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WORKING PAPER

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From:	Presidency
To:	Delegations
Subject:	Informal videoconference of the Ministers of Research on 26 February 2021 Recovery and Resilience Plans and the ERA: Synergies in the context of investments and reforms - 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 26 February 2021.

Competitiveness Council - Research (VTC) - 26 February 2021

Policy Debate



**Recovery and Resilience Plans and the ERA:
Synergies in the context of investments and reforms**

 **Introduction and background information**

Research and Innovation (R&I) are at the core of sustainable growth, job creation and competitiveness, and have been pivotal in providing answers to the current Covid-19 pandemic that brought unprecedented levels of disruption into our lives, society and the economy. As the European Investment Bank points out, the “European Union is investing less in research and development (R&D) as a percentage of GDP than other major economies”¹. Undeniably, R&I must therefore be at the core of the economic recovery from the crisis, not only to spur economic activity, but also to accelerate the green and digital transitions that our planet and society need and to strengthen system-wide resilience.

 *The New ERA*

Launched in Lisbon in 2000², the European Research Area has recently gone through a process of renewal, prompted by the Trio of Presidencies as their overarching priority aligned with the European Leaders’ agenda 2019-2024 that recognised the need to reduce the fragmentation of European research, development and innovation. The process was based on a cooperative approach, through co-creation between the Trio, the European Commission and the Member States as well as in consultation with stakeholders and citizens. The Communication “A new ERA for Research and Innovation”³ and the Councils

¹ EIB Investment Report 2020/2021: Building a smart and green Europe in the COVID-19 era – available at <https://www.eib.org/en/publications/investment-report-2020>

² OJ 205, 19-07-2000 p.1

³ COM/2020/628

conclusions on ERA of 1 December 2020 define the new ERA, its mission and objectives and ERA priority actions aiming to build an ERA that is researchers-centered, values-based, excellence and impact driven in which researchers, knowledge and technologies are supported and can circulate freely. An ERA that is based on shared responsibilities, built on the diversity of the European research systems, ensuring excellence and attractiveness throughout Europe, and is responsive to smart directionality.

A broader vision for the ERA, besides encompassing the green and the digital transitions and the recovery from the systemic crisis created by the pandemic of COVID-19, should facilitate the interaction between national and European research systems, including better framework conditions as regards research careers, maximising synergies between the Union programmes and between those programmes and national programmes, to facilitate a quick recovery while increasing inclusiveness and directionality.

Recovery and Resilience Facility (RRF)

To provide support to Member States responding to the pandemic crisis, the Recovery and Resilience Facility (RRF), as a part of the "Next Generation EU", will provide large-scale financial support to both public investments and reforms that can contribute to the Member States preparedness and adjustment capacity to boost their growth potential. It will provide a financial envelope of EUR 672.5 billion: EUR 312.5 billion in grants and up to 360 billion in loans. The focus will be to achieve socio-economic recovery and resilience, the acceleration of the green (which must represent 37% of investment) and digital (to which 20% of investment must be allocated) transitions, cohesion and social rights, as well as the implementation of the European Semester Country Specific Recommendations. To access RRF support, Member States must submit Recovery and Resilience Plans (RRPs) that set out their reform and investment agenda for the years 2021-2026, including targets, milestones and estimated costs.

The RRF encompasses six pillars, with research and development (R&D) being transversal to most of them namely on the green transition and digital transformation. R&D and innovation is mainly part of the pillar 3 as they contribute to Sustainable and Inclusive growth, including through reforms and investments in R&D with the possibility to having multi-country investment projects. The critical elements identified for improving resilience⁴ are, among

⁴ Resilience in the context of the plans means the ability to face economic, social and environmental shocks and/or structural changes in a fair, sustainable and inclusive way (SWD (2021)12 final, p.6).

others, key value-chains, critical infrastructures, open strategic economy and employment and skills and active labour market policies.

As for reforms⁵, these should constitute a comprehensive and coherent package aligned with the investments, addressing drivers, removal of obstacles, improvement of framework conditions and change in the parameters towards a fair sustainable growth, quality employment and wellbeing. Targets and milestones to be achieved are recommended, whereas in investments the principle of additionality is applied, requiring that they envisage the promotion of structural changes and lasting impacts. R&D is included in the investments for Capital Formation where the intangibles like R&D, data, IPR and skills are included. Attention is given to the open strategic autonomy and security issues namely for digital capacities and connectivity helping the Union to be more resilient and less dependent through the diversification of the key supply chains.

Of particular importance to R&I is the *Cross-border and multi-country projects* where the IPCEIs and the EU Initiatives are included in order to increase coherence and effectiveness of funding. Programmes such as InvestEU, Horizon Europe, Space Programme, and Digital Europe Programme are mentioned, and the Industrial Alliances and Horizon Europe Partnerships are highlighted.

Finally, the specification of adequate targets and milestones in the RRFs is essential, as these will at the basis of the operations of the RRF.

The ERA and the Recovery and Resilience Facility

The Council conclusions on the new ERA⁶ highlight the role of R&I in delivering on Europe's recovery and preparedness, contributing to the twin transitions through knowledge generation, deployment of new technologies and knowledge absorption, providing technologies and solutions to societal challenges thus contributing to technology sovereignty. The conclusions also call on the Commission and the Member States to support the development of the New ERA throughout all parts of the EU Framework Programme for Research and Innovation (R&I), as well as through the mobilisation of other EU policies and programmes, including the RRF and cohesion policy instruments. In parallel, they recognise the need to act and respond to the challenges imposed by systemic crises, namely the COVID-19 pandemic, suggesting the possibility of setting up a medium-term joint and coordinated R&I driven policy initiative, based on the priorities established in

⁵ Reforms defined as action or processes making changes and improvements with significant impact and long-lasting effects on the functioning of markets and policies towards relevant policy objectives. (idem)

⁶ st13567/20.en

the RRF. Finally, the conclusions include a priority action on evidence-informed approach focusing on reporting and monitoring of ERA activities and their connection to the European Semester and the deployment of their Recovery and Resilience plans.

Against this background, the RRF clearly constitutes a major opportunity to strengthen the European Research Area and make it more impactful. The RRFs can indeed include a large range of R&I investments and reforms that can be instrumental in progressing towards the R&D targets and addressing all the ERA strategic objectives as agreed in the Council conclusions. These investments and reforms can contribute to making the national research and innovation systems more sustainable and resilient and well equipped to face the challenges derived from the crisis. Moreover, the synergies and alignment of national programmes and the EU programmes' objectives and lines of actions can be achieved in the RRF plans by taking advantage of the Cross-border and multi-country projects. Most of these opportunities are being exploited by the Member States with the inclusion of a variety of policy measures addressing the R&I-related Country Specific Recommendations and in line with the ERA strategic objectives.

Exploration of the synergies and further deepness of ERA with RRF

The following examples can be retained from the preliminary analysis carried out by the Commission after the presentation of the first draft plans:

- ✨ Reforms of the national research systems to pave the way to excellence are in general covered, but structural changes could be fostered to increase the efficiency and effectiveness of investments (e.g. addressing the fragmentation of public science base, fostering critical mass, reforms in public performing organisations or revamping the institutional funding system).
- ✨ Implementation of Open Science policies by enhancing access to research objects (publications, data infrastructures and software) through the European Open Science Cloud (EOSC) (e.g. interconnect national data infrastructures compatible with the EOSC, including Data Curations Centers) or actions linked to the forthcoming EU platform of peer-reviewed open access publishing (action 9 of the ERA Communication).
- ✨ Thematic R&I investments with adequate directionality to mobilise and strengthen national R&I capacities to accelerate the green and digital transitions and enhancing resilience. Thematic areas favour transnational cooperation and cross-border multi-country projects, including the participation in Horizon Europe missions and partnerships.

☀️ Measures to support SMEs and start-ups through innovation and business support are in the RRP, including the strengthening of science-business linkages (e.g. public-private cooperation, Proofs of Concept and demonstration projects) and business R&I investments, albeit not so much the support to invest in innovative start-ups and SME benefitting from the EIC “Seal of Excellence” for market uptake and scale up.

☀️ Important and relevant for all the ERA objectives and the RRF is to ensure complementary and synergies, while avoiding overlap, of RRF funding with Cohesion policy funding. A new type of enhanced dialogues with Member States could help i.e. ensuring that the use of Cohesion policy funding for R&I is complementary, coherent and covering both investments and reforms. Support from Commission’s policy or technical support tools (such as Horizon Europe Policy Support Facility or DG REFORM’s Technical Support Instrument) could be mobilised for further specifications and implementations of the reforms.



Questions

Q1: Which are the main lessons drawn up from the preparation of your national recovery plan to better interconnect the national and regional Research and Innovation systems at European level? Which opportunities do you see for synergies between R&I actions in RRP and EU funding programmes like Horizon Europe (especially Missions and European partnerships)? How could these synergies be best exploited and implemented?

Q2. With regard to the thematic R&D investments in the RRP, how can we ensure that the potential for transnational coordination and cooperation is fully exploited and their transformative impact optimised taking into account the multi-country projects? Which are the main areas that you would highlight for such impactful projects or investments?

Q3. How can the RRP be further strengthened to help innovative start-ups and SMEs to develop and bring their innovations to market and to scale up their businesses?



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