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Business Finland's Preliminary Position on the Commission proposal for Horizon Europe

Overall, Business Finland is very pleased with the Commission's proposal for Horizon Europe, the ninth framework programme for research and innovation. The proposed actions are necessary to secure Europe's welfare, prosperity, competitiveness and sustainability, which depend on our ability to create new knowledge, competences and better and more sustainable products and services. By increasing Europe's ability to create jobs and economic growth in Europe, Horizon Europe is one of the best investments the Union can make for its future.

To guarantee highest possible impact, Horizon Europe should continue the principles of excellence, high quality and open competition without Member State or other quotas or regional criteria.

With this paper, Business Finland would like to offer its view on the Commission's proposal, focusing with more detail on four key aspects:

- 1) Horizon Europe's budget
- 2) Global Challenges and Industrial Competitiveness – pillar needs to be defined by industry-led projects
- 3) The European Innovation Council
- 4) Partnerships

Horizon Europe's budget

The proposed budget of 100 billion euros for Horizon Europe is a moderate increase compared to the previous FP, and an important signal of the significance of research and innovation and its European added value. Nevertheless, the proposed budget is insufficient from several viewpoints: what is needed to solve even the most urgent societal problems, or just to keep up with our main competitors (US and Asia) in R&I investments and creating new knowledge and business from new products and services.

Therefore Business Finland fully supports European Parliament's goal to increase the Horizon Europe's budget to at least 120 billion euros. Only with a sufficient budget can Horizon Europe match up to its ambitions to solve cross-border societal challenges by financing European collaboration in ambitious research and innovation and providing significantly enhanced support for European innovations.

Another important issue with the proposed budget is the lack of balance between research and innovation, as the proposal is still heavily focused on research. The largest identified issue in European R&I is the lack of take-up and exploitation of research results and developing them into commercial products benefitting European societies and economies. This issue can be solved with dedicated efforts to support innovation and commercialisation of research results and innovative products and services.

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The Global Challenges and Industrial Competitiveness pillar needs to be defined by market-driven solutions

Business Finland welcomes the aim of Pillar II, 'Global Challenges and Industrial Competitiveness', to take on the challenges that Europe and the rest of the world face and support the realisation of UN's Sustainable Development Goals. Business Finland also appreciates the inter-disciplinary and inter-sectoral nature of Pillar II, which is necessary to break down silos and to facilitate collaboration between Academia and industry. This collaboration is crucial to address the full complexity of the challenges Horizon Europe seeks to tackle.

Moreover, Pillar II contributes to the overall objective of the Horizon Europe to be more impact-oriented. Thus, **it is important to make sure that the collaborative research and innovation projects under the pillar's clusters are business-driven and lead to solutions that can be scaled up to conquer world markets.** Accordingly, a significant share of the funding of Pillar II must be reserved for industry.

Business Finland supports the concept of missions as an opportunity to provide clear focus and direction for research and innovation investments, whilst fostering collaboration between the Academia and industry, and communicating the impact of research and innovation to general public.

In order to fully realise their potential impact, **missions need to be business-driven.** To this end, it is important that the strategic planning and co-designing processes will integrate a wide range of industry representatives from the very beginning.

The European Innovation Council

Business Finland fully supports the plans for the European Innovation Council (EIC) in the Horizon Europe. Based on the experiences from the SME Instrument in Horizon 2020, the EIC can become an excellent, impactful instrument in Europe's support to the very best of its start-ups, SMEs and mid-caps.

The main problem is that the European venture capital market lags badly behind e.g. that in the United States. As a consequence, innovative European start-ups, SMEs and mid-caps lack sufficient resources to scale up, internationalise and become major international players. Europe has only 26 start-ups valued at more than one billion U.S. dollars compared to more than a hundred in the US, and no European company figures at the global top-15 of companies by market valuation.

Therefore, the EIC Accelerator is an urgently needed instrument to support the commercialisation and scaling up European breakthrough innovations. To provide the best possible support for the innovative start-ups and SMEs, **it is essential that grant-based, non-repayable forms of support will remain as the basis of Accelerator's financing,** complemented by financial instruments when needed, and top-level support services, building on those developed in the SME Instrument Phase 3.

The Accelerator should be open to all market-driven high-potential innovations independent of their technological content. Grant sizes and project durations should be flexible, corresponding to the level of ambition and facilitate long lead-times often required by deep-tech innovations.

In order to mitigate the inherent risks and presuming that the Accelerator allocates larger amounts of funding and financing for a single company, a result-based project and payment management is highly recommended. In addition, other risk mitigating methods could be considered, such as giving EC the right to recover the grant in case the company is later sold and the funding would only benefit non-European actors.

Since the SME Instrument has reached an extremely well-known and highly appreciated status among SMEs, private investors and other relevant parties, the name and brand should be maintained also in the future. This would save unnecessary time, effort and branding costs in the launching phase of the Accelerator.

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In addition to the Accelerator, EIC provides support to less mature innovations through the Pathfinder instrument. While a specific instrument to support development and maturation of innovative ideas with high market potential is very positive, the proposal in its current form does not demonstrate the appropriate business relevance of the scheme. Therefore, reforming the instrument is encouraged, so that it is better integrated into the innovation cycle and addresses specific needs of small innovative companies. Moreover, as EU should focus on actions with clear EU added value and not duplicate activities carried out on national level, small grants and short projects (such as SME Instrument Phase 1) are most cost-effectively implemented on local or national levels, for example with resources from ERDF.

Partnerships

Business Finland supports the concept of partnerships and acknowledges the need to simplify and streamline the European R&I landscape. The simplification should happen on several levels: firstly, consider where additional actions to the FP are needed, since there are currently simply too many; and secondly, on the level of implementation of the partnerships. Harmonisation and simplification of the rules and practices is strongly supported. In terms of project management of co-fund schemes, the EC or its agencies are centralized and effective project managers compared to de-centralised management by Member States, which is often too complex and slow.

By principle, all partnerships should be open also to external ideas and applicants, and Horizon Europe rules and practices applied whenever Horizon Europe budget is used. Finally, a common pot model is not acceptable to us as it is not feasible within our national legislation and Business Finland therefore supports the continuation of virtual common-pot method in all relevant schemes.

Finally, Business Finland is very keen to participate in the next phases of strategic planning and other actions to shape the Programme. We appreciate the constructive co-operation with the EC and other Member States until now, and wish to continue and contribute to this work towards a new Framework Programme that will build a better Europe for citizens, researches and businesses alike.

Business Finland (BF) is the Finnish innovation funding, trade, investment and travel promotion organization. It was created on 1st January 2018 by the merger of two state-owned organizations Innovation Funding Agency Tekes and Finpro Inc. Despite its young age, BF has a track record of several decades, as it continues the work and directly builds on the staff, experience and networks of the two organizations, Tekes and Finpro. BF is fully owned by the Finnish Government and it under the auspices of the Ministry of Economic Affairs and Employment.