

Interregional Innovation Investments (I3) – Complementary insights

27 April 2021

The signatories, submitted in September 2020, with other networks, a comprehensive contribution¹ to the public consultation launched by the EC. On the basis of the last public updates about the design of the I3 tool and our recent experience of the VI pilots², we would like to share some suggestions and highlight a few points of concern.

- First, we reiterate that we favour an approach based on grants, and welcome the EC approach on this topic. Grants are needed to kick-off collaboration and operations during the ‘connect’ and ‘demonstrate’ phases, where a clear market failure is to be bridged. This ‘grant logic’ is not contradictory to an investment approach, on the contrary : I3 builds a bridge allowing private investments to be launched using the basis of I3-funded validated innovation activities.
- At this stage, the focus and real essence of the I3 tool (and its complementarity with other tools) are not yet fully defined:
 - o With regard to the limited size of the budget, the I3 instrument should have a clear focus on demonstration and piloting activities, including support to connect activities. It should not cover the productive investment part of companies (layer 3 costs; ‘commercialise’ phase) which can be financed through other tools and other forms of funding which needs to take into account State aid clearances as well.

We acknowledge that the I3 instrument will for now not cover investment in infrastructures (layer 1 costs) for budgetary reasons. However, it is clear that proper solutions are to be defined for this part in the future.

- o A stronger focus should be placed on innovation and technology infrastructures, their accessibility and their networking to allow SMEs to perform demonstration and piloting activities to boost SMEs’ innovation capabilities. Those activities can rarely be performed inside firms only and should be performed mainly in networked infrastructures. In addition, a new European Research Area action is to set up an EU Strategy on technology infrastructures (ERA Action 10). Such technology infrastructures will indeed be key enablers to develop and mature technology and accelerate large and small industry’s uptake.
- o The specificity of supporting interregional innovation activities, based on S3 complementarities, is a key feature that should be better embedded in the design of the

¹ [Joint contribution to the public consultation on Interregional Innovation Investments \(I3\)](#), September 2020

² This paper notably built on internal exchanges within the VI network at the occasion of a dedicated workshop organised on the 30th of March 2021.

tool, by the involvement of public authorities as endorsing partners. Moreover, the eligible partners should include all entities recognized as relevant, regardless of their private or public legal status (e.g. in some Regions, Clusters have a private status but are the most relevant entities to ensure this kind of role in a I3 consortium).

- More clarity should be brought about the organisation of the funding landscape and the synergies and articulations between the different tools.
- The main funding methodology proposed by the EC is cascade funding with SMEs as beneficiaries. We consider it to be a suitable model, which would put forward a rather limited set of consortium partners organising and managing the cascade funding. Cascade funding should be lump-sum based to lower the administrative burden and risks for the beneficiaries (cash flow issues, liability, documentation efforts). Returns on experiences on using cascade funding schemes (for example in H2020 projects) should be used to improve the efficiency and sustainability of cascade funding mechanisms for SMEs and midcaps. Depending on the specificities of the projects, other modalities should however also be envisaged. In addition, it should be noted that not all intermediary organisations have the possibility to manage this kind of cascade schemes for statutory or administrative reasons.
- Regarding other modalities to be envisaged, we request to consider:
 - To include as full consortium partners the economic actors involved in larger scale investment projects which are crucial to the proposed value chain and whose financial needs go beyond the possible limitations (see further) of ‘cascade projects’, on the condition they are ready to share the necessary investment project details at the time of project application³.
 - To offer the possibility to offer access to an EU-wide network of value chain specific innovation and technology infrastructures as a ‘standing offer’ to all economic actors (to be) involved in a I3-project. Companies could then choose the one(s) best suited to support their innovation activities. Once chosen, the infrastructure(s) needs to be a project beneficiary with eligible costs. The (additional) cost to organise and manage this network of technology infrastructures is part of the project’s eligible coordination costs.
- More details are needed about the conditions attached to this cascade funding: will there be a maximum amount per ‘cascade project’ (on the level of the project or on the level of the individual partner in such project)? What will be the co-financing rate? Will different rates apply to different categories of beneficiaries (e.g. an own co-funding contribution requested as a proof of private sector commitment, but taking into account the complexity of interregional collaboration and the objective to reach SMEs; and a 100% rate, which we defend, for coordination activities by intermediaries)? What will be the eligible costs and cost categories? Different kinds of costs could be taken in consideration, or phased projects for example a first

³ Reminder : we proposed to include a multi-step approach in providing and disclosing necessary, but sensitive financial company information : part in application phase, part in later phases during implementation.

part of funding for demonstration activities and, if successful, a second part for follow-up investments.

- More clarity is required on the 'coordination costs' (7%). In addition to administrative overheads, specific coordination costs for operating networked innovation and technology infrastructures should be acknowledged as a project activity and they should be properly covered in addition.
- Regarding the thematic focus of the instrument, a fair balance between top-down and bottom-up considerations should be reached, allowing to build on the potential of complementarities between regional S3 to develop industrial value chains and business-driven innovation projects. In regards to this issue, and the potential high demand for the existing funds, it could be particularly interesting for the initiative to develop a "I3 tool template" which may allow regional or national authorities to reproduce the scheme at a local level and integrate it in their S3 and operating programmes.
- Clarifications on potential State aid issues regarding 1) the full State aid clearance of the I3 support and 2) mixed funding and co-funding at the regional level should be given. Some GBER exemptions and Seal of Excellence modalities could be needed to facilitate mixed funding and facilitation of regional funding for I3-like collaborative projects.
- As I3 is a brand new and demanding scheme, with strong ambitions, it needs to be as simple and flexible as possible, to allow innovation, different kinds of collaboration and approaches depending of the value chain, the projects,...Avoiding adding unneeded conditions will be key (for example overly strong geographical conditions, complete involvement of quadruple helix stakeholders (and if so: 'citizens and consumers' to be defined more broadly as 'end users')) allowing then real business-driven collaborations with economic impact to take place. Innovation ecosystem is an important concept, but it cannot be directly translated into partnership requirements in the I3 scheme, whose focus on demonstration activities calls for a very focused (and flexible) partnership composition. In addition, the interregional aspect of I3 tool should be considered at the level of the portfolio of projects (not down at level of each single project).
- Finally, a proper timeline for the implementation of the I3 tool as well as preparation time to submit quality proposals should be given, notably for the first call. Indeed, stakeholders not having at this time full clarity on the terms and conditions for preparing their projects will need it. An approach based on open calls, allowing bottom-up proposals at any time could help in developing synergies with other relevant initiatives and sources of funding.

We remain committed to further contribute and provide further inputs to the European Commission services in order to ensure a successful implementation of I3.