

## **EARTO Reaction to the EC Communication on A Competitiveness Compass for the EU**

17 February 2025

EARTO shares the understanding that Europe needs to prioritise, coordinate and simplify for its competitiveness and productivity growth at national and EU levels (See [EARTO Recommendations](#)). However, **only the inherent integration of Research, Development and Innovation (RD&I) efforts by design into the [EU Competitiveness Compass](#) will enable and ensure that Europe is at the forefront of key advanced technologies, groundbreaking innovations, and novel products and services.** For many of the proposed EU Flagship Actions, European Research & Technology Organisations (RTOs)' support will be essential to transform existing industries and create new business models based on new technologies, and scale up new industrial sectors, products and services. Based on our members' experience in facilitating the development of the EU Chips Act & European Defence Fund, we recommend to:

- 1. Insert RD&I Pillars by design in each planned EU Flagship Action targeting specific technologies or strategic industrial sectors,**
- 2. Create a Simplified Financial Toolbox for EU priorities.**

This will ensure that the proposed EU Flagship Actions and attached horizontal enablers are implemented effectively, that they complement national policies and attached investments and effectively boost the collaborative efforts of industries (large & small) and RTOs to scale up key strategic technologies.

### **Recommendation 1: Insert by design RD&I Pillars in each EU Flagship Action targeting specific technologies or strategic industrial sectors**

EARTO welcomes the proposed European Research Area Act with the Research & Development (R&D) investment goal of 3% GDP target (See example of Finnish R&D Act<sup>1</sup>). To do so, the ERA Act should develop an effective monitoring system via a new EU RD&I Semester attached to an agenda of national reforms to support Member States in developing further their RD&I capabilities. In addition, EARTO welcomes the reference to research and technology infrastructures in the forthcoming European Innovation Act. EARTO supports the **development of a strong EU strategy on Technology Infrastructures (TIs)**, covering access, networking and support to investment as described in the [recently published EC EG Report on TIs](#). TIs must be an integral part of the EU Flagship Actions which are targeting strategic technologies.

**Both the ERA Act and the European Innovation Act need to complement the technology & manufacturing strategies and their attached joint EU-National investments to be developed under the other proposed EU flagship Actions. The interlinking of EU Industrial & RD&I policies should be the key target of the Competitiveness Fund. RD&I efforts cannot be viewed in isolation but are interlinked processes that are the basis for EU competitiveness.**

**Two recent EU strategies have successfully used the approach proposed in the EU Competitiveness Compass:**

- **The European Defence Fund (EDF):** it regroups a research pillar with a clear target of 30% of the programme's funding, followed by deployment & manufacturing investments/strategy and complemented by joint EU public procurement/buying. The EDF is the first trial of a combined set of instruments under one roof within EC services which led to the creation of DG DEFIS.
- **The EU Chips Act:** it has a clear RD&I Pillar (Pillar 1) aiming to support EU tech maturation capabilities via pilot lines supported by an EU RD&I partnership. This RD&I pillar covers the whole RD&I value chain. The EU Chips Act has a clear strategy on how to boost scale-up and deployment by the EU industry with clear public and private EU/national joint funding within the pilot lines as well as the use of the IPCEI instrument to support the industry manufacturing capabilities in EU (i.e. activities subject to state aid and needing SAR exemption).

<sup>1</sup> As in Finland, the Act on Research and Development Funding entered into force on 1 January 2023 aiming for a significant increase in government R&D funding between 2024 and 2030. The Finnish Parliament has committed that the combined level of private and public R&D spending will reach 4% of GDP by 2030. However, this requires private sector R&D spending to account for at least two-thirds of total R&D spending. Encouraging and involving the private sector is at the heart of the implementation of the Finnish R&D Act to reach the target of one-euro public R&D funding encouraging two euros private R&D investment.

Drawing on the lessons learned by EARTO members, EARTO points out that to be successful and more easily implemented, the **proposed EU Flagship Actions must include a well-defined RD&I Pillar by design to cover the whole RD&I value chain.**

To avoid difficulties in coordinating different programmes and Member States' engagement, EARTO supports the EU Competitiveness Compass proposed change to EU policymaking and budgeting, going from funding instruments to funding strategic priorities that will then define what instruments and budget to plan in the function of their set targets. This requires well-targeted flagship actions to coordinate EU & national investments and policies around key sectors.

To properly implement such a combination of tech and manufacturing policies and attached investments, **EARTO recommends that the future EU Flagship Actions' RD&I Pillars are designed with:**

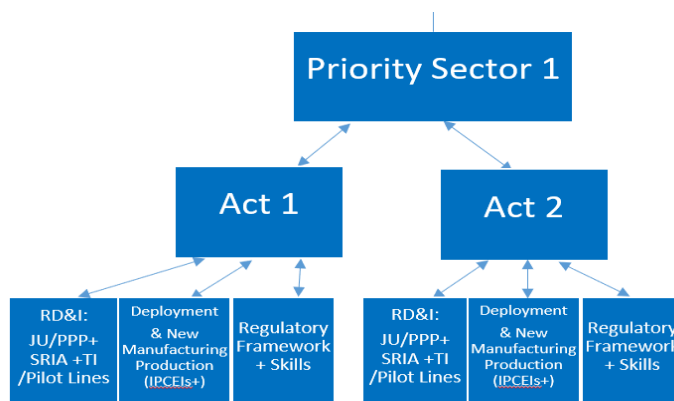
- **A clear target of EU funding for RD&I activities to be allocated to the EU Flagship Actions**, taking examples of what was done for defence and microelectronics.
- **A well-defined RD&I strategy covering the whole RD&I value chain up from research, and technology maturation up to deployment. Future RD&I investments under the EU Flagship Actions must be based on excellence:** they require excellence if to compete with the US & China.
- **Using a simplified version of the well-known EU RD&I Public-Private Partnerships.** RD&I requires the collaboration of a panoply of different private and public actors. EU RD&I public-private partnerships have a proven track record in the definition of shared strategic research and innovation agendas by all stakeholders, setting the roadmap for collective RD&I priorities at EU level to support competitiveness (See [EARTO paper on Partnerships](#)).
- **Be managed by one lead EC DG (i.e. not delegated to agencies) to ensure that RD&I investments are managed in close coordination with the other needed pillars of the Flagship Action.** The use of agencies should be clearly limited: while understandable, administration costs' reduction must not go against the quality of EU policy-making capabilities.

In addition, EARTO **recommends that the future EU Flagship Actions' RD&I Pillars are designed using the same model using a simplified set of policy instruments** as follows:

EU Flagship Actions to include RD&I Pillars by design to cover the whole RD&I value chain up		
EU Instruments to be integrated in the Flagship Actions	For what	How
<b>EU Public-Private Partnerships</b>	<b>Sector orchestration:</b> RD&I public and private actors Identification of short- and long-term needs Coordination of projects with European added value	<ul style="list-style-type: none"> <li>• Only one simplified version of the current EU RD&amp;I partnerships with much less reporting</li> <li>• One simple set of rules for participation and clear Member States' engagement and co-investments</li> </ul>
<b>EU Strategic RD&amp;I Agenda for EU Collaborative RD&amp;I</b>	<b>RD&amp;I strategy setting:</b> RD&I priorities for EU collaborative projects under the flagship action	Develop in collaboration with RD&I public and private actors with the support of Member States pulled together in EU RD&I partnerships
<b>EU Strategy on Research &amp; Technology Infrastructures</b>	<b>RD&amp;I infrastructures:</b> EU & MS Funding of research & technology infrastructures (RIs & TIs) and EU Flagship action's strategic priorities & scientific needs	<ul style="list-style-type: none"> <li>• Mapping of existing RT &amp; TIs with a gap analysis</li> <li>• Orchestration of the discussion with Member States for joint EU/National investments</li> </ul> See <a href="#">the EC EG group report</a> just published.

Examples of US and Chinese policies clearly show an imbrication of RD&I, tech, manufacturing, skills and export/FDI controls/tariffs. Accordingly, the **EU Flagship Actions/Acts, and their RD&I Pillars must be complemented by pillars on Deployment/Manufacturing Capabilities and a revised, enhanced, simplified regulatory framework (incl. standardisation, IP Policy, revised state-aid rules, skills, education).**

This translates into **a standard structure for each EU flagship action, again to simplify the EU system** as depicted in the side graph.



## Recommendation 2: Create a Simplified Financial Toolbox for EU priorities

The EU Competitiveness Compass proposes a clear change to both EU policymaking and budgeting at the same time: from funding instruments to funding strategic priorities and requires transforming the next EU budget/MFF. It answers one hard EU reality: there are too many EU parallel funding programmes with their attached programming processes and lead EC administrative services working in silos despite previous simplification efforts. This creates barriers to policy implementation as demonstrated by the [STEP](#) piloting or the implementation of the EU Chips Act. **EARTO supports the EC proposal for flexible instruments in the financial toolbox, additionally, this toolbox needs simplification.**

A Simplified Financial EU Toolbox		
Financial Tool	For what	Simplified version
<b>EU RD&amp;I Grants</b>	Covering the whole RD&I value chain	Based on the model grant agreement EU Framework programme: only 3 types of simplified grants are needed (i.e. mono-beneficiary lumpsum, collaborative RD&I and coordination grants).
<b>EU Loans, Guarantees, Equity &amp; Other Financials Instruments</b>	To speed up private investments for deployment & scale up techs, and develop manufacturing capabilities	<ul style="list-style-type: none"> <li>• One-stop-shop: e.g. the newly announced EU TechInvest Programme combining the technology transfer activities of the EIB/EIF with the EIC capabilities</li> <li>• Introducing conditionalities on RD&amp;I investments for companies: Bonus for companies having set up R&amp;D partnerships with Public Research Organisation (to boost financial instruments' leverage effect on RD&amp;I, reminder: most RPOs are not able to take loans)</li> </ul>
<b>Member States &amp; EU Co-funding Instrument</b>	To orchestrate EU & MS Co-funding which are exempt from state aid (e.g. research & technology infrastructures)	One set of simplified rules to allow MS additional co-funding for activities exempt from state-aids issues: Clarify and simplify the possibility for Member States to use EU funds they indirectly manage like Structural Funds
<b>IPCEIs+</b>	To coordinate public & private investments	<ul style="list-style-type: none"> <li>• Expanded conditions to include a broader notion of innovation to further support RD&amp;I activities</li> <li>• Revised, simplified procedure allowing additional top-off by the EU under clear conditions</li> </ul>
<b>Public procurement</b>	To coordinate public & private investments and EU joint buying	Via EU Innovation Procurement partnerships

To conclude, EARTO is positive that those two proposals put forward will ensure that RD&I efforts are included by design in the EU Competitiveness Compass and its proposed EU Flagship Actions, ultimately leading to increased European competitiveness. To summarise, **future EU Flagship Actions must:**

- **Have a similar set-up where the goals and ambitions for Europe are well-defined.**
- **Include by design an RD&I Pillar with a clear target of EU funding for RD&I activities.**
- **Cover the whole RD&I value chain, using EU Public-Private RD&I Partnerships to define joint strategies between public and private actors ensuring co-investments, including in the needed technology infrastructures.**
- **Ensure that the lead services within the EU administration managing the EU Flagship Action have a clear budget and a simpler set of instruments.**
- **Amplify the EU/national/regional coordination thanks to a simplified mechanism allowing co-funding by Member States, also when Member States/regions are ready to use indirectly managed EU funds.**
- **Be supported by the EU regulatory framework, aiming at protecting EU interests.**

EARTO remains ready to provide additional input for the further implementation of the EU Competitiveness Compass.

### **EARTO - European Association of Research and Technology Organisations**

Founded in 1999, EARTO promotes RTOs and represents their interest in Europe. EARTO network counts over 350 RTOs in more than 31 countries. EARTO members represent 228,000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.

### **RTOs - Research and Technology Organisations**

From the lab to your everyday life. RTOs innovate to improve your health and well-being, your safety and security, your mobility and connectivity. RTOs' technologies cover all scientific fields. Their work ranges from basic research to new products and services' development. RTOs are non-profit organisations whose core mission is to produce, combine and bridge various types of knowledge, skills and infrastructures to deliver a range of research and development activities in collaboration with public and industrial partners of all sizes. These activities aim to result in technological and social innovations and system solutions that contribute to and mutually reinforce their economic, societal and policy impacts.

**EARTO Contact:** [www.earto.eu](http://www.earto.eu)