESC points out that part II of the Regulation implies sometimes different approaches and organisational rules for the JUs. There is a need to ensure the leverage effect of the EU funding as much as possible and foster private contributions that reflect the capacity of the contributors.

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5 OJ C 364, 28.10.2020, p. 108.

6 OJ C 62, 15.2.2019, p. 33.

3.5 In terms of geographically-balanced representation, it is only the Europe Rail JU that introduces such an organisational rule. Furthermore, although cooperation between the joint undertakings is extremely important, this is mentioned only in relation to the Clean Aviation and SESAR JUs.

3.6 The EESC also observes that for the Clean Hydrogen, EDCTP 3, Smart Network and Services and Key Digital Technologies JUs there is no mention of the selection of associated members. Furthermore, in some cases they must be endorsed by the Commission while in others simply selected by the governing board. The EESC believes that homogenous rules would create more clarity.

3.7 The EESC is worried about the limited number of organisations called for as private founders for several undertakings. It is extremely important that the availability of and access to the JUs is as wide as possible. The EESC calls for a thorough analysis focusing on widening the proposed founding members for all JUs and on openness and transparency in the selection of the associated members. Furthermore, in order to ensure coherence with national and regional policies, the joint undertakings should seek to attract the membership of as many Member States as possible. The benefit to become member is very limited considering the open calls principle for funding. Hence, the EESC considers that the number of private seats in the governing board should be increased, such as in the case of the Clean Aviation JU.

4. Specific comments

4.1 Member States have different structural innovation ecosystems, while successful research and innovation does not thrive in the same way. The EESC calls for investments from and the involvement of all Members States, especially the ones that are less advanced. The activity of the JUs must be synchronised with other EU research and innovation programmes, including the Recovery and Resilience Facility[7]. Member States should be recommended to build structured links of their national recovery plans to the JUs Strategic Research and Innovation Agendas and create synergies, including the national level funding programmes.

4.2 The EESC appreciates the budgetary contribution from the EU budget of almost EUR 10 billion. It considers that it could be increased in some crucial sectors in order to mobilise important additional resources from the private sector and Member States budgets. The Multiannual Financial Frameworks agreement from December 2020 regarding EUR 5 billion to be allocated from the NextGenerationEU to Horizon Europe should top up the funding of the JUs covering the sectors hardly hit by COVID-19 pandemic and those addressing strategic dependencies. However, article 26(4)(b) should be changed to "members and contributing partners' financial contributions to the joint undertaking for the operational costs".

4.3 The EESC asks for more clarity, transparency and an ex ante cost benefit analysis regarding the proposal to establish a common back office for all joint undertakings in order to assess if there will be a real added value and gain on efficiency. Also, the EESC expects that the

7 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

administration of the back office will be fully transparent to citizens and businesses and that use will be made of the top available technology, including blockchain, big data analysis etc.

4.4 The involvement of social partners and civil society organisations is of paramount importance for the JUs' success. They should be thoroughly involved both as providers of expertise and as communication channels, so that progress and end results reach the entire European business community, along with workers, consumers and citizens. The EESC calls for permanent civil society dialogue within existing JU advisory groups and the inclusion of the relevant social partners and CSOs in the Stakeholder Groups.

4.5 The EESC is of the view that there should be several differences in the organisation of the JUs, as they cover different sectors with specific features. However, the principles of open participation for all interested stakeholders and SME access should be clearly specified for all JUs. This is not the case at the moment. The EESC has mentioned that "despite previous efforts throughout the framework programmes, SMEs should be more involved in activities based on R&I and Horizon Europe would be the best chance to get them on board"[8].

4.6 SMEs have common problems and need support for scaling up and reaching international markets. The EESC appreciates that the annual administrative costs for SMEs should be significantly lower than for the large companies. It is not clear, however, why SME representatives are included in some governing boards (e.g. Circular Bio-based JU, Clean Aviation) and not in others.

4.7 The EESC considers that a part of the JUs' budget should be dedicated to SMEs activities. Such a budget should be made available as soon as possible after the set-up of the JUs and should be clearly available on the official website of each JU.

4.8 The Commission needs to make sure that the available funds are open to all willing participants, who respond to the calls in all JUs, and that the acceptance of projects is transparent and fair. The EESC warns of the possibility that some organisations that are supported by the founding members in the JUs may have some kind of preferential access facility. This would transform the programme into a large subsidy support scheme, which the EESC finds totally unacceptable.

4.9 The EESC calls for an exact explanation of the procedure to set up the work programme for each JU and to have it included in part I of the Regulation. Clearly, a situation where JUs are funding research programmes that companies would have performed anyway should be avoided. Finally, the EESC calls for the final research results to be available all the EU stakeholders.

4.10 In terms of simplification, the EESC highly appreciates the proposal to eliminate the obligation for partners to report on non-eligible costs and the intention to avoid double auditing. It also welcomes the removal of the need for the additional activities costs to be audited, either by the JU or any other EU authority.

8 OJ C 62, 15.2.2019, p. 33.

4.11 Gathering as many international stakeholders as possible is important for the success of the JUs. However, the EU's own interest must be pursued and the European Research Area and Europe's capacity for innovation strengthened. The EESC clearly points out that the results of the research by the joint undertakings should be exploited industrially in the EU using European technology.

4.12 The EESC has already mentioned that "the EU cannot maintain its lead in innovation without people with appropriate skills and without smart intellectual propriety policies. We need to make sure that European innovation and patents are well protected from hostile intentions and economic espionage. The implementation of the European Unitary Patent is therefore a must"[9]. For example, in 2019, Asia submitted 65% of global patent applications. Europe is at 11.3%[10]. Intellectual property and patents are a key issue, but are sadly not mentioned in the Commission's proposal.

4.13 The EESC appreciates article 171 dedicated to the monitoring and evaluation of the JUs' activities. It welcomes in particular the monitoring obligations for SME inclusion, geographical composition and the co-funding rate. However, the EESC suggests that the word "periodic" be replaced by "yearly" or "biennially", in order to remove the ambiguity. For the same reason, the Commission should make it clear which service is in charge of monitoring activities.

4.14 The EESC maintains its opinion that "the 'smartness' of a socio-economic system cannot be measured solely on the basis of quantitative indicators such as research and innovation spending; use should also be made of qualitative indicators such as the type of innovations brought, advantages for civil society and the number of new jobs created"[11].

Brussels, 9 June 2021

Christa SCHWENG
The President of the European Economic and Social Committee

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9 OJ C 364, 28.10.2020, p. 108.

10 World Intellectual Property Indicators 2020.

11 OJ C 440, 6.12.2018, p. 73.