EARTO Analysis of EC Legislative Proposal: Digital Europe Programme

25 June 2018

Views on Explanatory Memorandum:

EARTO very much welcomes the EC legislative proposal for a new Digital Europe Programme and hereby would like to congratulate the EC for a well-rounded introduction in its explanatory memorandum. The DEP is targeting key issues for Europe's future. EARTO very much welcomes the work proposed on High performance computing, Artificial intelligence, Cybersecurity as key elements in the Digitalization Strategy. This is the first time that the European Commission is proposing a package not only containing funding for RD&I activities but also for capacity building. We have a comprehensive text provided by the European Commission with clear directions and goals to be achieved. EARTO members will be closely following the implementation of this programme. It is clear as well that the implementation plan throughout Horizon Europe will be important as well. Here EARTO members (being RTOs) see themselves as playing a very active role in this implementation. In this context, EARTO welcomes the openness of the EC to welcome RTOs experts in the different High-Level Groups supporting the EC in drawing further plans on those key investments.

Especially, EARTO would like to highlight the importance of few key statements made within this memorandum as follows:

- *"If the EU does not engage, these investments will not happen to the extend needed and the EU risks losing its competitiveness"* (page 7).
- *"The EU therefore needs a new, integrated and ambitious financing programme to support the deployment and optimal use of digital capacities that underpin innovation in areas of public interest and business*" (Page 8).
- *"The programme will also consider the added value of combining digital with other enabling technologies in order to maximize benefits from digitalization"* (Page 2), And again in page 12: "*Where appropriate, implementation may also leverage other core digital technologies that are reaching market maturity and subject of previous EU level investments such as 5G, IoT and cloud-based services*".

Digital Europe - Review of the Regulation's Articles & Annexes			
Topic	**DEP Text & Article**	**Analysis**	**Text Changes Proposed**
Capacities & Infrastructure	**Explanatory Memorandum – Page 4:** Horizon Europe will be the sole centrally-managed EU programme supporting research and technological development and the main programme for demonstration, piloting, proof-of-concept, testing and innovation including pre-commercial deployment. The Digital Europe programme, on the other hand, **will focus on large-scale digital capacity and infrastructure building**, with the objective of wide uptake and deployment across Europe of critical existing or tested innovative digital solutions.	The articulation of the respective roles of Horizon Europe and Digital Europe are clearly stated. The focus on digital capacity and infrastructure building under Digital Europe is highly valued.	**Important text, to keep as it is.**
EIT	**Explanatory Memorandum - Page 5**: Initiatives of Horizon Europe supporting the development of digital skills, including those delivered at the co-location centres of the European Institute of Innovation and Technology's	Beforehand, the alignment of objectives of EIT Digital and DEP has to be successful based on a thorough analysis of the value add of EIT Digital in the focus areas of DEP. Only then	

	EIT Digital, shall be complemented and scaled-up by Digital Europe-supported capacity-building in advanced digital skills. EIT nodes bring together students, researchers, engineers and business developers to co-design and collaborate on the implementation of innovation projects and business creation and support. To ensure strong coordination mechanisms for implementation, the operating procedures for both programmes will be aligned.	can DEP and EIT Digital aim for a joint development of digital skills and alignment of operating procedures.	
IPRs	**(41)** The Programme should be implemented in full respect of the international and EU framework of intellectual property protection and enforcement. The effective protection of intellectual property plays a key role in innovation and thus is necessary for the effective implementation of the Programme.	The realization that IPRs are key is very welcome.	**Important text, to keep as is.**
Types of Financing	**(45)** … The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. This should include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as referred to in Article 125(1) of the Financial Regulation.	This indicates a certain flexibility in financing, something that most RTOs should appreciate in their struggle to get their efforts compensated. See our various comments on HEU financial aspects.	
Definition Innovation Hub	**Article 2 (e)** 'Digital Innovation Hub' means legal entity designated or selected in an open and competitive procedure in order to fulfil the tasks under the Programme, in particular providing access to technological expertise and experimentation facilities, such as equipment and software tools to enable the digital transformation of the industry.	The legal entity requirement puts unnecessary constraints. Extra administrative layer (KIC-model) should be avoided. It would be leaner if coordination could be assigned also to a legal entity in a network of legal entities.	**Add text:** A legal entity **or a consortium of legal entities** selected in an open and competitive manner.
Synergies of Fund	**Article 9 (5)** Resources allocated to Member States under shared management may, at their request, be transferred to the Programme… where possible those resources shall be used for the benefit of the Member State concerned.	This should not create eligibility barriers for European entities. The benefit should be interpreted also as impact in the MS. In the context of digital innovation hubs, Europe as a whole may lose out if the best expertise is not allowed to participate cross-border.	
Third countries participation	**Article 10** … ensures a fair balance as regards the contributions and benefits of the third country participating in the Union programmes	Reciprocity with third countries is very much needed. This article should be also to be in line with the new EC regulation on FDI: A Commission's proposal for a Regulation establishing a framework for screening of foreign direct investments. This proposal aims to contribute to the Commission's objective to "defend our strategic interests" (President Juncker) and protect Europe's strategic assets. The focus of the EC proposal is on foreign investments that threaten security and public order, including when they affect "critical technologies, infrastructure, inputs or sensitive information". By end 2018, the Commission will present an in-depth analysis of foreign	**Add reference to the comping EC regulation on FDI.**

		direct investment flows into the EU, including in strategic sectors (such as energy, space, transport) and assets (key technologies, critical infrastructure, sensitive data).	
Digital Innovation Hubs	**Article 16** 1. During the first year of the implementation of the Programme, an initial network of Digital Innovation Hubs shall be established. 2. For the purpose of the establishment of the network mentioned in paragraph 1, each Member State shall designate candidate entities through an open and competitive process, on the basis of the following criteria: (a) appropriate competences related to the functions of the Digital Innovation Hubs; (b) appropriate management capacity, staff and infrastructure; (c) operational and legal means to apply the administrative, contractual and financial management rules laid down at Union level; (d) appropriate financial guarantees, issued preferably by a public authority, corresponding to the level of Union funds it will be called upon to manage. 3. The Commission shall adopt a decision on the selection of entities forming the initial network. These entities shall be selected by the Commission from candidate entities designated by Member States on the basis of the criteria mentioned in paragraph 2 and the following additional criteria: (a) the budget available for the financing of the initial network; (b) the need to ensure by the initial network a coverage of the needs of industry and areas of public interest and a comprehensive and balanced geographical coverage. 4. Additional Digital Innovation Hubs shall be selected on the basis of an open and competitive process, in such a way to ensure the widest geographical coverage across Europe. The number of entities of the network shall be proportional to the population of a given Member States and there shall be at least one Digital Innovation Hub per Member State. To address the specific constraints faced by the EU outermost regions, specific entities may be nominated to cover their needs. 5. The Digital Innovation Hubs may receive funding in the form of grants. 6. The Digital Innovation Hubs which receive funding shall be involved in the implementation of the Programme to: (a) provide digital transformation services - including testing and experimentation facilities - targeted towards SMEs and midcaps, also in sectors that are slow in the uptake of digital and related technologies; (b) transfer expertise and know-how between regions, in particular by networking SMEs and midcaps established in	We very much welcome a European label of excellence for Digital Innovation Hubs to favour interconnections, ensure the supply of appropriate competences including high quality processes, skills to carry out RD&I and validation of technologies. We very much welcome the role of Member States in this selection process. One of the criteria should be the inclusion of DIHs in European Region's Strategies. See **EARTO Paper on European Innovation Hubs: An Ecosystem Approach to Accelerate the Uptake of Innovation in Key Enabling Technologies** - 23 February 2018 - link. In addition, EARTO members have shared their experiences using cascade funding and hope those will be picked up to simplify the system allowing great work to be done with SMEs.	**Text Changes proposed for point 2 & 3:** 2. For the purpose of the establishment of the network mentioned in paragraph 1, each Member State shall designate candidate entities through an open and competitive process on the basis of the following criteria: (a) appropriate competences related to the functions of the Digital Innovation Hubs, **including capacity of validating technologies;** (b) appropriate management capacity, staff, ~~and~~ infrastructures and **skills to carry out RD&I;** (c) operational and legal means to apply the administrative, contractual and financial management rules laid down at Union level; (d) appropriate financial guarantees, issued preferably by a public authority **(e) alignment with Regions' Strategies** 3. The Commission shall adopt a decision on the selection of entities forming the initial network. These entities shall be selected **and labelled** by the Commission from candidate entities designated by Member States on the basis of the criteria mentioned in paragraph 2 and the following additional criteria:

	one region with Digital Innovation Hubs established in other regions which are best suited to provide relevant services; (c) provide thematic services, including services related to artificial intelligence, high performance computing and cybersecurity and trust to the administrations, public sector organisations, SMEs and midcaps. Individual Digital Innovation Hubs may specialise in specific thematic services and do not need to provide all thematic services mentioned in this paragraph; (d) provide financial support to third parties, under the specific objective 4, Advanced Digital Skills.		
Audits	**Article 26 (5)** Actions that receive cumulative funding from different Union programmes shall be audited only once, covering all involved programmes and their respective applicable rules.	Cross reliance of audits is very much welcome.	**Important text, to keep as is.**

EARTO and its experts remain of course ready to further discuss these recommendations with the European Institutions' representatives.

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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 with public missions to support society. To do so, they closely cooperate with industries, large and small, as well as a wide array of public actors.

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 20 countries. EARTO members represent 150.000 highly-skilled researchers and engineers managing a wide range of innovation infrastructures.

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