



# JOINT STATEMENT OF THE NATIONAL EVENT OF HUNGARY

## Synergies between European Structural and Investment Funds (ESIF) & Research and Innovation Funding

*organised by*

**European Commission, Joint Research Centre (Stairway to Excellence Initiative),  
DG REGIO, and the National Research, Development and Innovation Office (NRDI Office).**

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The development of efficient research and innovation strategies for smart specialisation (RIS3) requires Member States (MSs) and their regions to identify a limited number of research areas and related industrial activities with high innovation potential. In this context, *the Stairway to Excellence* (S2E)<sup>1</sup> project aims at facilitating synergies between different European Research and Innovation (R&I) frameworks and funding programmes, such as European Structural and Investment Funds (ESIF), Horizon 2020, COSME, ERASMUS+ and Creative Europe, aiming at minimizing the innovation gap and thus promote economic growth and job creation.

The S2E national event - jointly organised by the European Commission, Directorate General Joint Research Centre (DG JRC), Directorate-General for Regional and Urban Policy (DG REGIO), and the Hungarian National Research, Development and Innovation Office (NRDI Office)- took place in Budapest on May 24, 2016 as part of the effort by the S2E Initiative to assist capacity building in the EU13 Member States<sup>2</sup>. The event brought together different stakeholders and provided a platform for a better understanding of the Hungarian innovation ecosystem while raising awareness of the actions needed to enable synergies and drawing lessons for future actions.

The Hungarian National Event provided an effective venue for engaging nearly 70 stakeholders from several academic/research institutions, public and private sectors, as well as Horizon 2020 National Contact Points (NCPs) and ESIF Managing Authorities (MAs). As an indication of the commitment to this topic by the Hungarian Authorities, the event was opened by the President of the NRDI Office and the Deputy State Secretary of the Ministry for National Economy. Moreover, a number of international experts from other European countries (Slovakia and Czech Republic), as well as the European Institute of Innovation and Technology (EIT), presented their experience on innovation governance, policies and the creation of synergies. All these inputs offered insightful elements for

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<sup>1</sup> <http://s3platform.jrc.ec.europa.eu/stairway-to-excellence>

<sup>2</sup> "EU13" refers to those 13 Member States which have joined the European Union since 2004.

discussion in the different panels and participatory sessions throughout the event. General comments and recommendations are summarised below<sup>3</sup>.

## Main issues and possible actions to address them

### 1. Upstream capacity building

**Key Issue:** H2020 calls participation

**Potential Action(s) proposed:**

For the European Commission:

- *Explore ways of making H2020 application rules less constraining*

For the Hungarian Government:

- *make the National Contact Point system more efficient*
- *facilitate support service to enhance H2020 participation*
- *Explore ways of making more explicit the link between ESIF funding and a commitment to apply to H2020*
- *Organize personalized trainings and workshops for applicants*

**Macroeconomic and research performance:** in 2015 Hungary's GDP per capita was 32% below the EU28 average, and slightly below the equivalent EU13 average. Unemployment rate, however, was 6.8 % in 2015, below the EU 28 average of 9.4%. Research and development expenditures corresponded to 1.39% of the GDP in 2015<sup>4</sup>, up from 1.37% in 2014<sup>5</sup>.

For the 2007-2013 period, the annual per capita FP7 financial contribution received by Hungary (4€) was higher than the EU13 average (2.54€). For the same period, the Structural Funds allocated to RTDI projects was 4493.2 M€, corresponding to 448.7€/inhabitant<sup>6</sup>.

**H2020 calls participation:** Hungary, like many other countries gathering momentum towards research excellence, needs capacity building before obtaining a higher success rate in H2020 calls. This is related to incentives of the participants, as well as governance and culture. With respects to incentives, ESIF is often preferred to H2020 because the available funding is easier to get and considerably higher (cf. previous paragraph). This is a common pattern across most EU13 Member States. In addition to existing measures to encourage Hungarian

researchers' participation to H2020<sup>7</sup>, one option is to increase initiatives within the ESIF path to make it useful as a tool to build capacity in order to participate in H2020. Some

<sup>3</sup> **Disclaimer:** These general comments and recommendations do not represent NRDI Office's nor the European Commission's official position, but are the outcome of the panel discussions.

<sup>4</sup> Source: KSH data, 2016 (<http://www.ksh.hu/docs/hun/xftp/idoszaki/tudkut/tudkutelo15.pdf>)

<sup>5</sup> Source: Eurostat online datasets – update 07/7/2016

<sup>6</sup> Source: IPTS Facts and Figures *S2E Facts & Figures for Hungary*

<sup>7</sup> For instance: the use of NRDI calls for the preparation to participate to H2020 calls; NRDI funding for those SMEs which acquired a Horizon 2020 "Seal of Excellence" label in SME instrument Phase 1; the use of Horizon 2020 "Seal of Excellence" label for prioritising projects in the evaluation submitted under the call "Support of business RDI activities" under NRDI Fund.

participants also suggested to test initiatives for conditioning ESIF funding to a commitment to apply to H2020<sup>8</sup>. Although, as mentioned above, one of the main factors of H2020 low success rate is the relatively scarce funding compared to ESIF, efforts are also needed to make the H2020 conditions less constraining for potential H2020 applicants. Other concrete measures were suggested such as business plans improvements when applying for calls.

- **Researchers' income:** There is a remuneration gap between "old" and "new" Member States with potentially negative effect on H2020 participation. If, on one hand, the base salaries in

**Key Issue:** Researcher's training and pay structure

**Potential Action(s) proposed:**

For the European Commission:

- *Explore measures that could mitigate the researchers' remuneration gap between "new" and "old" MSs in H2020*

For the Hungarian Government:

- *Explore incentives, including non-pecuniary, for H2020 participation*
- *Explore ways of promoting mentoring*

EU13 countries are generally low, on the other hand the H2020 regulations do not consider additional remuneration superior to 8000€<sup>9</sup> as eligible cost. This means that Hungarian university researchers have a limit on the extra income they can earn out of their involvement in H2020, which is a strong disincentive for H2020 participation<sup>10</sup>. The case of other types of bonuses such as non-pecuniary rewards was evoked as a possible way to increase participation of Hungarian universities researchers in H2020 collaborative projects.

There is a need to consider potential measures at European level to mitigate the researchers' remuneration gap between "new" and "old" Member States in Horizon 2020 (following a general rule - to apply regular national accounting/remuneration rules or introducing an optional system of unit costs in selected instruments). The Marie Skłodowska-Curie style system, based on a country coefficient corrected unit cost, for H2020 collaborative projects was rejected<sup>11</sup> but the income incentive related to H2020 participation remains an issue to be addressed.

<sup>8</sup> A reference was made to the experience presented by the university of Leuven to use "internal funds" granted by the Flemish government conditional on a declaration of intent to compete in the following period for other innovation funding such as H2020: Researchers who win the annual competition for this project funding are requested to seek follow-up funding from external sources, including Horizon 2020 and funding from the industrial sector. Although the funding for this scheme does not come from ESIF, the concept could conveniently be taken up by other countries/regional authorities, using ESIF funding as a leverage tool to apply to Horizon 2020". For further information on the Leuven experience, please contact: [research@kuleuven.be](mailto:research@kuleuven.be).

<sup>9</sup> Cf. art. 27 of Regulation 1290/2013

<http://eur-lex.europa.eu/legal-content/AUTO/?uri=CELEX:32013R1290&qid=1471534865774&rid=1>

<sup>10</sup> Especially if university researchers' time is shared between various duties (teaching, research, etc), the extra income can be reduced to a fraction of these 8000€, proportional to the time spent on H2020 project(s).

<sup>11</sup> For explanation of the proposal see: <http://www.leru.org/index.php/public/news/charity-starts-at-home/>

**Formation and training:** The lack of knowledge on H2020 calls and a low tradition of participation could be offset by international participation, because international partners having this experience could share their knowledge. But internationalisation is only perceived as part of the solution. It should be complemented by knowledge diffusion and adequate training. The shortage of efficient human resources was recognized as a key problem. Among the proposals, participants mentioned fostering managing skills through mentoring, which has become an essential link between government, education and businesses<sup>12</sup>, as can be seen by the recent launching of the European Center for Evidence-Based Mentoring<sup>13</sup>. Some participants also recommended to implement the emerging practice of contracting consultants paid on the basis of success fees if H2020 funding is obtained, otherwise they are not paid. If a specific Operational Programme supports the idea of downstream H2020 participation, there could also be ESIF technical assistance money used for facilitating the hiring or training of these consultants paid on the basis of success fees. This fundamental role of qualification and training was debated in all the parallel discussions (cf. other sections). Finally, the idea was put forward to keep a core of excellent universities instead of having resources spread across the territory, as a way to counterbalance the low success rate at H2020 calls.

**Key Issue:** TTOs sustainability

**Potential Action(s) proposed:**

For the Hungarian Government:

- *Explore ways of funding TTOs with institutional funding*
- *Explore the option of merging TTOs with industrial liaison offices*
- *Explore ways of having continuous international training of TTO staff, as well as assessment of the performance of each office*

**Systemic vision:** Participants to research projects should have a better vision of what is happening downstream and be aware that this research should be able to generate economic value. The philosophy would therefore consist of not only generating intellectual property but also long term value. It is not only about the commercialization of research but about exploitation in a wider sense: Beyond intellectual property, it is about generating value for society.

**TTO sustainability:** Technology Transfer Offices (TTOs), also linked to structural build up within institutions, are too often financed on a project basis. Participants deplored that the emphasis was on the short term, and advocated a long term vision for TTOs. One way to

solve this lack of long term perspective would be to merge TTOs with other institutions such as industrial liaison offices or project offices in universities in order to avoid having experienced TTO staff leave the universities.

<sup>12</sup> See for instance <http://www.europeanmentoringsummit.nl/pageid=1910/Home.html>

<sup>13</sup> [http://www.europeanmentoringsummit.nl/pageid=1905/Launching\\_the\\_European\\_Center\\_for\\_Evidence-Based\\_Mentoring.html](http://www.europeanmentoringsummit.nl/pageid=1905/Launching_the_European_Center_for_Evidence-Based_Mentoring.html)

There is also a necessity to have continuous international training of TTO staff, as well as performance assessment for each office. The lack of existence, historically, of technology transfer activities will necessitate the build-up of real expertise.

## 2. Downstream – Higher Education and Research Centres

**Researcher status:** In higher education institutions, a number of participants highlighted the need for the Ministry of Human Capacities to clarify the status of researchers and university staff. In order to increase the quality of education, it is important to clarify the share between teaching, research

and 3<sup>rd</sup> mission<sup>14</sup> activities because expectations on these three fronts can have an excessive stress on professors. Equally important is to provide clearer job descriptions. An illustration is the case of university staff members participating to European projects, but who do not have explicit job descriptions.

**Key Issue:** Researchers' training and status

**Potential Action(s) proposed:**

For the Hungarian Government:

- *Clarification of researchers' status (research vs. teaching) and job description.*
- *Introduction of transversal skills in university curricula*

**Researchers' training:** The university curriculum should be adjusted to the current needs of industry, in particular by reinforcing soft skills education, team work and transversal skills, because in the current Hungarian education system,

the thematic disciplines still prevail.

**Call evaluation criteria:** There were voices advocating for ESIF/NRDI Fund calls to be more clearly announced for potential participants, and a clearer communication of the evaluation criteria for each call. It was suggested that the NRDI Office provides detailed feedback on the criteria used for rejecting proposals, in order to help applicants to better prepare for future proposals. A reference was also made to the interest of the impact assessment of the RDI funding programmes of the previous funding period which is not yet

**Key Issue:** National calls

**Potential Action(s) proposed:**

For the Hungarian Government:

- *Clearer evaluation criteria for ESIF/NRDI Fund calls*
- *Further open policy-making to external expertise, strategic advice and social sciences*

<sup>14</sup> Universities have three missions: Teaching, Research, and a third mission that has sometimes be described as 'Communities Engagement', whereby "Communities" are not limited to business, but all communities - eg. artistic, charitable, regional organisations, professional associations, local councils, etc.

published.

**Transdisciplinarity:** Beyond the Hungarian S3 process, which proved to be participatory with the inclusion of quadruple helix actors<sup>15</sup>, STI policy making should be more open to external expertise and strategic advice. Considering that social sciences are usually not involved in RDI calls, some participants mentioned that horizontal societal impact and contribution of social science (such as economics and sociology) could contribute to better policy making and more efficient strategic planning. This, in turn, highlights the challenge of strengthening the collaboration of scientists from different disciplines.

**Key Issue:** Intermediary organisations

**Potential Action(s) proposed:**

For the Hungarian Government:

- *Strengthen institutional funding for regional innovation agencies*

**Regional innovation agencies:** There was finally a call for reinforcing intermediary organisations, particularly the regional innovation agencies which suffer from a lack of institutional funding and mostly rely on competitive projects, in particular international projects. In this respect,

a clarification of the role of intermediary organisations in the national innovation system was encouraged.

### 3. Downstream – Business sector

**Business-academia divide:** There is a sub-optimal networking between academia and industry (particularly SMEs), not only in the early stages of "risk-taking" such as jointly starting a research project, but also in the later stages of the commercialisation of products. More concretely, there is a need to familiarise academic researchers with business practices and to better inform research actors (especially students) on job opportunities. The creation of a "connectivity office" on human resources in Higher education institutes could participate in breaking this divide and NRDI Office could play a central role in implementing this measure. Along with this, knowledge triangle networking could be embedded into the NRDI Office initiatives sponsoring workshops or networking events. Some participants also mentioned that further

**Key Issue:** Business-academia divide

**Potential Action(s) proposed:**

For the Hungarian Government:  
Explore ways of:

- *facilitating the creation of "connectivity offices" in universities, for jobs offers, networking and performance benchmarking*
- *stimulating NRDI Office-sponsored events / networking initiatives*
- *facilitating benchmarking initiatives to stimulate best practices.*

<sup>15</sup> Cf. <http://nkfih.gov.hu/policy-and-strategy/national-strategies/s3>

**Key Issue:** Entrepreneurial skills

**Potential Action(s) proposed:**

For the Hungarian Government:  
Explore ways of:

- *Encouraging the acquisition of soft skills in management curricula*
- *Shaping curricula to enhance commercialization and IP issues awareness*

international and interregional cooperation should be encouraged through active participation in interregional initiatives and programmes.

**Training:** While the need for entrepreneurship education and training was mentioned, the acquisition of *soft skills* was highlighted as key when it comes to management issues. It would be a mistake to only establish a framework of new business schools. Hungary should rather use the existing infrastructure, increase the awareness of soft skills training, and highlight the importance of team work and networking embedded within the curriculum and the education.

Organisations such as EIT<sup>16</sup> or some of the Hungarian Universities could embed soft skills training within their science and engineering programmes. Assessment of their success should be performed regularly by persons from outside of these organisations to judge without a biased view. Also, the point was raised that Hungarian SMEs have limited ambition and vision in investing in research and innovation, and policy should help in guiding the goals of SMEs. Finally it is important to shape the curricula for the needs of commercialisation of research results as well as enhancing awareness of IP issues.

**Benchmarking:** Looking at best practices through benchmarking of performance (using international standards) could foster collaborations. It would be beneficial to establish a working relationship with a set of foreign organisations specializing in bridging the academic-business sectors. This would serve both as a resource to learn from, place temporary staff, and as the relationship develops, work as colleagues on joint initiatives. Although the NRD Office could steer this initiative, organisations are encouraged to collaborate with other partners such as the "Economic relations office"<sup>17</sup>, an ad-hoc government office on "foreign connectivity" or even embassies' scientific attachés.

<sup>16</sup> The European Institute of Innovation and Technology (<http://eit.europa.eu>) is an independent EU body based in Budapest. Among EIT objectives is to enhance Europe's ability to innovate by nurturing entrepreneurial talent and supporting new ideas by promoting and strengthening synergies and cooperation among businesses, education institutions and research organisations.

<sup>17</sup> This is ad hoc office for bilateral relations such as [http://www.mfa.gov.hu/kulkepvisolet/KR/en/en\\_Ketoldal\\_u\\_kapcsolatok/en\\_bi\\_gazd.htm](http://www.mfa.gov.hu/kulkepvisolet/KR/en/en_Ketoldal_u_kapcsolatok/en_bi_gazd.htm) with Korea, or [http://www.mfa.gov.hu/kulkepvisolet/EE/en/en\\_Bilateralis/en\\_bi\\_gazd.htm](http://www.mfa.gov.hu/kulkepvisolet/EE/en/en_Bilateralis/en_bi_gazd.htm) with Estonia, etc...

**Embedding milestones for projects completion:** Regarding national calls, further efforts should be deployed as *"post-award"* mechanisms in addition to *"pre-award"* assessment as a way to monitor the success of a programme. This will enable greater success and accountability in the completion of work packages related to grants submissions and awards. If an assessment of milestones met after year 1, year 2 etc., as well as risk and impact assessment criteria are embedded into the calls, this will provide control of the process. The introduction of such criteria on national calls would, in turn, contribute to increase the quality of H2020 applications.

*Key Issue:* Programme monitoring

**Potential Action(s) proposed:**

For the Hungarian Government:

- Deploy *"post-award"* monitoring mechanism and impact-assessment criteria

## 4. The Way Forward

The state of play of the above key issues and actions mentioned in this Joint Statement will be followed up after a period of one year with:

- A survey targeting managing authorities in charge of the implementation of synergies and beneficiaries of national and EU funding to assess the progress with regard to the issues raised in this Joint Statement;

Furthermore, in order to widen the benefit of the discussion to a broader network involving all potential research and innovation stakeholders, the EC will disseminate relevant information to:

- Help Hungarian stakeholders to build capacity and international networks.
- Establish an information system to inform on examples of synergies that take place in Hungary.