

Spanish non paper

Public Private Partnership as Industrial Research and Innovation Instruments – The way forward

The purpose of this document is to capture the view of the Spanish Presidency of the European Council on the research and innovation Public-Private Partnerships (PPPs), its first steps and its way forward. It is our vision, based in the priorities of the Presidency and fully supporting the spirit of the European Economic Recovery Plan, that the way ahead for PPPs should be based in the following principles: **Relevance, Simplification, Transparency, Continuity, Process review and Impact assessment**. PPPs should simplify the procedures through a common framework from the point of view of the participants as well as the management structures. The document goes into these principles in depth, explaining the overall context and current and possible next steps of PPPs.

Background

The European Economic Recovery Plan¹ adopted by the European Commission (EC) on 26 November 2008 and endorsed by the European Council on 11-12 December 2008 proposed public-private partnership (PPP) initiatives to develop new technologies and increase productivity of several key sectors as they have experienced significant downturns as a result of global financial recession. These PPPs should also be at the heart of the EU 2020 Strategy and match its ambitions to put Europe not only on the path of recovery, but fostering the European leading role through smarter, sustainable and inclusive growth.

The fundamental principle of this Plan is facing current long term challenges through solidarity and social justice, helping Europe to take advantage in the future so that the European economy is in tune with the demands of competitiveness and social needs, as outlined in the Lisbon Strategy. Immediate reaction was needed to establish a common European response to protect jobs and reactivate growth through cornerstone actions. Europe has bet on key smart investments in the right skills for the greatest impact: investing in selected sectors to create jobs and save energy, addressing immediate competitiveness problems and at the same time **investing in the low-carbon knowledge-based economy of the future, promoting efficiency, productivity and innovation**.

The financial crisis and the subsequent shortage of financial resources, both public and private, were taken into account since they couldn't mean a delay of these smart investments. Involvement and commitment of both public and private sectors were sought in order to assure critical mass and continuity of the Plan, strengthening the efficiency of public investments. Public-Private Partnerships were launched as actions to drive a competitive Europe ready for the knowledge-based, low-carbon economy. Currently, four European initiatives are defined under this frame: Energy Efficient Buildings (EeB), Factories of the Future (FoF), Green Cars (EGCI), launched through the European Economic Recovery Plan, approved in 2008, and the later proposed initiative of Future Internet (FI)².

Based in its previous work, the related European Technology Platforms have endorsed or are currently working on the creation of international industry-driven non-profit associations as special purpose vehicles for implementing the partnerships with the EC in the frame of the PPPs. It is expected that these PPPs may lead to the creation of streamlined and lean

¹ COM(2008) 800 - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN COUNCIL - A European Economic Recovery Plan

² PPP on Future Internet proposed in COM(2009) 479 - COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - A public-private partnership on the Future Internet, following Council conclusions on "Future Networks and the Internet" of 27 November 2008 (Council doc. 15902/08)

industrially driven research and innovation actions that at the same time answer the major challenges in the framework of the European 2020 strategy.

After a meeting held in Brussels on 30th March 2009 among the Commissioner for Science and Research and high-level representatives of industry to review progress and discuss priorities for the implementation of the research elements of the PPPs, a joint statement was published³. It was agreed that first calls for research proposals would be published in July 2009 which could allow the first projects under these PPPs to start in spring of 2010. The experience gained with the first actions would be used to develop the longer-term strategy and instruments for cooperation between public and private partners.

As a result of this commitment, first call for proposals round closed in November 2009 and projects have been already selected. It is welcome that in a record an unprecedented short time the initiatives have started while transparency, competence, equity and fairness principles have been maintained under FP7 rules and procedures. Projects have increased the level of industrial participation and have more innovation elements incorporated. Even if a further analysis is required, this fact is deemed a good signal in the right direction.

In parallel, and following an invitation by the Commissioners Janez Potočnik and Viviane Reding, a Joint Technology Initiatives (JTI) Sherpas' Group (formed by the EC and current JTIs and PPPs representatives) published in January 2010 a report drawing lessons from the initial experience of setting up JTI which provides a blueprint for building the "ideal house" for the future of PPPs. The "Sherpas" further recommended that, in order to maintain momentum, pending the development of the new framework, the cooperation with these industry-driven non-profit associations should be continued and strengthened.

Nevertheless, it should be highlighted that the JTI representation at the Sherpa's group includes only groups directly involved in JTIs while many other industries (mostly SMEs) related to JTI sectors have not been consulted or integrated in the debate. To illustrate that, just to mention that for the Innovative Medicines Initiative (IMI), for instance, EuropaBio (European Association of Biotech companies) and other medium size pharmaceutical industries are excluded of this dialogue. In the long term, this fact could run counter credibility and acceptance of the initiatives. Moreover, further implementation of both PPPs and JTIs should avoid the current situation in which five JTIs coexist with 4 different management and participation models.

Proposal: Aspects to be taken into account within the best PPP model

The future of PPPs, as industry-driven RTDI initiatives tackling the major socio-economical challenges, should look for maximising EU industrial capabilities in order to allow their best exploitation for the EU industry of tomorrow, enhancing its competitiveness through high impact actions on research and innovation,. On the other hand, trustable long lasting PPPs require some principles to reach the maximum consensus. Taking this background into consideration, this position paper aims at stressing the need to foster this process based in the **following basic principles**:

Relevance: PPPs and the social challenge

From the beginning, as described before, PPPs have been defined as an opportunity to face grand long term European socio-economic challenges. Therefore, the roadmaps and milestones in the development of each PPP should always keep focussed in its expected social impact in transforming sectors: large scale final objectives in terms of growth, employment, wealth, sustainability and transition to a green economy. These objectives have to be kept as the light guiding the PPPs roadmaps and frameworks to fulfil its specific thematic RTDI goals.

³ <http://ec.europa.eu/research/index.cfm?pg=newsalert&lg=en&year=2009&na=ppp-310309>

To this respect, it is of great importance to keep the long term vision of PPPs as a tool to enhance the competitiveness of European industry in selected and limited sectors with relevant contribution to social needs, energy efficiency and productivity. This way, these partnerships will internationally be recognised as instruments able to maximise EU industrial capabilities, giving Europe the advantage of an accelerated economic recovery led by industrial research and innovation.

In addition, the spirit of adapting our economies to long term socioeconomic challenges of European dimension should be emphasized through PPPs that provide coverage of Europe at large, favouring the widest incidence of the initiative in geographical terms, gathering for homogeneous and competitive European markets in the future and paying special attention to the involvement of sectors as a whole, specially SMEs, since they are a major asset in Europe and will remain key actors in the growth and jobs strategy.

High impact at European level, measurable in terms employment, environmental impact, and involvement of industrial stakeholders is the first basic pillar of PPPs. Therefore, the definition of the PPPs itself results in a limited number of PPPs to be implemented.

Significant points of this principle are:

- PPPs are an opportunity to face grand European socio-economic challenges, providing **coverage of Europe at large**, favouring the widest incidence of the initiative in geographical terms.
- PPPs are a tool to enhance the competitiveness of European industry in **selected and limited sectors** with relevant contribution to social needs and productivity, maximising EU industrial capabilities: economic recovery led by industrial research and innovation.
- Special attention for **SMEs**, since they are a major asset in Europe.

Simplification

As stated in the companion document⁴ of the European Economic Recovery Plan, the Framework Programme is the major instrument for building the ERA and stimulating national researchers to participate in it is an objective of most Member States. This cannot be forgotten while defining the next steps of PPPs: it may be possible to develop tailor-made provisions accommodating the special needs and nature of public-private partnerships in the field of industrial applied research while simplification is pursuit.

PPPs should be implemented as much as possible under simplified procedures from the point of view of the participants as well as the management structures. For all PPPs, a single set of (simplified) common “Framework Programme – like” rules should be considered concerning procedures and legal provisions regarding participation such as IPR issues, eligible costs, flat rates, lump sums, in kind contributions, overheads calculation, proposal submission procedures and evaluation, participation, etc. A common framework for industrial driven research should be established, taking into consideration that all the initiatives funded through the Framework Programme have to share its general rules.

Significant points of this principle are:

- Common specific framework for all PPPs.
- Single model: clear set of conditions and rules with simplified, common and streamlined procedures.
- All the initiatives funded through the Framework Programme have to share its general rules.

⁴ COM(2009) 34 final - Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic Recovery Plan

Transparency

Regardless of the implementation scheme chosen for the future of PPPs, the principle of separation of private and public roles must be followed. Thus, private sector should lead technological research and innovation strategy, as well as advise on annual prioritisation lines. On the other side, public sector would lead the implementation of calls, i.e., call releasing, evaluation process and project follow up. This way, accessibility and fairness, with non discriminatory principles, could be guaranteed making a proper use of the public funds based on previous experience. That means that outsourcing public money to external bodies should not be an option.

It would allow to keep the focus on the mobilisation of private investments for research and innovation in Europe, complementing the public investment and increasing its critical mass and effectiveness. PPPs are the channel to assure efficient investments into European-wide research and innovation industrial close to the market priorities at the service of socioeconomic challenges, stemming from their economic sectors, including SMEs. Therefore, they would help to establish industry-driven consortia and the preparation of high quality project proposals involving openly to all potential stakeholders while maintaining transparency in the whole process.

Provided that European public money is being and will be invested in the PPPs and regarding the management of these initiatives, Member and Associated States representation should be at the level of Management Committees, following the model of the Framework Programmes, in order to guarantee the required confidence for a maximum acceptance of the initiative and coordination with national initiatives. Moreover, the good practice of monitoring the implementation of calls through panels of independent observers should be maintained, keeping in mind those stakeholders that, having the possibility of participating and contributing to PPP in theory, do not participate. This aspect would increase the image of transparency and trustability required for a maximum acceptance of the initiative.

At the same time, the private part of PPPs should contribute to the evaluation process of research projects, proposing lists of experts duly registered within expert database for evaluating project proposals submitted to open calls under their respective PPPs. When selecting expert evaluators, the European Commission shall appoint 50% or more experts with industrial background in order to safe-guard industrial relevance of future research projects. Under the strictest confidentiality, reviewers with industrial background shall facilitate a better compliance of the projects' outcome with the industry strategy as defined in the Multiannual Roadmaps of PPPs, giving the review of projects a plus in quality and assuring the broader application of results on future markets.

Through the entire process, industrial associations representing PPPs, underpinning the spirit of the European Economic Recovery Plan, would promote together with the European Commission the principles of sound financial management and transparency of the process.

Significant points of this principle are:

- Outsourcing of public money to external bodies should not be an option.
- Accessibility and fairness of the process, with non discriminatory principles.
- Representation of Member States at level of Management Committee in order to guarantee the required confidence for a maximum acceptance of the initiative and coordination with national initiatives.
- Monitoring the implementation of calls through panels of independent observers, being aware of those that having the possibility of participating and contributing to PPP in theory, do not participate.

Continuity of the commitment

In order to assure the desired impact of PPPs, a steady flow of investments following their roadmaps for research and innovation must be guaranteed from both the public and the private part of the partnerships. While tackling long term socioeconomic challenges, long term commitment both from the industry and the Commission is required.

Continuity for the four already running initiatives must be assured beyond 2013. The excellent and fast work of the Commission together with the industry in the last months and the commitment of several industrial non-profit associations are the essential seed to secure the next steps of PPPs, but further action and agreements are required.

In the case of EeB and FoF, it is welcome that E2BA (Energy Efficiency Buildings Association) and EFFRA (European Factories of the Future Research Association) aim to be the private part of the PPPs to implement these two initiatives. They are ready to agree with the EC their participation in the whole processes of the PPP implementation following the basic principles of transparency, accessibility, fairness and simplification under a common model. Both associations are open to new members and in any case are committed with not being “closed clubs”, encouraging open and transparent call for proposals. In pursuit simplification, both associations chase common procedures and rules, including evaluation criteria and selection procedures. In consequence, these two initiatives are proposed as test beds for establishing a common way for the implementation of PPPs beyond 2013.

Significant points of this principle are:

- Long term commitment both from the industry and the Commission is required.
- Continuity for already running initiatives proposed under the Economic Recovery Plan (EeB, FoF and EGCI) and the last one approved of Future Internet must be guaranteed beyond 2013.
- Considering “Energy-efficient buildings” and “Factories of the Future” PPPs are the most evolved, they are proposed as test beds for the implementation of all PPPs.

Process review

At the present stage of implementation of PPPs, it would be welcome that the Commission starts an analysis of the progress so far of the four PPPs already launched, in order to take advantage of the lessons learnt and taking into consideration the different implementation speed of each initiative.

On one hand, evaluation of the already gained experience by the joint work of the non-profit associations E2BA and EFFRA as industrial representatives and the Commission could be of great help in the implementation process of PPPs in general. In addition, lessons should also be drawn from the experience of the existing JTIs.

On the other hand, PPPs should foresee mechanisms of periodic evaluation, with clear indicators. Consultancy should be extended beyond those industrial groups already participating in order to enrich the debate. In this regard, any refinement of PPPs initiatives would be adopted taking into account the whole opportunities and strengths at European level and take advantage of potential newcomers.

Significant points of this principle are:

- Start an analysis of the progress of the four PPPs already launched in order to take advantage of the lessons learnt.
- Evaluation of the experience gained by the non-profit associations E2BA and EFFRA as industrial representatives and the Commission.

Impact assessment

PPPs should explore the potential of an innovative knowledge and results impact transfer mechanism, looking for ways to achieve the society at large. Since the final objectives of PPPs are of great socioeconomic importance, the initiatives should assure that research and innovation results reach the market and have the proper profound impact in the social needs.

Social assessment of the socio-economic impact achievable by each PPP in the short-medium and long term should be foreseen in the implementation roadmaps, including indicators of productivity level, employment generation and/or preservation, wealth to be created, leading role at world level, etc.

Indicators and milestones should be defined in order to foresee supervision of results related to the large scale objectives of the PPPs such as: Is the economic recovery along with a new knowledge based industrial model? Has the PPP contributed to a sustainable economic recovery? To what extent have been the social challenges faced? Is the European society already aware of the profits achieved?

Significant points of this principle are:

- Social assessment of the socio-economic impact achievable by each PPP in should be foreseen.

Conclusion

The EU economy is going through a global economic downturn, the biggest since the Second World War. This is having a wide impact at all social levels: households, employees, businesses and public finances throughout the Union. By endorsing the European Economic Recovery Plan proposed by the Commission in 2008, Heads of States and Governments equipped the European Union with a strong tool to face the path to growth and jobs in the next years. When fully implemented, the Plan will have helped the EU economy to return to a growth path in the fastest way possible, setting Europe in the path of a knowledge-based, sustainable economy.

The situation had the clear risks that the current economic downturn could lead to a weakening of investments in RTDI, and primarily those of the private sector, through a reduction or postponement of key projects which aimed to give answers to the major challenges and were ready to be launched. As the situation is still not solved, **it is vital that immediate priority is given to measures which enhance productivity and which continue strengthening the European research and innovation system. PPPs are one of the main examples of such measures.**

The Spanish Presidency would like to invite the European Commission keep fostering these initiatives and to propose an open debate including the European Parliament, Member States and involved industrial sectors on the way forward of PPPs implementation **under transparent and simplified common procedures** in which the aspects described above should be the priority, highlighting:

- Implementation of all PPPs with a unique and simplified model from the point of view of the participants as well as the management structures, assuring transparency.
- To this purpose, PPPs “Energy-efficient buildings” and “Factories of the Future” are proposed as test beds for the implementation of all PPPs.
- Long term commitment both from the industry and the Commission is required and stability for the running initiatives must be guaranteed beyond 2013.