

Position from Innovation Norway on the next framework programme for research and innovation

Innovation Norway is a state-owned company and the national innovation agency of Norway.

At the core of Innovation Norway's assignment lies the expectation of value creation by stimulating growth within profitable business development throughout Norway. Innovation Norway's programmes and services are designed to create more successful entrepreneurs, more enterprises with capacity for growth and more innovative business clusters. The agency provides loans, grants, competence programmes and advice. Innovation Norway is also a formal innovation policy adviser to the government. With its nationwide office network and thirty offices abroad, Innovation Norway is able to meet customers in their business environment and abroad. Innovation Norway is owned by the Ministry of Trade, Industry and Fisheries (51%) and the county authorities (49%).

In Framework Programme 9 Innovation Norway would like to highlight four priorities:

- **Excellence as the guiding principle**
- **Further simplification and increased flexibility**
- **Increase emphasis on innovation**
- **Building the European ecosystem and scaling European companies**

Framework Programme 9 – A comprehensive approach to research and innovation

The general objective of the next Framework Programme should be to accelerate a "green shift" and renewal of our economies and societies, with an emphasis on digitalization, green innovation and blue growth. The programme ought to have a strong global outreach and should contribute actively to the UN Sustainable Development Goals and the COP21-targets.

Innovation Norway (IN) welcomes the recommendations made in the LAB – FAB – APP report from the High Level Group led by Pascal Lamy. In particular we applaud the move towards a mission oriented approach for research and innovation, the introduction of a European Innovation Council, increased focus on impact and the inclusion of citizens in the agenda setting and implementation of activities. IN supports the continuation of the overall design focusing on fundamental science, global challenges and open innovation. The programme should build on the legacy of Horizon 2020 by continuing the integration of research and innovation and increase the focus of innovation as a non-linear process when designing new instruments. We favor the continuation of a challenged based approach eliminating to the largest degree possible a top-down sector oriented programme, while also introducing a mission-oriented approach. There is a need to increase piloting and demonstration activities, combined with market introduction and rapid scaling of new solutions in order to make impact towards the UN SDGs

and COP21. At the same time, we believe that there is a need to be open to the world and encourage collaboration with third countries, as a global outreach is vital for properly addressing global challenges.

IN encourages a stronger link between public funds, financial instruments and private capital and supports the efforts to create a better financial ecosystem for innovation and scaling of companies. The need for instruments for scaling and market creating ideas is clear and has a strong rationale to be addressed on a European level. Moreover, IN strongly believes there is a need for continued focus on simplification and user-friendliness, especially for SMEs.

Excellence: The cornerstone of an ambitious programme

Innovation Norway stresses that excellence must be the number one principle of the next framework programme in all the three pillars currently envisioned. At the same time, we call for an evolved understanding of European added value. The ability to reach critical mass, the rational of pooling resources when taking high risk and the opportunity to create new markets needs to be tackled at a European level if we are to make lasting impact. We welcome initiatives that complement national efforts and enable companies to get exposure to customers, partners and investors in Europe and beyond. A European wide accelerator where companies compete against each other for funding will allow for important benchmarking and increased visibility, while also fostering a European ecosystem where investors and companies can meet. Moreover, by introducing innovation support that is beyond the scope of what any country can produce singlehandedly it could stand to play an essential role in scaling European companies. The ability to enable European companies to grow in Europe without having to relocate out of Europe is essential for creating jobs in Europe and accelerating the digital shift.

Keep it simple: FP9 needs to focus on simplification and flexibility

IN recommends that a certain flexibility should exist throughout the programme period to ensure relevance and to be able to address unforeseen challenges when designing the programme. Future needs and challenges must have the possibility to be addressed at a later stage. In a rapid changing world, multi-year long programmes stands the risk to become outdated, increasing flexibility will help mitigate this risk. To attract new users that can solve the problems of our time the design of the program should reduce the administrative burden to a minimum and where possible lump-sum financing should be introduced. The digital interfaces with the applicants should not be limited to small improvements, but committed to radical simplification and a user-centric design. The same principle should be applied to visibility and communication efforts. Applying a more user-friendly language could help attracting new actors and help renew the base of actors currently participating in the programme.

One challenge for the framework programmes has been increasing complexity and an ever-growing list of different instruments and initiatives. There is a need to streamline the process further and reducing complexity by also having the courage to discontinue activities. We call for a thorough examination of the overall research and innovation support with a focus on discontinuing programmes deemed to be delivering less than expected results. Furthermore, it is important for the users that the framework programme appears as seamless and understandable as possible. We would therefore advise against creating more programmes outside of FP9 seeking to address the same or similar needs. Differing portals, rules of participation and financial support makes it challenging for companies to navigate the landscape.

A mission driven approach to tackling global challenges

IN supports the focus on tackling global challenges. It is important that we aspire to be broad when addressing the challenges and away from being too prescriptive. As an example, if the goal is “zero hunger” and the challenge is increasing sustainable food production, it is essential that the initiatives are open to food production from both from land, oceans and beyond, in order to find the most viable path to solving the challenge. This holds true in all sectors and one should therefore caution against prioritizing certain industrial sectors and instead let the solutions define the route to addressing the challenge. A cross sectorial approach underlines that solutions from one sector can be easily transferable to other sectors and a too detailed and prescriptive framework programme risks limiting the introduction of new technologies and solutions to other sectors.

We welcome the Lamy report highlighting the need for a mission-oriented approach to solving global challenges and the subsequent Mazzucato report that provides a feasible framework for how this can be introduced. The focus on solving the United Nations Sustainable Development Goals provides a solid platform and an effective way of steering the direction of research and innovation to the best of our citizens. We support the notion that a mission must be bold, activating innovation across sectors and across disciplines. For a mission to be effective it is essential that we focus on the objective while allowing the process to be bottom up to the largest extent possible. Missions should not be driven by pre-defined technologies, as this could undermine the missions cross-sector and cross disciplinary nature and hence their impact. Furthermore, we caution against purely technology focused missions and believe that each mission should allow for a multitude of different solutions.

Open Innovation: Fixing the fragmented European ecosystem for innovation

Innovation Norway supports the integration of research and innovation in Horizon 2020 and believes this has lifted the need for innovation on the European agenda. This integration acknowledges the fact that research alone does not create new markets and that many innovation processes are driven without research, but are close to market introduction and has customer need as a driver for development. Horizon 2020 has proven better at bridging the valley of death compared to its predecessors by introducing a focus on commercialization and market introduction. The future programme must continue to ensure innovation actions across the program and not limit this to the radical and marked creating instrument in the European Innovation Council, which we welcome. Innovation must be an integrated part in all parts of the global challenges and include to a larger degree the demand side instruments of innovation. Procurement processes should be tied closer to innovation, and address socioeconomic and societal needs in line with the challenges while also focusing on co-creating new markets. Pre-commercial procurements and public procurements of innovative solutions should be combined into more complete and coherent processes. The next framework programme should to a larger degree than Horizon 2020 be open to all forms of innovation, truly supporting open innovation processes and the ecosystems needed to enable this.

There is a continuing need to try to foster links between national ecosystems to build an efficient pan-European ecosystem. Unfortunately, the European ecosystem is still fragmented compared to our competitors. One of the reasons is the wide number of different national initiatives and the lack of interaction between these. We believe this can be addressed by closer cooperation with national

innovation agencies and new programs enabling cooperation between different innovation hubs, including; industry clusters, platforms, accelerators, incubators and digital innovation hubs. We encourage activities that enable actors to build lasting partnerships that can be utilized by companies in the process of internationalization and scaling. For innovation in Europe to reach its full potential it is crucial to further continue to develop the cooperation and coordination with innovation agencies. This is important not only to avoid duplication of instruments, but to enable a more holistic European approach where the European level complements national efforts to the best of our companies.

European Innovation Council: Rapid scaling can make Europe great again

Innovation Norway welcomes the establishment of the EIC. The SME-Instrument has so far been one of the great successes for Horizon 2020, this is even more true after the successful introduction of investor panels. The fully fledged EIC to be launched in 2021 will need to build on these previous successes, while also make important steps to empower European companies with scaling. It is essential that there is a focus on streamlining and building the innovation support system and doing so by aspiring to create a one-stop shop for companies seeking EU-funding.

Programmes managed by the EIC should be bottom-up, in the sense of rewarding initiatives taken by companies and industry. Still, the EIC should be given room for prioritizing between project along the lines of societal and environmental challenges. Prizes/awards should be offered at a larger scale, their visibility increased, and rules of participation should be made less restrictive. Lump sum financing should be introduced where possible. There is a need to develop a more wholesome approach to innovation and the EIC should therefore be allowed flexibility and responsiveness by being able to make independent decisions in how to implement future activities, this could be further facilitated by introducing an independent advisory board.

EIC as a strategic Innovation Policy Adviser

Innovation Norway supports the idea that the EIC should provide strategic advice to improve the innovation environment in Europe. This can include regulatory and framework conditions, as well as making suggestions for further policy development and improvements to the funding landscape. The EIC could in addition also have a role as a developer for innovation policy in Europe, and serve as a partner for relevant national ministries, agencies and institutions. The EIC is in a unique position to gather and analyze data and disseminate best-practice from the member states and could therefore act as a testing lab for new experimental innovation policy tools and measures working in close cooperation with the member states and independent experts.

European Institute for Technology (EIT)

It is vital for Europe's ability to innovate that we strengthen links between education, research and innovation. In relation to this, we would like to emphasise the importance of clearly identifying the contribution and complementary value each KIC is meant to have also in view of the launch of new instruments and initiatives including missions and the EIC. There is a growing need to identify and clarify synergies, including possible collaboration with other innovation related activities. IN would like to underline that it is essential that the EIT and the KICs improves their openness and responsiveness to include new relevant actors and keeping a continuous out-reach effort to renew and reinforce the member base, thereby overcoming the impression of being “closed clubs”.

This is an important step to ensure that the KICs move from being regional initiatives to becoming true pan-European actors. Regarding the definition and selection of new KICs, given the tendency to see the creation of pre-determined big, high level monolithic consortiums in answering the calls, we think it would be wise to reassess the call rules and selection process by reforming them in a way that enables increased leveraging of national funding at the level of the co-location centres. We argue that it would be wise to solve the challenges expressed above before launching new KICs in FP9.

Creating a European Accelerator

Scaling companies is a well-known challenge in Europe and unfortunately many companies leave the continent to scale their business. One bottleneck is access to capital and patient capital. To address this, we believe it is important not only to consider the use of grants, but also incorporate the use of equity and loans to ensure that companies have access to sufficient capital for scaling their businesses.

At the same time, we believe it is important to build on the success of the past. The move to investment panels in the SME-Instrument has reinforced the programme's significance. We think it is important to keep these elements, while at the same time improving the tool box that these panels have access to. Instead of only committing to grants in a limited project period, we believe it would be beneficial if the panels could also offer other types of support, including loans and equity to increase the ability of those companies to take their inventions to the global market. This should be done in a manner that addresses risk and do not crowd out private capital. It is consequently beneficial if these solutions are limited to situations where the risk is deemed too high by the private sector or in the form of co-investments where the panels also forcefully encourage or facilitate investments by other actors.

In addition, we would like to see a further build-up of business acceleration services by facilitating a multitude of financing opportunities for companies and further help build bridges between the public and private sectors. The EIC should be able to experiment with new service offers for companies receiving funding through Horizon 2020 and FP9. Relevant activities could be coaching, investor pitching, matchmaking, mentoring, business tools and access to other relevant platforms and events. As an example: one significant challenge for companies scaling is access to competence and recruitment of new employees. As the EIC has a pan-European platform there could be an opportunity for bridging this gap by opening a portal where competence could be matched with companies scaling quickly.

Co-fund

IN does not see immediate benefit from the introduction of a co-fund structure between countries in the EIC. We believe that simplification and ease of use for companies should be the guiding principle and a co-fund risks jeopardising that effort. In addition, there has been, and most likely will continue to be, a challenge to find the sufficient funding for initiatives with basis in a co-fund and there is the risk of insufficient budgets adding to the uncertainty for our customers.

However, if one were to create a co-fund, we think it should focus on the following:

- A) Top-ups in bilateral cooperation between EC and MS actors
- B) Industrial cluster collaboration
- C) Innovative Public Procurement

Financial Instruments

Financing innovation is often challenging due to the high-risk and often capital-intensive nature of such projects and companies. Improving access to risk finance, both on the debt- and equity-side, for innovative companies should thus be a continued priority in FP9. This is especially important due to the socio-economic sub-optimal risk aversion amongst commercial lenders and private investors, as well as different market failures, such as asymmetric information. Innovation Norway recommends an approach which encompass the whole industrial ecosystem and strive for the development of a pan-European “tailor-made” capital market for early stage and innovative companies rather than a one instrument per policy approach. Duplicating existing well-functioning markets should be avoided.

IN believes that financial instruments in FP9 should continue to build on successful instruments under Horizon 2020 and the experiences gained with the latest generation of financial instruments. We recommend a continuation of broad facilities supplemented with tailor made thematic instruments. It is important that continued and new instruments have a sufficient level of funding and managing capacity amongst entrusted entities to effectively achieve their goals.

The collaboration between entrusted entities at European level, such as the EIB-group, with national innovation agencies, development banks and other institutions engaged in financing innovative companies should be increased. Further collaboration with national promotional lenders would have several positive effects, of which the two most important are: further leveraging of the EU-budget; by offering risk reducing measures to increase the risk taking capacity or overall lending capacity of intermediaries, and secondly; increased possibility to co-finance projects and companies between national and supra-national institutions. In order for the Commission’s entrusted entities to further engage development banks and promotional institutions on a national level, it is vital to ensure that European instruments have a sufficient level of flexibility to effectively do so. National institutions supplement the commercial market and do consequently often operate with principles that in certain ways differ from that of commercial entities.

IN supports continued efforts to strengthen the early stage equity and venture capital market in Europe and recommends a continuation of both the important corner stone investment activity of the European Investment Fund and the efforts to crowd in institutional investors through funds-of-funds activities, as well as structural initiatives on national or regional level. Innovation Norway recommends that financial instruments are considered supplemented by further efforts towards network and competence building. We believe that financial instruments should be included under the umbrella of the EIC to ensure a holistic approach with agility and complementarity to other initiatives focusing on innovation support.