Lithuanian Position Paper on the Green Paper – From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation Funding

Lithuania considers Common Strategic Framework (CSF) an important tool to achieve successful ERA development - it is of immense importance that the future CSF objectives are stated explicitly, participation rules are simple and clear, planned results and foreseen impact reached. It is crucial that all European R&D and innovation policy initiatives, programmes and tools are better coordinated or linked with each other in order to stream to the main common objectives by strengthening cooperation of the Member States and reduce fragmentation, doubling or overlapping activities. At the same time, the structure and objectives of the future CSF should ensure the continuity of FP7 as well as CIP, including instruments, content elements and tools. Creation of new instruments should be considered very carefully; we suggest making better use of the existing ones. Measures developed in CIP have to be revised and clearly defined. Priority has to be given for the support of innovation skills, innovation support services and new technologies. The main themes and measures should be primary targeting SMEs. We would also like to underline the importance of future CSF as a tool capable to create a substantial added value to the processes going on in this area on the level of all Member States.

Herewith **Lithuania seeks to stress the following aspects that have to be covered by the future CSF**:

- balance between frontier and applied research and innovation ("from idea to market");
- pooling of all EU resources (intellectual, financial and infrastructure) together in order to boost the whole potential of the ERA (balance between EU-15 and EU-12);
- simplification of the participation rules and procedures;
- bottom-up approach sustained for the strategically oriented thematic calls;
- attention to business involvement for the research and innovation activities (SMEs – as the most important actors in the research and innovation output);
- better access to finance for R&D institutions and enterprises that implement R&D and innovation activities;
- importance of Social Sciences and the Humanities in the ERA (see the last part of the Position Paper for more details).

Working together to deliver on Europe 2020

In our opinion, when striving for the Europe 2020 objectives, it is significant to **sustain the relationship between frontier and applied research and innovation** in the CSF. We consider that it is important to ensure the continuity of certain elements of the FP, e.g. frontier research, specific measures for SMEs, various mobility schemes, capacity and networking building, international cooperation. It would be worth building measures on proven and well-operating mechanisms and simplified rules. It is necessary to review the simplification procedures and conditions that have to be lucid and understandable for researchers, business actors, policy-makers and other stakeholders. Additionally, the State Aid framework needs to be reviewed in order to reflect a broader concept of innovation. We stress the importance of well-functioning, widely accessible and easily usable researchers' / participant portal.

We would recommend developing pilot projects funding scheme through all innovation chain - from R&D and production to demonstration (with special attention to R&D based innovation). It is important to encourage the continuation of successful projects in other levels of the innovation cycle or through the dedicated calls.

The advantage of EU project funding is that it focuses on the research potential in various countries, solves the important scientific development problems; promotes scientific cooperation,

mobility, and infrastructure development, thus promotes the European progress in research and innovation. Therefore the added value of the EU funding should be in **pooling of different resources** (intellectual, financial and infrastructure). Also, long-term measures should be planned to ensure systematic integration of EU12 into the ERA (EU12 participation results in FP7 show that such short-term measures are not sufficient).

Attention in the CSF should be paid to developing research capacity in terms of both human resources and research environment, also outside well-known favoured European regions. We consider further development of "Research potential" of the FP7 extremely important in order to ensure knowledge sharing, capacity building and spreading excellence across the ERA as well as for better cohesion of FP activities and SF support. We would support expanding the scope of "Regions of Knowledge" in order to strengthen the coherence between research and innovation-directed programmes. We would also suggest maintaining and developing the FP7 specific programme "Ideas", even if success rate of Lithuania is low. But since we understand very well the importance of that programme and the activities of the ERC, we draw special attention to this participation problem. We are convinced that all available excellence should be accumulated for European goals and so properly addressed within the future CSF. We think that increase of the participation rates of EU12 should be a target in the CSF generally as well as in particular in the ERC calls.

It is obvious that the EU intellectual potential is not fully discovered; therefore greater attention in the future CSF must be paid to **young researchers**, firstly, from the EU itself, but also from the EU neighbouring countries and on the global scale in general. This issue should be addressed both in calls for proposals and in project evaluation process.

As for the R&D infrastructure, it is important to highlight the geographical location of the facilities in the EU and strive for more **even distribution of R&D infrastructure** thereof both on the EU level and in the Member States, in this way contributing to the strengthening of the R&D potential in Europe and the development of regional cooperation.

CSF should maintain the diversity of the projects, giving priority to the strategic ones. As large projects coordination is often quite complex, in order to achieve better results it is advisable to fund smaller projects that cooperate with each other and create a number of strategic networks.

A part of the budget in each thematic area should be assigned for the **"bottom up" type projects** (particularly, small-budget and short-term) that would target to identify and solve specific issues in the relevant field. We suggest that part of the financial support for research projects were assigned for such type projects.

We also call attention to the fact that such FP measures as ERA-NET and ERA-NET Plus schemes maintain their importance as they contribute to the cross-border coordination of R&D policies and research. Likewise, we propose continuing development of OMC-NET type projects that unlock the potential of developing the dimension of research policy coherence across the EU and of strengthening partnerships of MS in this area.

We propose introducing the concept of **a high risk project**. It should be made possible to implement these projects in two phases, when the pilot part of the project could sustain or deny feasibility of the whole project; in case of a negative result, execution of the project could be terminated with the declaration of already incurred costs.

In our opinion, small business innovation/R&D schemes should be developed in a more comprehensible way. European support should be aimed at supporting the business establishment and start up incentives for the new innovative companies. The already existing European support should be utilized more efficiently, like CIP by setting up measures directly oriented to SMEs for their real actions.

We also note the importance to improve the current FP project **evaluation system**. Equal regional representation in expert selection should be better reflected - the project evaluation process should involve more evaluators from the EU-12 countries. The same is applicable to the governing bodies of individual FP7 programmes and initiatives where the EU12 are also underrepresented. Here is a clear room for improvement in the future CSF.

Future CSF should be considerably simplified. Project application and implementation process should be based on a clear and simple cycle. We would recommend some measures for budget simplification: lump sums, flat rates, minimization of ex-post audits (for low-budget partner's ex-post audit not applicable). We would suggest simplification of the peer review and reporting procedures up to reasonable limits (to formalise not only financial, but also their subject reports), to implement **trust-based approach** for all participants as well. Also, measures reducing time to grant should be applied. A uniform internal interpretation, application and administration of the rules between different DGs must be ensured. Also, we recommend acceptance of value added taxes as an eligible cost item.

We would recommend considering developing **uniformed sets of rules and documents**, **simplifying procedures and conditions**:

- uniform minimum requirements for participants in several groups: e.g., bottom-up projects (one participant), co-operation projects (2-3 participants), networks (10 participants);
- uniform formats of programmes and documents;
- uniform partner search systems (like the FP7 IRT IDEALIST system works fine, other areas are still under development);
- uniform application systems;
- uniform rules of project management;
- uniform financial rules (at present even within FP7, including JTIs, intensities and funding of indirect costs rates are different);
- equal reporting frequency;
- uniform rules for publishing the results of the projects;
- uniform format for the specification of project's achievements (as C form for financial administration).

In our point of view better flexibility of the CSF could be achieved by:

- setting the "fixed cost" method of payment in all parts of the program as a possible alternative;
- making additional calls allowing new partners to join the projects which are already running;
- introducing the possibility of failure: to stop the ongoing project (due to risky idea, changed environment, i.e., new technology in the market) or possibility for partner to resign from the project without financial loss;
- preparing a scheme to promote the usage of public procurement as well as pre-commercial public procurement for R&D and innovative products.

Tackling global and societal challenges

The future CSF should be focused on a **limited number of global and societal challenges**, however, we strongly believe that the selection of grand societal challenges, their governance, financing, monitoring and impact assessment mechanisms, should be defined in in-depth consultation and with active involvement of the Member States and relevant stakeholders early before they are launched.

A part of an overall CSF measures should be targeted on urgent European challenges, such as climate change, aging, people's quality of life issues, with relevant attention to food safety and quality. We would also suggest considering as a priority such projects that contribute to solving problems with energy consumption and environmental pollution.

It should also be noted that the tackling societal challenges should involve necessary means from fundamental to applied research and innovation as well as bottom-up approach for the strategically oriented thematic calls. It is important to constantly have a clear overview of all programmes and initiatives at the EU level which aim and focus on a particular objective tackling a challenge. Active role and wide participation of the Member States is crucial at this point.

Strengthening competitiveness

Actual output of Europe's research and innovation agenda for the next financial perspective should be directly oriented for growth, especially with the aim for Europe to be competitive on global arena. Therefore, in our opinion, the **link between R&D and innovation** in the future CSF should be clearly articulated, involving all possible actors: students, researchers, research and higher education institutions, society, industry, especially small and medium size enterprises (SMEs). Lithuania considers **SMEs** (as they are currently defined) **as the most important actors in the R&D and innovation output**, since SMEs generally operate with immense innovative capabilities, even though in narrowly defined thematic fields, and close to the market.

Needs of essential facilitating for SMEs participation in research and innovation programmes go in line with the simplification of the participation procedures (reducing the application and implementation phases of the projects and with the view to facts-changing conditions of the market needs), accessibility and flexibility (i.e. possibility to join projects already ongoing or possibility to resign the project without financial penalty). Companies implementing innovate solutions and using results of R&D (R&D for SMEs' scheme) should be paid particular attention to, for example, when giving certain priority in evaluation.

Concerning the RSFF tool, we would like to stress that such country like Lithuania was not able to take large advantage of the use of this tool. Our institutions who could have considered the possibility of lending the money for research infrastructures do not have sufficient revenues to reimburse the loan within the timeframe suggested by the European Investment Bank. Therefore, in our opinion, it is important that the RSFF financial measures become appropriate in smaller loans and could be applied for such legal persons like SMEs. The abilities of SMEs to be active players in research and innovation chain could then be successfully enhanced.

Industrial companies could be more actively involved in research and innovation programmes only when will see an economic interest in it. Joint initiatives between R&D and industry could be encouraged by various simplification instruments, especially tax incentives. Also, we would propose to harmonise participation and funding rules between different Joint Technology Initiatives (JTIs). Unfortunately, at present participation in the JTIs is attractive only for large industrial companies; there is no clear harmonised mechanism on joining the JTI as well. So far there are several new initiatives that are being implemented such as KICs and European Innovation Partnerships that address societal challenges (climate change, energy efficiency and etc.). We stress that it is necessary to provide measures and conditions for smaller countries to participate in joint initiatives. We also see the possibility to use EU structural funds to cover the Member States' fees in joint EU initiatives.

Strengthening Europe's science base and the European Research Area

Lithuania appreciates the progress of European Research Council (ERC) for the ERA and supports the idea that the same or even better funding in the future CSF should be ensured for the ERC funding schemes. We would also propose that the ERC functions could include the support for joint projects, involving teams of researchers from different Member States, since we believe that cross-border cooperation in R&D and innovation especially performed by talented and highly competitive researchers increase its value. However, in order to encourage excellent researchers from all Member States to be active in the ERC calls and taking into account that ERC applicants are prominent national researchers, we strongly recommend that in the framework of CSF greater weight in proposal evaluation criteria should be attached to the project's scientific idea, i.e. scientific excellence, rather that the track-record of the investigator or team. Also, we suggest increasing the share of the ERC starting grants. This would increase interest and attractiveness of CSF to young researchers.

Alongside, the principle of research excellence should be clearly defined in the CSF, but the **excellent idea** of the project together with the competence of the researchers, researchers' team should gain priority in the evaluation process and make its way to the results easier.

We strongly support the continuation of efforts to professionalize the careers of early stage researchers, as well as retaining the focus on research-based training and increasing access to Marie Curie initiatives for junior post-doc researchers. However, the Marie Curie activities should also include more possibilities for the mobility between sectors.

Lithuania stresses the importance of **Social Sciences and Humanities** (SSH) since as any area of science, SSH include wide range activities - from basic to applied science, moreover development of innovation that is of very high importance for the developing of the activities of society as well. The SSH is closely related to the national or regional culture, history, language, traditions and perception of the identity. SSH plays a very important role to offer innovative solutions for the problems of a particular society, e.g. socio-psychological and personality problems prevention, problems caused by migration, etc. On the other hand, SSH create an added value to the EU and propose innovative solutions for common society issues, for example: multilingualism, demographics, social equality, creative industries and many others. It is very important also to find ways for more effective SSH integration into other areas of science on the level of CSF; therefore in R&D and innovation projects we would recommend to refer to societal consequences and invoke SSH for finding the solutions. The following SSH measures in R&D and innovation projects could involve:

-individual grants, as in SSH, especially in the humanities, individual researchers are dominated;

-support for the mobility schemes, since SSH representatives are less dependent from the infrastructure and researchers' team.