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WORKING PAPER

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From:	Presidency
To:	Delegations
Subject:	Informal videoconference of the Ministers of Research on 27 November 2020 Exchange of views on the new Research and Development (R&D) investment targets as proposed by the European Commission in its Communication "A new ERA for Research and Innovation" - Next steps following the Council Conclusions on the Future of the European Research Area (ERA) - Policy debate

Delegations will find attached a Presidency paper on the above-mentioned topic with a view to the policy debate at the Informal videoconference of the Ministers of Research on 27 November 2020.

Exchange of views on the new Research and Development (R&D) investment targets as proposed by the European Commission in its Communication "A new ERA for Research and Innovation" – Next steps following the Council Conclusions on the Future of the European Research Area (ERA)

R&I investment and reforms under common values and principles

Research and innovation (R&I) are essential to accelerate Europe's green and digital transitions. They also support its competitiveness, strengthen its resilience and underpin preparedness to rapidly deliver solutions to society's most pressing needs, for instance against pandemic threats such as COVID-19.

A renewed, more effective and ambitious European Research Area (ERA)¹ agenda is key to deliver on those objectives. The new ERA will not only require additional efforts to prioritise investments and reforms that nurture stronger and quality driven R&I systems across the whole of the EU. It also has to improve the translation of R&I results into the economy and move towards deeper integration between national policies. This renewed ERA needs to materialise in close partnership between the Member States and the EU, and drawing on a set of common values and principles and made tangible for stakeholders and citizens with concrete and ambitious ERA actions.

There is overwhelming evidence that **R&D investments** are key to modernise and upgrade Europe's socio-economic systems and thus ensuring our future sustainable growth based competitiveness and quality of life. Europe continues to lag behind its main competitors². According to the Commission, this calls for urgent attention to avoid that Europe is irreversibly outpaced. Low business R&D investment in Europe

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2020:628:FIN>

² EU R&D investment over GDP is far from the 3% target (2.18%). At 1.45% of GDP, the EU is below South Korea (3.64%), Japan (2.60%), USA (2.05%) and China (1.66%) in business R&D over GDP. Public R&D over GDP stagnated since 2010.

obstructs productivity and a robust future competitiveness. Moreover, stagnating public R&D hampers science bases and thus excellence and knowledge transfer to business and society. Member States show marked differences in investments³ with concentration in North and West. Pulling and focusing investment efforts towards common goals should reinforce Europe in translating R&I into socio-economic impact. Consequently, the Commission comes to the conclusion that more attention is needed for the qualitative dimension of R&I investments.

Against this backdrop, **the recent Commission Communication “A new ERA for Research and Innovation” proposes a new set of R&D targets with a more qualitative focus:**

1. **Re-affirm the 3% EU GDP R&D investment target and update it to reflect the new EU priorities.** To reach 3% over the next decade, the EU would need to invest an additional EUR 110 billion per year⁴. The 3% target has proven its role as an aspirational goal to sustain R&D efforts throughout crises. It is essential to maintain this momentum to deliver on the twin transition and the recovery.
2. **Agree on a new 1.25% EU GDP public effort target to be achieved by 2030 in an EU coordinated manner.** A broader understanding on public efforts for R&I is needed to address both direct and indirect funding – the latter through R&D tax incentives–. Public investments that improve the functioning of the national R&I systems, e.g. open data investments, knowledge transfer structures, etc. should be duly taken into account. This effort should also leverage more private investments in R&I.
3. **Agree to voluntarily commit 5% of national public R&D funding to joint programmes and European partnerships by 2030.** The current marginal amount⁵ needs to be raised substantially, as a transnational dimension of national R&I

³ The lowest performing Member State devoting about 0.5% of its GDP to R&D while the highest performing devotes 3.3%

⁴ https://ec.europa.eu/info/publications/aiming-more-research-and-development-investment-scenarios-next-decade_en

⁵ Spending on joint R&D programmes between Member States is 1% of total public R&D funding in Europe (700-800 M€).

programmes proved to be key to strengthen excellence, broader socio-economic impact and critical mass. This may not require additional funding but redirecting national resources towards areas of common interests for a critical mass of Member States.

4. **Increase the total investment in R&D by 50% in the next 5 years in those Member States that lag behind the EU average⁶ R&D investment over GDP.** Time has come for decisive progress in R&D investments to close the R&I divide and support catch up in terms of socio-economic structures and living conditions for Europe's citizens.

Beside the new R&D investment targets, the Commission proposes new and reinforced EU funding and support tools – based on a new partnership between the Member States and the European Commission. According to the Commission, there is an unprecedented opportunity for Member States to deliver on possible new targets and the needed reforms supported by new EU tools:

1. The new ***Recovery and Resilience Facility*** with 672.5bn euro will support large-scale R&I reforms and investments and enable seven European Flagship areas ranging from clean technologies and renewables to energy efficiency in buildings with a strong R&I basis.
2. ***Horizon Europe***⁷ with its new R&I missions and R&I partnerships can support the twin transitions and channel investments from other funding schemes. It will also reinforce synergies with Cohesion Policy to upscale R&D investments across the EU.
3. A new ***Technical Support Instrument*** and the reinforced ***Policy Support Facility*** will help support the design and implementation of needed R&I reform
4. A **reinforced dialogue** and partnership between the European Commission and its Member States might facilitate the design and implementation of ERA related national R&I investments and reforms. This partnership would build on the upcoming discussions on the recovery and resilience plans, now embedded in the

⁶ RO, CY, MT, LV, BG, SK, LT, HR, IE, EL, LU, PL, ES, PT, IT, EE, HU, CZ, SL, NL.

⁷ To be noted that Horizon Europe will devote 35% of its funding to actions oriented to fight climate change.

revamped European Semester. That dialogue would contribute to and benefit from the discussions on the Cohesion Policy new programming period. This dialogue would also provide an opportunity to discuss the new set of R&I targets.

The new ERA should be forged under a set of commonly agreed values and principles that will orchestrate a stronger cooperation between the European Commission and national authorities for enhanced investments and reforms. The recently launched Bonn Declaration, already signed by 9 Member States and in the process to be endorsed by all, underlines the core value of freedom of scientific research. It also stresses the importance of open science, gender equality and ethics to ensure trust and engagement of society in science. A common understanding on the values and principles is crucial to provide a backbone to R&I activities in Europe.

Against this backdrop, ministers are invited to discuss the following question:

Question: How could the proposed new set of more qualitative R&D investment targets support your national ambitions for R&I reforms and an ERA anchored on a core set of values and principles? And which support from the European Commission would you be interested in?