

The future European Competitiveness Fund and R&I funding

A bridge from research to innovation and Europe's global competitiveness

The Commission's proposal for a new European Competitiveness Fund (ECF), which would combine current EU funding programmes and be closely linked to the next Horizon Europe programme (HE), is promising. The structure enables the bridging of the innovation gap called for by Mario Draghi, as the funding toolbox of the Competitiveness Fund is brought into close connection with the research framework programme through Pillar 2 of HE. However, closing the innovation gap requires that **funding from the Competitiveness Fund is based on open competition and awarded to the best projects (excellence).**

In addition, **a functioning interface between the ECF and Horizon Europe programme** is a critical prerequisite to ensure that the Commission's positive proposals comprehensively support Europe's global competitiveness and translate into growth. Funding leading companies through the new EU Tech Frontrunners model brings new strength to our competitiveness. The bridge from research to competitive industrial activity, and further to strengthening Europe's global competitiveness, is reinforced.

The role of companies in creating new value is critical; **the intended impact of research and innovation activities on competitiveness and the economy is only realised through the deployment and production of new services and products.** When the bridge from research to commercialisation is seamless, R&D and commercial innovation activities concretely support the objectives of the European Competitiveness Fund. Commercialisation, scaling, and investments are always in the end carried out by companies.

Alongside the actions of companies, world-class research is also needed, especially in emerging sectors. It is essential that Europe's global competitiveness is strengthened while also discovering new sources of growth. The HE programme portfolio offers the right funding instruments for top-level science and start-up companies.

R&I activities are inherently crosscutting. Therefore, decisions concerning R&D and commercial innovation activities should be made in cooperation with the various Directorates-General of the Commission.

European Competitiveness Fund (ECF)

In the ongoing negotiations regarding the EU's future multiannual financial framework for the Competitiveness Fund and the upcoming Framework Programme, it is important to pay attention to the following points:

1. Funding aimed at boosting competitiveness, security, and defence (ECF and HE) should remain at the proposed high level (€362 bn + Innovation Fund approx. €36 bn).
2. The Fund's priorities (defence and space, green growth, digital leadership, as well as health and the bioeconomy) are essential to Europe's strategic and global competitiveness, and also Finland has much to contribute to these areas. Actions to be funded under these priorities should be defined at the work programme level, to ensure flexibility and better consideration of market needs throughout the financial framework's lifecycle.
3. Funding awarded from the Competitiveness Fund should be competitive, and the award criteria should be based on high quality (excellence, impact, and quality). Funded projects should have the widest possible impact on improving Europe's global competitiveness. To ensure this, EK proposes a new article to the Commission's regulation on the Competitiveness Fund (after Article 4 and before Article 10).

"General award criteria and procedure

The ECF funding shall be based on open competition and the main award criteria should refer to excellence, impact and quality as well as highest relevance for European competitiveness."

4. EU funding successfully leverages private investment, for example through the InvestEU budget guarantee. To achieve maximum leverage in the upcoming financial period, the proposed minimum allocation should be significantly increased. There has been strong demand for InvestEU budget guarantees. This instrument should be substantially expanded from its current level.

Horizon Europe Programme (HE)

It is proposed that the next Horizon Europe programme should have a higher level of funding than before (€155 billion). This objective is commendable, provided that the funding supports Europe's global competitiveness and that the interface between the HE and ECF is clear and functional. The proposed EU Tech Frontrunners (ECF Art. 17) is a welcome new opportunity to ensure the global competitiveness of leading players in critical sectors for Europe. Unlike other joint undertakings, these business-driven ecosystems are market-oriented. They build new value chains for key sectors and bring together the best European expertise. These value networks offer a good platform for SMEs and start-ups to grow in Europe. Research also plays an important role in these value networks.

The proposed structure of the Horizon Europe programme and its pillars is, in general, positive. Funding should be balanced across Pillars 1–3. The programme structure should be functional, and companies should have diverse opportunities to participate in research projects. The Commission's proposal includes important instruments to support research. Commercial innovations are funded via two routes: increasing equity funding (European Innovation Council, EIC), and, above all, by connecting research with business-driven partnership models such as EU Tech frontrunners funding, to link research with investment-ready industry. From EK's perspective, the most important pillars and funding programmes are:

Pillar 1: Excellent Science (€44.079 billion)

The European Research Council (ERC) and researcher mobility actions (Marie Skłodowska-Curie Actions) provide a solid basis for conducting world-class research and researcher mobility. It is essential that researchers and companies also collaborate.

Pillar 2: Competitiveness and Society (€75.876 billion)

Funding to increase business and Europe's global competitiveness is provided via Pillar 2 and the Competitiveness Fund. The functionality of this interface will determine how well the new financial period's measures support Europe's global competitiveness. **It is vital that the financial bridge between the programmes (ECF and HE) works, and that effective funding is available from both.** It is also crucial that all joint projects funded under Pillar 2 aim for economic and productivity growth and that the projects selected for funding genuinely target commercialisation.

The relative share of future funding for Pillar 2 should be safeguarded. Ideally, funding would even increase from what is proposed. Funding for research and business partnership projects (partnerships) is the most important function of the pillar.

The role of companies in identifying themes and as funding recipients should be strengthened. Business-driven partnerships should be allowed, as they ensure that research leads to business and investment, and increase EU-level RDI investments as well as investments needed for the twin transition. The EU Tech Frontrunners is an important new opportunity for market-driven and business-led collaboration that creates new European value chains. Finnish lead company ecosystems (Lead Company Model) have shown that business-driven joint projects work. New value chains have been created, to which start-ups, SMEs, and researchers have easily connected.

Pillar 3: Innovations (38.785 mrd. €)

The European Innovation Council (EIC) improves funding opportunities for growth companies. There is a need for even closer links to European value networks so that business can scale and investments are made in Europe. In this way, European added value grows, and the benefits to Europe's global competitiveness are greater.

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