

## Non-paper: Synergies in Horizon Europe

Commission services' non-paper<sup>1</sup>

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This non-paper provides an overview of opportunities to implement Horizon Europe and relevant R&I-related shared management funds in synergy, including possible alternative, combined and cumulative funding, the transfer of funding, as well as the possibility of using specific cohesion policy funds as national contribution in co-funded and Institutionalised European Partnerships.

This non-Paper does not generate legal obligations on the side of the Commission, does not commit the Commission to any particular interpretation of the provisions mentioned below and does not prejudice the Commission's position in the MFF negotiations. It is provided for illustrative purposes only on the basis of the Commission proposal for a Horizon Europe Regulation<sup>2</sup> (HE Regulation), taking into account the modifications introduced in the General Approach on the HE Regulation adopted by the Council on 29 September 2020, and the proposed Common Provisions Regulation (CPR)<sup>3</sup>.

### ALTERNATIVE AND COMBINED FUNDING

*The Seal of Excellence can be granted to proposals assessed as being excellent under Horizon Europe, but which could not be funded due to insufficient call budget. Thanks to the Seal of Excellence, these project proposals may be funded under ERDF, ESF+ or EAFRD – (so called 'alternative funding') depending on the decision of the managing authority responsible for implementing the corresponding cohesion policy programme - without a need for a separate technical evaluation at the funding conditions (eligible costs and funding rates of Horizon). However, the compliance of the project proposal with the scope of the fund, the smart specialisation strategy constituting enabling condition and the objectives of the concerned programme must be ensured. By the same token, the same reasoning applies when shared management funds in question intervene in co-funded actions (combined funding). In both these cases, the budget available under shared management is used to fund Horizon Europe proposals which are deemed to be compatible with the intervention logic of the ERDF, ESF+ and EAFRD.*

#### Mechanism:

- Article 11 of the HE Regulation proposes an opportunity for Seal of Excellence proposals and co-funded actions under HE to receive support from the ERDF, the ESF+, or the EAFRD,

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<sup>1</sup> The sole purpose of this non-paper is to provide information. The proposed practice is without prejudice to the inter-institutional division of competences as set out in the EU Treaties.

<sup>2</sup> Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing Horizon Europe - the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, COM/2018/435 final.

<sup>3</sup> Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument

- CPR Article 67(5) and recital 49 allow support to be provided to Seal of Excellence proposals with the categories, maximum amounts and methods of calculation of eligible costs of Horizon Europe to be applied, without the need for another technical evaluation.
- The Seal of Excellence is meant to be granted especially to mono-beneficiaries, e.g. EIC Accelerator, MSCA, ERC Proof of Concept, while multi-beneficiaries support is not excluded.
- The pending amendment to the General Block Exemption Regulation ('GBER') will allow such Seal-of-Excellence support to be exempted, under certain conditions, from the State aid notification requirement of Article 108(3) TFEU (→ Articles 25a and 25b draft GBER-amendment).
- The pending amendment to the GBER also will apply to co-funded actions incl. European Partnerships and Teaming projects, also under specific conditions (→ Articles. 25c and 25d draft GBER-amendment, see further below).<sup>4</sup>
- Rules applied:
  - Proposals with a Seal of Excellence are financed according to CPR rules with the exception of the the categories, maximum amounts and methods of calculation of eligible costs, where Horizon Europe rules can apply.

#### Practical implications:

- Voluntary choice by Member State to set up Seal of Excellence support schemes with the possibility of funding eligible 'Seal' projects exempted from State Aid notification (in line with the conditions specified in Article 25a and 25b of the draft GBER);
- The HE work programme specifies calls for which Seals of Excellence are awarded. With prior authorisation from the applicant, information concerning the application and the evaluation may be shared with interested financing authorities, subject to the conclusion of confidentiality agreements<sup>5</sup>;
- Proposals having received a Seal of Excellence can benefit from EIC business acceleration services in support of Pathfinder and Accelerator activities. Moreover, such proposals are promoted to private funding sources (e.g.: Seal-specific e-Pitching events sponsored by Access2EIC and Seal-dedicated flagging in the EIPP under InvestEU).

#### Relevant provisions<sup>6</sup>:

- HE Regulation Article 11, Article 20(5)
- CPR recital (49) and Article 67(5)
- Draft GBER Art. 25a applicable to Aid for projects awarded a Seal of Excellence quality label, and Art. 25b applicable to Aid for Marie Skłodowska-Curie and ERC Proof of Concept actions awarded a Seal of Excellence quality label (GBER [current draft version](#) of May 2020)

#### Practical example:

- An ERDF Managing Authority (MA) of country X wants to fund Seal of Excellence proposals in the field of Bioeconomy, in line with the Smart Specialisation Strategy in its

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<sup>4</sup> A recital in CPR will clarify that CPR article covers the same cases of Horizon (i.e. "co-funded actions selected under the Programme")

<sup>5</sup> Art. 20(5) HE Regulation

<sup>6</sup> All the references to articles numbers are as in the Commission proposal.

territory

- The MA asks COM (DG R&I) for information on aggregated data on Seal holders (SME's) in the field of 'Bioeconomy' (cut-offs, requested budget) located in the country/region
- The MA may prepare a call with criteria aligned with HE criteria and an adequate budget, deciding on the best option (open call, first come first served, fixed deadline). It is also possible that the MA directly selects these projects in line with the requirements of Article 67(5) CPR (equal treatment for all Seal of Excellence holders must be ensured) when such possibility is foreseen in the concerned programme
- The MA asks COM (DG R&I) to inform all relevant Seal holders of that jurisdiction by email. Info can be posted on Seal website. When available and with prior consent from Seal holder, contact details are given to the MA<sup>7</sup>
- Seal proposals responding to the call or selected directly are checked only against the elements set out in Article 67(5) i.e. compliance with the programme objectives, scope of the fund and enabling condition
- Apart from this compliance check, no new technical evaluation is required
- If the checks are fine, the MA can provide up to the same financial support as foreseen by HE, calculated on the same eligible costs. No state aid notification is required provided the conditions set out in Articles 25a and 25b of the draft GBER are met.
- The MA and the funded company follow all ERDF reporting requirements/rules
- The company receives ERDF support (not called EIC grant) and is followed by the MA (or intermediate body) responsible for implementing the cohesion policy programme following the specific grant rules

## **EUROPEAN PARTNERSHIPS**

*One of the measures to pursue the objective of implementing different EU R&I funds in synergy, is the recognition of Member States R&I investment from the ERDF, ESF+, European Maritime and Fisheries Fund (EMFF) and European Agricultural Fund for Rural Development (EAFRD) as national contribution to European Partnerships (Co-funded and Institutionalised). It is proposed in the Council General Approach on the HE Regulation on 29 September 2020.*

### Mechanism:

- Financial contributions from programmes co-financed by the ERDF, the ESF+, the EMFF and the EAFRD may be considered as a contribution of the participating Member State for the purpose of participating in Horizon Europe partnerships, provided that Article 106 (co-financing rates) and other applicable provisions of the Common Provisions Regulation proposal and the fund-specific regulations are complied with (eg: transnational open calls) .
- European Partnership means an initiative where the Union together with private and/or public partners commit to jointly support the development and implementation of a programme of research and innovation activities. In a co-funded European Partnership (supported through a 'programme co-funded action') the Union provides co-funding to a programme implemented by entities managing and funding research and innovation

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<sup>7</sup> To make these SoE processes significantly smoother and quicker, a consent box for applicant SMEs and start-ups to allow the EIC to share their (most of time sensitive) information with other potential funders has been added on the application forms.

activities. In an institutionalised European Partnership (based on Article 185/187 TFEU) the key difference is that the joint programme is implemented by dedicated structures created for that purpose. The Union funding rate for Member State contributions to partnerships is usually between 30 and 50%<sup>8</sup>.

Practical implications:

Allowing contributions from programmes financed from several funds under shared management (ERDF), ESF+, EMFF and EAFRD in Horizon Europe partnerships to be **recognised as national contributions** would allow the EU budget to contribute to the respective national contributions through shared management funds - providing a major incentive for participation in transnational collaboration. It will also allow increasing the impact of R&I investments from different EU funds by aligning investments towards common EU priorities.

However, this does not prejudice the need to comply with all provisions applicable to these contributions as set out in relevant State aid rules, the Common Provisions Regulation proposal and the fund-specific regulations and in particular the need to comply with provisions setting out the co-financing requirements and management and control systems.

Relevant provisions:

- HE, Art. 8(1) (b)(c) and recital 16a
- CPR, Art. 106 and other applicable provisions of the CPR

Example:

*This example describes the classical approach of Co-funded Partnership under Horizon Europe or what is known as ERA-NET Cofund scheme under Horizon 2020 (e.g. where national funding bodies provide financial support to third parties, report eligible cost to the Commission and are reimbursed the eligible costs). The allocation of the Union contribution to the individual projects is the responsibility of the consortium of National Funding Bodies (European Partnership consortium). The Commission will reimburse to the consortium a percentage (usually 30%) of the eligible costs incurred as public funding that has been paid to the final beneficiaries according to national funding rules.*

- A country participates in a consortium of National Funding Bodies in a co-funded European Partnership.
- It participates with a programme/priority that is co-financed by the ERDF (e.g. 50% national co-financing and 50% ERDF-funding for this priority).
- The National Funding Body reports the costs of providing financial support (funding paid to its beneficiary) with a value of EUR 100 to Horizon Europe. The Commission reimburses the funding body 30% of the eligible costs.
- The remaining 70% could be payed out of the cohesion programme/priority depending

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<sup>8</sup> The funding rates are described in the legal base and grant agreements, but the general rule is: If the main business of the cofund is to provide financial support to third parties then the finding rate is 30%. If the main business of the cofund is to carry out activities (research and otherwise) itself then the finding rate is 50%

on the decision of the managing authority responsible for implementing the cohesion policy programme.

- The calculation of the Union contribution **at programme level** would then be (with total eligible cost of 100 that the National Funding Body reports):
  - 30% Union funding from Horizon Europe
  - 35% national funding
  - 35% Union funding from ERDF
- The funding awarded to the final beneficiary is provided according to the national rules in line with State aid requirements (see box below).

The Managing Authority needs to ensure that participation in the European Partnership fall within the scope of the relevant enabling condition and is consistent with the corresponding strategies and planning documents (notably it needs to be identified as part of measures for enhancing cooperation with partners outside a given Member State in priority areas supported by the smart specialisation strategy).

#### **State aid rules and projects funded under European Partnerships**

*Under the conditions specified in Articles 25c or 25d of the draft GBER-amendment, co-funded research and development projects may benefit from Horizon Europe eligible costs and funding rates and in this regard do not need to be subject to a separate State aid assessment. In order to benefit from these GBER-conditions, the consortium has to use Horizon Europe funding rules (instead of national funding rules).*

*Compliance with these conditions, e.g. eligibility of activities or maximum funding rate, must be ensured at the level of the individual action and each individual beneficiary, for example;*

- *Where the GBER requires a minimum share of funding from Horizon Europe resources, that share must be ensured at the level of the individual action;*
- *For the purposes of ensuring compliance with the permitted maximum funding rate at individual action level, all public funding must be taken into account – including both centrally managed EU-funding and State aid, e.g. from ERDF-resources;*
- *Where the maximum funding rate is below 100% of eligible costs of an action, the remaining percentage must be financed from the beneficiary's own resources.*

*Where a national aid granting authority elects not to apply Horizon Europe funding rules and thus not to bring State aid co-funding under the conditions of the amended GBER, the aid is subject to other applicable State aid rules, e.g. Art. 25 GBER applicable to State aid for R&D-projects. Consequently, the aid granting authority must assess the action's eligibility for funding under the specific State aid rules separately.*

#### **CUMULATIVE FUNDING**

*Cumulative funding provides that an action that has received a contribution from another Union programme may also receive a contribution under the Programme (Horizon Europe), provided that the contributions do not cover the same costs. The rules of each contributing Union programme shall apply to its respective contribution to the action. The cumulative funding shall not exceed the total eligible costs of the action and the support from different Union programmes may be calculated on a pro-rata basis in accordance with the documents*

*setting out the conditions for support.*

Mechanism:

- In the case of cumulative funding under Article 23 HE Regulation, it is possible for the same action to receive two separate contributions from two Union funds or programmes, with due regard to the principle of co-financing laid down in the Financial Regulation. Under no circumstances can the combined amount exceed 100% of the eligible costs of the action and there needs to be a mechanism providing for effective control in this regard. This combination is possible between two directly managed programmes (e.g. Horizon Europe and Digital Europe) or between directly managed programmes and programmes under shared management (e.g. Horizon Europe and ERDF)
- To apply this mechanism, an action will be designated in advance, as a ‘synergy’ action. This will be specified in the HE work programmes and the call for proposals.
- In the context of the combination with funds or programmes under shared management, the ‘synergy’ action should be coordinated with the granting authority for the other fund (for example with the respective Managing Authority) to ensure coordination and information on the overall volume of combined funding rates not going above 100% of the eligible costs. In addition, where support is provided from funds covered by the CPR the corresponding co-financing requirements need to be complied with.
- This could mean e.g. each fund agreeing in advance to award a predetermined share of eligible costs to a synergy action – irrespective of the normal funding rate level that would normally apply to the programme. In any case, the funding rate to apply to a synergy call will be announced at the latest in the Call for proposals.
- Under the synergy action the support from the different Union programmes may be calculated on a pro-rata basis in accordance with the documents setting out the conditions for support.
- Rules applied: rules of each contributing Programmes apply to its respective contribution to the action.

Practical implications/example:

- A call will stipulate that an action may receive support from two programmes.
- Two separate grant agreements will be signed for each respective part. The grant agreements will specify the link to the other grant agreement. The rules of each contributing Union programme shall apply to its respective contribution to the action.

Relevant provisions:

- HE, Art. 23, Cumulative funding
- CPR, Art. 57(9), Eligibility

**TRANSFER OF FUNDS**

*The Commission proposed in both Horizon Europe and the Common Provisions Regulation that Member States may - on a voluntary basis - transfer up to 5% of their allocation for*

*Funds under a shared management programme covered by the CPR proposal to directly or indirectly managed programmes (including Horizon Europe) for the benefit of the transferring Member State. This was confirmed in the Multiannual Financial Framework (MFF) agreement reached on 21 July 2020 at the European Council. The amounts transferred have to be implemented in accordance with the rules of the instrument to which the resources are transferred.*

*To increase interest in the transfer of funds to centrally managed programmes, in this case Horizon Europe, and to reassure Member States that transferred funds are not lost in case of not being fully consumed, a provision was introduced by the Council in the General Approach on the HE Regulation on 29 September 2020, to allow for a transfer back to the Member State, upon its request, of the amounts that the Commission has not yet legally committed for the benefit of the Member State under the rules applicable to direct management.<sup>9</sup>*

#### Mechanism:

- The proposed CPR provides for an opportunity for Member States to voluntarily transfer up to 5% of the initial allocation of each Fund under shared management to any other instrument under direct or indirect management for the benefit of the Member State concerned. Transferred resources must be implemented in accordance with the rules of the Fund or the instrument to which the resources are transferred. *(Article 21 CPR)*
- Landing provisions for transfer exists in the HE Regulation: Resources allocated to Member States under shared management may, at their request, be transferred to the Horizon Europe Programme *(Art 9(8) HE regulation)*.
- Transfer-back: Where the Commission has not entered into a legal commitment under Horizon Europe, the corresponding uncommitted resources may be transferred back to the respective programmes covered by the CPR. *(Art. 9(9) HE Regulation<sup>10</sup>*
- Transfer of funds is voluntary.
- Rules applied: Rules of Horizon Europe will apply to the amounts transferred from any of the shared management Funds covered by the CPR and the amounts will be used for the benefit of the Member State concerned with the same modalities of project implementation that any other Horizon Europe project.

#### Practical implications:

- State Aid: Where national authorities do not attach any conditions to the use of the CPR Funds transferred to direct or indirect management<sup>11</sup>, such Union funding would not qualify as State resources as they would not be imputable to the State. Hence such Funds

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<sup>9</sup> A corresponding 'mirroring provision' is required in the CPR as well as a specification that ERDF funds transferred to HE count towards the R&I-related thematic concentration requirement.

<sup>10</sup> The transfer back is to be done to the same shared management Fund (from which the initial transfer is done). The transfer back provisions are not to be used to transfer back resources to shared management Funds, other than the one from which the initial transfer was done. Transfers between shared management Funds would follow other CPR rules.

<sup>11</sup> Member States transfer the amount without attaching any conditions to its use, other than the condition that it be used within the territory concerned (i.e. the transferred funds support centrally selected projects from applicants established and with activities in the territory of the Member State transferring the funds)

would not constitute State aid, and therefore not be subject to EU State aid control. For this to be the case, the funding would have to meet the following conditions if:

- a) The evaluation and selection of beneficiaries / projects to be supported is done at EU level;
  - b) The evaluation and selection of beneficiaries / projects to be supported is made in accordance with the EU central programme rules (in this case Horizon Europe) – Member States have no discretion to establish or influence the eligibility conditions;
  - c) The evaluation and selection of beneficiaries/projects to be supported is done by independent experts appointed by the Commission in accordance with the rules of the EU Central programme (Horizon Europe) and Member States have no possibility or discretion to influence the selection of projects worthy of support;
- Funds not legally committed under Horizon Europe may be transferred back, under certain conditions and notably through the corresponding CPR request for programme amendment submitted by 31 August of the year following the transferred commitment ((Art. 9(9) HE Regulation
  - The use of the transfer possibility relieves the Managing Authority of the programme of the need to set up a full administrative system for evaluating and following-up projects financed by the transferred amounts, and can have a learning effect for the companies that enter in the HE process thanks to the extra resources made available to HE by their Member State or region.

#### Relevant provisions:

- HE Regulation Article 9 (8), Article 9 (9)
- CPR Article 21

#### Procedural requirements:

- Transfers: Have to be requested by the Member States (via the Partnership agreement at the beginning of the programming period or via a request for amendment of the shared management programme(s)) at any point in time, and be approved by the Commission. Certain procedural requirements need to be complied with (CPR, art. 21): (1) requests for transfers shall set out the total amount transferred for each year by Fund and by category of region, where relevant (2) the transfers need to be duly justified, (3) the relevant programme(s) need to be revised, (4) the Commission must object in case the transfer would undermine the achievement of the objectives of the programme from which the resources are to be transferred and (5) only resources of future calendar years may be transferred.
- Transfer-back: The Member State may ask for transferring back uncommitted resources to one or more cohesion policy programmes<sup>12</sup> at the latest four months before the end of year n+1 after the transfer (i.e. by 31 August). It should be done through a request for programme(s) amendment where these resources will be included. However, the

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<sup>12</sup> The transfer back is to be done to the same shared management Fund (from which the initial transfer is done). The transfer back provisions are not to be used to transfer back resources to shared management Funds, other than the one from which the initial transfer was done. Transfers between shared management Funds would follow other CPR rules



Commission must object where the preparatory stages of the legal commitment procedure are sufficiently advanced to make it reasonable to expect that the legal commitment under direct management will be made within the time limit for commitments of N+1, or where the transfer back to the source Fund risks to violate legitimate expectations of applicants. . For resources transferred back and allocated to a programme, the CPR decommitment time limit starts in the year in which the corresponding budgetary commitments are made.

Example:

- A Member State decides to transfer funds from an ERDF programme to Horizon Europe, e.g. to support SME proposals from the country under the EIC Accelerator.
- It transfers ERDF resources of future calendar years to Horizon Europe (via adoption of the Partnership Agreement or through programme amendment).
- The resources are used to fund SME proposals under an EIC Accelerator call under Horizon Europe, following the ranking list for the country in question, through grant agreements concluded by the end of year n+1 following the year where the transferred resources are made available to Horizon Europe.
- The Member State can ask to transfer back uncommitted resources to one or more ERDF programmes up to four months before the end of n+1 (i.e. by 31 August).
- This is done through request for programme(s) amendment where these resources will be included and will be subject to approval by the Commission. .
- For these resources, the decommitment time limit in the cohesion policy programme(s) receiving back will start from the year in which the corresponding budgetary commitments are made.