

Dear readers,

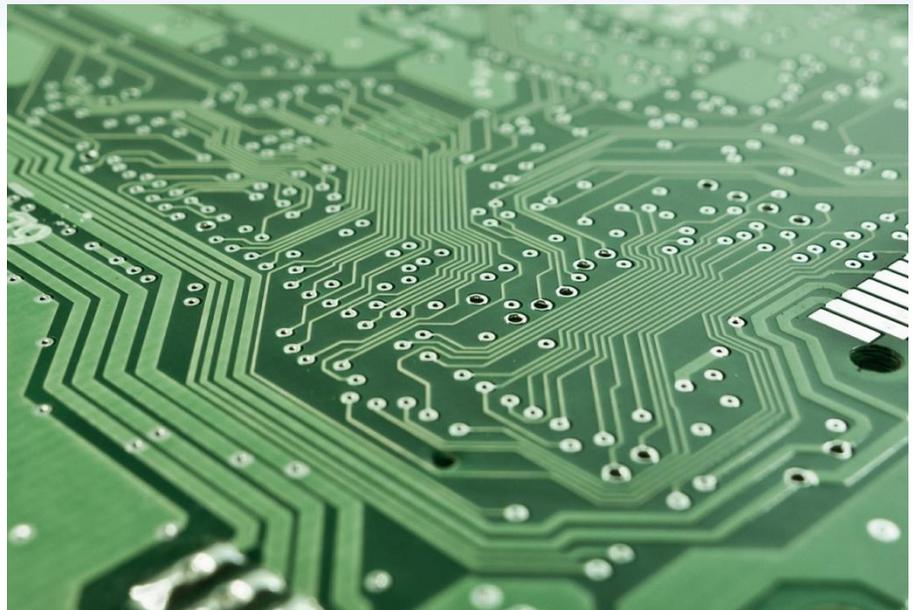
Welcome to the third Time & Place Consulting newsletter edition which provides you defining analyses on what affects **your opportunities to get EU funding and projects**. We hope you had a pleasant Easter holiday season. Now that most of you should be back to work, we would like to take the opportunity to make a few announcements. Our Brussels office has moved to the heart of the EU quarter. We believe that nothing helps access more than proximity, no matter whether it is to implement communication strategies or build consortiums for successful EU project proposals.

We would also like to welcome Kjeld. B. Olesen to our Brussels-based team. He is an EU funding and project management specialist with over 25 years' experience, supporting projects from "cradle-to-cradle". To further whet your interest, we kindly asked Kjeld to contribute to our newsletter.

This time we will look at (1) opportunities within the digitisation of the European industry, (2) political snapshots on the future of the EU budget and, (3) provide you with an update on the impact of Brexit on EU funding.

We hope you find the read useful and, as always, do not hesitate to contact us if you need further information.

Glenn CEZANNE Elisabetta SAVINO
Managing Director Associate Director



DIGITISATION OF THE EUROPEAN INDUSTRY

Your opportunities

The nineties faced the big challenges and possibilities inherent to computer integrated manufacturing. During this period, the European Commission supported research projects, but also best practice and tech transfer projects to accelerate the uptake, and to improve Europe's industrial competitiveness.

Today, we are facing a new industrial revolution, driven by technological breakthroughs such as the internet of things, cloud computing, big data analytics, robotics and 3D printing.

In the future, almost everything is set to be connected with the ability to communicate and cooperate. This is expected across all sectors and to be implemented in our private home, our workplace, public spaces, etc. We see initiatives being taken across Europe, such as

Industry4.0, Intelligent Transport Systems and Smart Grid/ - House/ - Cities. One part of the challenge is to coordinate and connect local initiatives to have a shared focus so as to avoid fragmentation of technology. Another is to ensure that everything is connected in a secure and trusted way so that the tech can be depended on to fulfil its purpose, whilst abiding by the law and guaranteeing privacy.

To this end, the European Commission is providing the necessary policy and funding instruments, with the ambition of mobilising public and private investments worth over EUR €50 billion in support of the industry's digitisation. For example, the Commission is building a pan-EU network of digital innovation hubs (DIH) with EUR €500 million in funds, "*where businesses can obtain advice and test digital innovations*". Furthermore, the Commission is setting up "*large-scale pilot projects to strengthen internet of things, advanced manufacturing and technologies in*

smart cities and homes, connected cars or mobile health services”.

The relevant calls in Horizon2020 for the DIHs and large-scale pilots provide ways to boost innovation and especially help SMEs in the digitisation of their products. It should be noted that in a typical case, 20% to 50% of the relevant EU funds are reserved for financial support to third parties, which mean that the support will at a later stage be given to SMEs outside the project consortium. With these additional opportunities, SMEs could benefit to receive (typically) EUR 50-150K in funding to adapt their products to or, indeed become the digital future. It is very encouraging to see that the Commission references studies which estimate *“that the digitisation of products and services will add more than €110 billion of revenue for industry per year in Europe in the next five years”.*

We will soon be able to harvest experiences from the first DIH calls of which the deadlines are in April 2018. At the same time, preparations are underway to submit proposals by November 2018, as well as next year’s calls with deadlines in March/April 2019.

Kjeld B. Olesen
Senior Associate



MULTIANNUAL FINANCIAL FRAMEWORK POST-2020:

Where does it stand?

The importance of the future post-2020 Multiannual Financial Framework (MFF) cannot be overstated, not only because it sets out the whole EU budget (for typically a seven-year period), but because it will seek to modernise the EU. Therefore, the political difficulties ahead in the relevant negotiations can equally not be overstated. In May, the proposal will be published, expected with a broad set of reforms.

So, what are some of the challenges facing the negotiations? The obvious one is Brexit, which will leave an estimated EUR 90 billion deficit for the seven years. This becomes extremely problematic when looking at the ambitions that the EU has for its future. Apart from seeking to be competitive on the international stage which requires investment into, for example, R&D and the development of supportive infrastructure, the EU seeks to increase its military coordination capacities and have better response mechanisms to the migration crisis.

On top of this, there are ambitions to create a Eurozone area which is further integrated as the remaining area of the EU – i.e. a “two-track” EU. This ambition has split the Member States where some fear that resources will trickle to the Eurozone Member States and create additional costs because of new governance structures.

As a third and very political point, there is support, not least from Germany, the Netherlands and Sweden to link access to the budget with the rule of law. The reason behind this initiative concerns the Hungarian and Polish governments' attitude towards their own judiciary systems. Angela Merkel has also gone as far as looking to link access to migration policy; something which by no surprise has received heavy criticism, not least from Eastern European countries.

At the beginning of this year, the EU-27 (the EU Member States minus the UK) met for an exchange of views on the future MFF, highlighting priorities and demonstrating political will. Around 14 to 15 Member States declared their intention to increase their budgetary contributions; just an intention though, as the final approval will also depend on what the budget will cover. On the other hand, Austria, the Netherlands, Sweden and Denmark have opposed increasing the budget.

After the meeting, European Commission President Jean-Claude Juncker stated that budgetary cuts would be *made “on agriculture and infrastructure”* as they cover about 70% of overall budgetary expenditure. He also added the positive note that *“the debate was less conflictual than I thought”*. We are only at the beginning of it all. For example, Hungary just held Parliamentary elections.

G. Cezanne

THE UNCERTAINTIES OF BREXIT

What is the political will for R&D cooperation?

There is nothing surprising about the statement that a decrease in R&D spending can be economically disastrous, not least because it can lead to a reduction in investment attractiveness, and the capacity to be competitive. It is therefore, equally non-surprising that the UK government has pledged an increase of £4.7 billion to its R&D budget by 2020/1. Furthermore, the commitment has been made by the UK to further increase R&D funding as a proportion of GDP to 2.4% by 2027.

More recently, the UK House of Commons Science and Technology Committee published in March 2018 the report titled: "Brexit, science and innovation"; a report which oozes with the sense of urgency that an agreement needs to be made with the EU to guarantee cooperation on science and innovation. The report also highlights the necessity for certainty on the question of migration policy as it recognises the importance of being able to attract talent.

So, what are the EU-27 thinking, and what can be expected from them? At the end of March this year, the EU-27 agreed on the draft text of the Withdrawal Agreement, (which includes the Brexit transition period), as well as the new negotiating guidelines so that Chief EU Negotiator Michel Barnier can hammer out the new relationship with the UK.

The Withdrawal Agreement, when interpreted in the simplest of ways confirms that the UK will benefit from EU funded programmes launched before the end of the transition period (i.e. 31 December 2020), which also marks the end of the current Multiannual Financial Framework (MFF) – i.e. 2014-2020. This means that the UK will continue benefitting from programmes running beyond 2020, as long as these were launched before the end of the transition period. Of course, at the same time, the UK has the obligation to contribute to the budget of the EU as set out in the current MFF.

When looking beyond 2020 in terms of collaboration on R&D, the first stones of the foundation have been set in the negotiation guidelines. It is envisaged that the UK should be able to participate "e.g. in the fields of research and innovation and of education and culture...[which]...should be subject to the relevant conditions for the participation of third

countries to be established in the corresponding programmes."

Furthermore, in the last European Parliament Resolution on Brexit it is stated that it could "consider, in relation to cooperation on research and innovation, the UK's participation as a third country in the EU Framework Programme for Research and Innovation and in the EU space programmes."

For some, the language might seem weak and not really fit to be called a "foundation". It is important to remember herein that this is only the beginning, and that many political, social, economic and academic voices are calling for cooperation. And, it can well be expected that these voices will become louder, not least to lobby for specific interests in the future EU-UK relationship linked to R&D. Of course, how the future will look will also depend on the MFF post-2020 reforms currently in the negotiation pipeline.

G. Cezanne

