

# JOINT STATEMENT OF THE NATIONAL EVENT OF ESTONIA Synergies between European Structural and Investment Funds (ESIF) & Research and Innovation Funding

*organised by*

European Commission, Joint Research Centre (Stairway to Excellence Initiative),  
DG REGIO, and the Estonian Research Council (ETAg<sup>1</sup>).

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The development of efficient research and innovation strategies for smart specialisation (RIS3)<sup>2</sup> requires Member States (MSs) and their regions to identify a limited number of research areas and related industrial activities with high innovation potential. In this context, *the Stairway to Excellence* (S2E)<sup>3</sup> project aims at facilitating synergies between different European Research and Innovation (R&I) frameworks and funding programmes, such as European Structural and Investment Funds (ESIF), Horizon 2020, COSME, ERASMUS+ and Creative Europe, aiming at minimizing the innovation gap and thus promote economic growth and job creation.

The S2E national event - jointly organised by the European Commission, Directorate General Joint Research Centre (DG JRC), Directorate-General for Regional and Urban Policy (DG REGIO), and the Estonian Research Council - took place in Tallinn on March 11, 2016 as part of the effort by the S2E Initiative, to assist capacity building in the EU13 Member States<sup>4</sup>. The event brought together different stakeholders and provided a platform for a better understanding of the Estonian innovation ecosystem while raising awareness of the actions needed to enable synergies and drawing lessons for future actions.

The Estonian National Event provided an effective venue for engaging different stakeholders and discussing forward-looking results. 50 participants joined the event from several academic/research institutions, public and private sectors, as well as Horizon 2020 National Contact Points (NCPs) and Managing Authorities (MAs). As an indication of the commitment to this topic by the Estonian Authorities, the event was opened by the Deputy Secretary General for Economic Development of the Estonian Ministry of Economic Affairs and Communication. Moreover, a number of international experts from other European countries (Poland, Lithuania and Finland) presented their experience on innovation governance, policies and the creation of synergies. All these inputs offered insightful

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<sup>1</sup> ETAg is the main research funding body in Estonia, reporting to the Ministry of Education and Research

<sup>2</sup> <http://s3platform.jrc.ec.europa.eu>

<sup>3</sup> <http://s3platform.jrc.ec.europa.eu/stairway-to-excellence>

<sup>4</sup> "EU13" refers to those 13 Member States which have joined the European Union since 2004.

elements for discussion in the different panels and participatory sessions throughout the event. *General comments and recommendations are summarised below*<sup>5</sup>.

## Main issues and possible actions to address them

### 1. Strategic vision and Stakeholders involvement

- **Macroeconomic and research performance:** in 2014 Estonia's GDP per capita (in PPS per capita) was 24% below the EU28 average, but still in the top tier of EU13 countries (source: Eurostat). During the 2007-2013 funding period, compared with other EU13 Member States, Estonia has had a notable performance in terms of R&D expenditures and participation in EU research funding programmes. Estonian organisations participated in 541 and coordinated 55 FP7 funded projects. EU FP7 contribution per inhabitant reached €66.2 per capita, which is significantly higher than EU13 average (€17.8 per capita). While its FP7 contribution per capita is still lower than EU15 average (95.2€ per capita)<sup>6</sup>, Estonia achieved the highest average of FP7 contribution within all EU13 MS. In 2013, the level of R&D expenditure based on GDP (1.74%) was higher than the EU13 average (1.05%) but below the EU15 average (2.09%).
- **Stakeholders' interaction:** One of the challenges at national level is to integrate different programmes and create a better coordination of national institutions in order to ensure effective information exchange between different stakeholders, particularly information exchange between universities and the private sector. In this respect more efforts should be done to better inform businesses on cooperation opportunities with academia. The *National Technology Programme* proved to be an effective model for funding the industry-university links and it is recommended to renew it. To complement this national initiative, stakeholders are encouraged to implement *Knowledge Alliances*<sup>7</sup>, which are also a good platform to establish international links. More generally, the deployment of knowledge hubs at local/regional level should be investigated as a way to

**Key Issue 1:** Business awareness of cooperation opportunities with academia can be improved

**Potential Action(s):**

Estonian national authorities:

- *Renew the National Technology Programme funding the industry-university link.*
- *Consider the development of knowledge hubs*

<sup>5</sup> Disclaimer: *These general comments and recommendations do not represent ETag's nor the European Commission's official position, but are the outcome of the panel discussions.*

<sup>6</sup> For more information on sources and FP7 participation, please see *S2E Facts & Figures for Estonia*: <http://s3platform.jrc.ec.europa.eu/country-region-information>

<sup>7</sup> See for instance: [https://eacea.ec.europa.eu/erasmus-plus/actions/key-action-2-cooperation-for-innovation-and-exchange-good-practices/knowledge-alliances\\_en](https://eacea.ec.europa.eu/erasmus-plus/actions/key-action-2-cooperation-for-innovation-and-exchange-good-practices/knowledge-alliances_en)

facilitate stakeholders' interaction.

- **Long term strategies:** Estonia started identifying priority areas for investment 10 years ago. Estonia's Smart Specialisation (RIS3) framework has helped the country to align research and innovation activities under a limited set of R&I priorities and a consistent strategic approach. In the implementation of the framework an essential share of the funds should be concentrated on these priorities. However the strategic vision, vitality of coordination and governance of the RIS3 framework, as well as continuous monitoring and analysis of the growth areas still needs to be enhanced in order to find narrower niches with greatest potential. In one of the parallel session, the concern was raised that there are no commonly approved goals and long term strategies in the research and innovation ecosystem. This emphasizes the importance of pursuing a continuous Entrepreneurial discovery process (EDP) as an inclusive and interactive bottom-up process in which participants from different environments (policy, business, academia, etc) are discovering and producing information about potential new activities, identifying potential opportunities that emerge through this interaction, while policymakers assess outcomes and ways to facilitate the realisation of this potential. Among the potential axes for further action to strengthen the strategic long term vision, focusing on concrete steps in implementation has been proposed under the slogan "*focus on implementation. It is time to act!*" This implies that the strategic issues can be solved in practice, through learning by doing. Following from this, the importance of face-to-face relation (for coordination, sharing strategic vision, networking etc.) was highlighted. Considering Estonia's manageable size, this approach could prove successful.
- **Commercialisation of research:** Estonia is a country of "product developers" selling its research to multinationals and foreign capital because it does not have the critical mass and scale to implement it. There is therefore a lack of practical experience on the commercialisation of research.
- **International collaboration:** In spite of a good level of participation in research funding programmes, including FP7<sup>8</sup>, there is still room for enhancing international collaboration, especially with EU15 Member States. The need for new schemes to support research organisations to access international networks is underlined. This would also contribute to the phase of commercial exploitation of research results (see previous point) and compensate the fact that the readiness level of Estonian business enterprises is not adequate to address all the potential outcomes pending to be served into the market. Reinforcing participation to the *Twinning* initiative under the *Spreading Excellence and*

**Key Issue 2:** Lack of consensus on long-term strategies

**Potential Action(s):**

Estonian national authorities:

- *Fathom the importance of the entrepreneurial discovery process as a key facilitator.*

<sup>8</sup> See for instance:

[http://s3platform.jrc.ec.europa.eu/documents/20182/117536/S2E\\_EE\\_national\\_profile.pdf/33aeb52e-a7df-436c-9d37-63eddb8a886b](http://s3platform.jrc.ec.europa.eu/documents/20182/117536/S2E_EE_national_profile.pdf/33aeb52e-a7df-436c-9d37-63eddb8a886b)

*Widening Participation* programme<sup>9</sup> could be a good way to consolidate collaborations with reference institutions in the specialisation areas identified. This could facilitate their integration in international platforms and networks within these fields. In parallel, this could be supported by other schemes for introducing young researchers and PhD holders to business. In this respect, European Industrial Doctorates<sup>10</sup> can serve as good examples on industrial PhD programmes at EU level

## 2. Research funding

- **Block grants:** National funding mostly targets individuals or specific projects. During the parallel discussions, it was suggested that increasing the level of block grants would add flexibility and improve Estonian research organisations' strategic vision and long-term planning.

*Key Issue 3: Excessive reliance on Structural Funds; in some cases 1 to 3 year gap to start new projects after the programming period finishes; 7-year planning is perceived as flexibility-averse*

### Potential Action(s):

Estonian national authorities:

- *Establish a larger national RDI fund to allow stability and flexibility.*

- **National funding:** Funding at national level is highly competitive, to the point that Research actors often prefer to target European Commission (EC) funding rather than national funding. This has led to a situation of too much dependency on Structural Funds (SF<sup>11</sup>), because SF money was less competitive and easier to obtain for research actors. For Instance, Enterprise Estonia, one of the implementing units of the SF in Estonia, intermediated the use of SF money for R&D measures but when this fund ended, the support froze during three years. This advocates for more national budget set aside to allow for more stability in performing research activities

<sup>9</sup> See for instance: <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/spreading-excellence-and-widening-participation>

<sup>10</sup> European Industrial Doctorates (EID) are part of the Marie Skłodowska-Curie action called Innovative Training Networks (ITN). See for instance: [http://ec.europa.eu/research/mariecurieactions/about-msca/actions/itn/index\\_en.htm](http://ec.europa.eu/research/mariecurieactions/about-msca/actions/itn/index_en.htm). Examples of national/regional schemes include, for instance: <http://doctoratsindustrials.gencat.cat/en/contents/view/6>, <http://innovationsfonden.dk/en/application/erhvervsphd>, <http://www.deusto.es/cs/Satellite/deusto/en/phd-1/phd-programmes-3/industrial-phd-programme/programa>,

<sup>11</sup> Although the current funding instrument is "**ESIF**" (European Structural and Investment Funds) for the 2014-2020 period, the parallel sessions were largely dealing with experience drawn from the previous programming period(s), hence the occasional use of "**SF**" (Structural Fund) terminology when applicable.

*Key Issue 4: Synergies impose several levels of rules (national, SF and H2020) which are difficult to combine in practice*

**Potential Action(s):**

*European Commission:*

- *Deploy more effort to guide or explain the rules and their clear interpretation.*

- **Structural Funds dependency**<sup>11</sup>: A lot of SF money has been invested in infrastructures, but there is a lack of sequential funding for researchers to use these infrastructures. Increasing the national R&D funding resource could give Estonia more flexibility on how to better complement SF. However, although SF and ESIF can be used swiftly into either infrastructure or research, it must also be pointed out that seven year plans, once defined cannot easily be changed: An Estonian Official mentioned that the amendment procedure of the ESIF Partnership Agreement and Operational Programme is time consuming. Finally, although SF and ESIF rules allow for modifying the seven year plans, there are too many controls which give Managing Authorities (MAs) the feeling that avoiding making changes would be safer. This is

another reason why it would be useful to increase the national RD&I budget to give the flexibility to initiate new schemes when needed<sup>12</sup>.

- **Programming gaps**: Finally, because of Estonia's high dependence on ESIF/SF, there have been cases of gaps of one to three years between the end of the SF programming period and the launch of new projects. The launch of new calls can sometimes be delayed, pending the Operational Programmes approval by the European Commission<sup>13</sup>, which, in some cases, leads to the complete stop of some projects. This is another reason why the country should set aside a larger national funding for RDI projects.

### 3. Regulations and their interpretation

- **Overly strict interpretation**: When funding synergies are taking place between ESIF and Horizon 2020, EU funding imposes additional layers of rules to national funding. While EU regulation is perceived as too rigid, it is also sometimes a self-created limitation by national MAs in interpreting the regulations in an excessively strict way rather than the regulations themselves. MAs are reluctant to take responsibility for interpretations or finding solutions to misunderstandings related to ESIF or Horizon 2020 rules in order to limit financial amendments related risks. Some Estonian participants suggested that the European Commission should give more guidance on the rules imposed on funding and on their

<sup>12</sup> Possibilities for this also need to be weighed against the different needs related to the Estonian competitiveness strategies.

<sup>13</sup> This is especially true for non-generic calls that run the risk of not being approved within the OP, or of being approved with modified conditions.

interpretation by Member States<sup>14</sup>. Another line of action for MAs could be, under Thematic Objective 11, to include specific capacity building initiatives addressed at auditors/controllers to reinforce their knowledge on the application of common provision regulations.

- **Inconsistent interpretation:** Moreover, there are various interpretations of rules subject to financial audits. For instance overhead flat rate as well as direct/indirect costs lead sometimes to different interpretations. This calls for more consistency, more streamlining, and clearer guidelines. A concrete measure could be to have Estonian financial auditors commissioned by the MAs to follow EU trainings on EU financial procedures in order to facilitate compliance with them.
- **Procedural simplification:** While European law has more room for interpretation, a wider use of case law could serve as a model where practice is guided through examples. In the particular case of research project funding, an increased use of case law could be one option to facilitate a clearer interpretation of regulations. Another concern voiced during the event is the excess of bureaucracy and administrative burden, calling for a simplification of the ESIF procedures.

*Key Issue 5: Regulations interpretation can vary*

**Potential Action(s):**

Estonian national authorities:

- *Under Thematic Objective 11, to include specific capacity building initiatives addressed at auditors/controllers to reinforce their knowledge on the application of common provision regulations.*

## 4. The Way Forward

The state of play of the above key issues and actions mentioned in this Joint Statement will be followed up after a period of one year with:

- A survey targeting managing authorities in charge of the implementation of synergies and beneficiaries of national and EU funding to assess the progress with regard to the issues raised in this Joint Statement;
- A follow-up seminar with Managing authorities to monitor the progress on issues assessed in the Joint Statement in more depth and to develop further actions to be taken.

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<sup>14</sup> This should not however overlook the fact that the European Commission regularly offers training for member states, especially for ESIF management and control. Cf., for instance:

[http://ec.europa.eu/regional\\_policy/index.cfm/en/information/legislation/guidance/training](http://ec.europa.eu/regional_policy/index.cfm/en/information/legislation/guidance/training)

Furthermore, in order to widen the benefit of the discussion to a broader network involving all potential research and innovation stakeholders, the EC will disseminate relevant information to:

- Help Estonian stakeholders to build capacity and international networks.
- Establish an information system to inform on examples of synergies that take place Estonia.