

Position paper

Of the Flemish department of Economy, Science & Innovation,
Flanders Innovation & Entrepreneurship and the Research Fund –
Flanders (FWO) on the proposal for a European Innovation
Council

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Introduction

The Flemish department (Ministry) of Economy, Science and Innovation, together with the government agencies Flanders Innovation & Entrepreneurship and the Research Fund – Flanders (FWO), welcomes the idea of setting up a European Innovation Council (EIC). We endorse the statement made by Commissioner Moedas in his speech at the “Opening up to an ERA of Innovation” conference in Brussels on 22 June 2015 when saying it is necessary “to take stock of the various schemes to support innovation and SMEs under Horizon 2020, to look at best practice internationally, and to design a new European Innovation Council”.

In this position paper we make a plea for an EIC that would streamline and even merge several existing instruments for supporting excellent innovation projects, by providing both grants and (seed) capital and making a clear link towards the more elaborated financial instruments from the EIB. The EIC should form the one bottom-up channel for scaling up excellent innovation projects and helping them through the valley of death. In doing this, the EIC should decrease current complexity for innovation actors searching for this kind of support.

In the first part of this position paper, we elaborate on our general view on the EIC. In the second part we focus on the possible existing instruments that can be integrated in the EIC on a short term. In the last part, we mention a number of links and synergies we think should be made with existing instruments without necessarily aiming for a complete integration within the EIC.

General view on the EIC

Our first and foremost concern is that the EIC would have a clear and sharp focus. It is absolutely to be avoided to create a new organization without defining a clear goal and that would touch upon too many aspects without addressing any task properly. A clear focus is needed to help simplify the European funding landscape and counter duplication in the European innovation landscape. Important for that is also a good dialogue with stakeholders in the further development of the EIC, in particular the innovation actors themselves.

Besides this general remark, we believe the EIC focus should be built upon the following main points.

1. The EIC should harmonize existing programs and instruments so to provide **grants and seed capital** for innovation projects to help them scale up and make them ready for investments. Projects that received a grant or seed capital should also be given follow-up advice on the possibilities for further investment support. The EIC should therefore have a very strong link towards the more elaborated financial instruments of the EIB. We believe this would form a sharp focus for the EIC and we propose not to include too many other tasks.
2. The EIC should focus on supporting **excellent innovation projects**. The excellence criterion for projects does not refer to scientific excellence here, but to high risk and high gains innovation potential. The EIC should support projects with a strong potential to have important positive economic or societal impacts and with a clear plan on how to realize this potential (see also point 8). The European added value in supporting bottom-up innovation lies precisely in realizing such a European-wide competition for excellent innovation proposals.
3. Such excellent innovation projects can focus both on **incremental and breakthrough innovation**. Breakthrough innovation that leads to complete new markets does however need particular attention, given the fact that it is typically not covered by thematic instruments that focus on already existing technologies and sectors and is also less supported by other policy levels. Specific attention to multi-disciplinary and cross-sectoral projects is also recommended.
4. Excellent innovation projects can include both **technological and non-technological/social innovation** aspects. In both cases, the aim should be to help innovation projects to bridge the valley of death and/or make them ready for investments, so that the resulting product or service can be sold on the market or more generally the results can be implemented in society. For convenience, we state the EIC should focus on **higher “technology readiness levels” (TRLs)**. We however always mean to include non-technological innovation projects as well.
5. Excellence in terms of potential economic and societal impact should be the main or even unique criterion. As such, the EIC should fund **bottom-up** projects, without thematic priorities and certainly without cohesion objectives. Other well performing instruments and institutions already are in place for the latter objectives. However, the EIC should not be disconnected from these other instruments either and it should be made clear to beneficiaries whether and how they can combine EIC support with other support schemes.
6. The EIC should **streamline existing instruments**, thereby **decreasing complexity** for the innovation actors. Streamlining does not mean just adding an additional governance layer above existing instruments, but actually bringing them together (if possible even merging them). Further on in this position paper we mention a number of existing instruments that are good candidates for streamlining within the EIC. The most important ones on a short term are probably the Fast Track to Innovation Pilot and the SME-instrument.
7. There should be **no a priori exclusion of the type of actors** that can benefit from EIC support. Also, both individual innovation projects and consortia should be able to compete for EIC support. The focus should however remain on the higher TRLs and on bridging the valley of death, so that innovations are brought to the market and to society as a whole. The EIC should promote therefore closer cooperation between in particular SMEs/starters and larger companies and also between research and higher education institutions and companies, especially SMEs in order to help transfer research results and ideas into concrete marketable products and services.

8. The EIC should **avoid too low chances of success**. This should be done by on the one hand mobilizing sufficient budgets for the EIC and on the other hand by clearly defining what is expected from projects in terms of excellence, such as for instance the kind of expected economic or societal impact, the expected competences of the innovation team, the expected business plan, etc. The guiding principle when evaluating an EIC-proposal is to clarify what kind of a competitive edge the possible beneficiaries in question are seeking to acquire. The scaling-up should be an integral and credible part of the plan.
9. Administrative procedures should be **simple** and time to grant or to investment should be **quick**. There is need for a highly **qualitative and fair evaluation** procedure.
10. A very important element is **innovation supporting infrastructure**. It is important that the EIC supports the setting up of **pilot and demonstration infrastructure**, which is essential for many innovation projects to bridge the valley of death. Apart from that, there is also need to **increase the scope of ESFRI**, so that ESFRI research infrastructure is also used more often by innovation actors and private companies in particular and so that the financing of joint infrastructure between industry, RTOs and academia becomes more feasible. The governance of ESFRI could be improved so to tackle this issue. Also, ESFRI could finance pan-European (open) infrastructure that is more typical for innovation than for research, such as large scale living labs.
11. Finally, a problematic issue remains the current EU **state aid regulations** that block or hamper certain initiatives at the high-end of the TRL-scale which would be exactly the scope of the EIC. To set up a well-functioning EIC, the Commission should at the same time tackle this issue of state aid regulations.

Immediate possibilities for streamlining existing instruments

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We strongly believe there is need for simplification in the innovation support schemes and therefore propose to focus on streamlining and merging existing instruments. This section proposes to start from bringing together the FTI instrument and SME-instrument as a basis for the EIC. The section after this one suggests a number of other existing H2020- and other instruments that could be streamlined on a longer term in the context of the EIC or with which at least synergies should be sought. Obviously both enumerations are non-exhaustive and open to discussion, also in terms of what should be given priority.

The **Fast Track to Innovation Pilot (FTI)** is probably the instrument that is currently fulfilling most strongly the support role we see for an EIC. The FTI is the most clear bottom-up instrument without predefined topics aiming at the last stage of the innovation cycle, i.e. the introduction of a new product, process or service on the market. The way the FTI pilot instrument works is probably a good basis for the EIC support schemes.

Within the EIC, the FTI could be brought together with the so called **"SME Instrument"** which crosses through pillars II and III of Horizon 2020 and levies budgets from the LEIT and societal challenges programs. As such, de facto the SME instrument works with predefined topics, covering however almost every H2020 thematic domain, leading to a scattered budget and small grants to be allocated. It could therefore be considered to leave this thematic focus and include this instrument in a bottom-up EIC together with the FTI-instrument, thereby focusing on the best (SME-)projects and with one clear application procedure.

The specific attention for SMEs should not be lost however. To avoid this, the EIC could earmark a certain budget that is only available for consortia of/with SMEs and which is comparable to the budget of the existing SME Instrument. Another option is to include the participation of SMEs as one other important criterion in the evaluation of projects, next to the most important excellence criterion.

Synergies to be investigated

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Apart from the SME Instrument as such, there are several other existing instruments particularly aiming at supporting SMEs. SMEs are among the actors that have the most difficulties in finding their way in the labyrinth of support measures. As such, the need for streamlining is strong in this area and we would propose to investigate the possibility of including also other programs targeting SMEs within the EIC or at least to look for synergies. There is for instance the **Eurostars program** which is in principle very fit for inclusion in an EIC that is built upon the principles we suggested above. The Eurostars program takes a bottom-up approach, selecting the best proposals and focuses on rapidly marketable innovative products, processes and services. This is in line with how we see the role of the EIC. The Eurostars program does however have a very different governance and a number of other selection criteria. As such, including the Eurostars program within an EIC targeting the most excellent innovation projects would require reconsidering the structure of the Eurostars instrument and might not be so easy from a practical side on a short term. Yet, at least the possibility should be given consideration.

The **COSME program** is also focusing on SMEs, however rather on the aspect of competitiveness and not so much on innovation. As such, a full inclusion of COSME within the EIC is not desirable, but synergies should be utilized and the possibility of including COSME in a one stop shop together with the actually streamlined instruments for innovation within the EIC could be considered. This way, SMEs would have one clear access point to European support.

Further on, the EIC should make links with the “Future and Emerging Technologies”-instrument. In particular the **FET-open calls and FET-flagships** which are aiming at ambitious (breakthrough) R&I projects in a bottom-up approach, but targeting future and emerging technologies projects at lower TRLs. The results of FET-projects could be picked up by the EIC for taking further steps. The same is true for certain **ERC-projects**. In particular, the EIC could be the next step for projects that have already received an “ERC – proof of concept” grant and found to have an important innovation potential.

Further downstream the innovation process, there should be a clear link from the EIC-grants and seed capital towards more elaborated European financial instruments. Successful EIC-projects that received a grant or seed money to become investor ready, could then be directed in a next stage towards for instance the **InnovFin instrument**. This of course would require a very good dialogue between the EIC and the EIB.

Another important question is how to link the EIC and the **European Institute of Innovation and Technology (EIT)**. While the EIT has a thematic focus, it also aims at innovative breakthroughs and bringing innovations to the market. This creates the risk of overlap. Synergies between the (“thematic”) EIT and (“bottom-up”) EIC need to be sought to avoid this.

As mentioned above, we also believe the scope of ESFRI could be widened to infrastructure more typical for innovation. Synergies with the **Connecting Europe Facility** and the **European Fund for Strategic Investments (EFSI)** might be interesting for this.

Finally, given that the EIC would focus on higher TRLs, the issue of state aid rules becomes very relevant. Recently, the Commission has launched an initiative for the modernization of state aid rules and presented a new communication on the identification of **“Important Projects of Common European Interest” (IPCEI)**. Although the criteria to become identified as an IPCEI were somewhat clarified, there is still no clear procedure for innovation actors with a common project to become recognized as an IPCEI. Although outside of the scope of the EIC itself, we believe this is another urgent matter to be tackled in the coming time.