

Position

Roadmap: Revision of Communication on IPCEI

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Feedback

Bitkom welcomes the Commission's initiative to review the Communication on important projects of common European interest (IPCEI) before its expiration on 31 December 2021. We appreciate the opportunity to provide feedback on the roadmap. Given that some of Bitkoms' members are participants or partners in IPCEIs, we were able to draw on comprehensive experience with this instrument.

IPCEIs are about ambitious and large scale cross-border projects that often entail significant risks, which private investors are initially not able to take on in Europe. In such cases, public support from several EU Member States may be necessary to fill the financing gap in order to overcome this kind of market failure and allow abovementioned strategic projects to emerge in Europe. Bitkom believes IPCEIs to be a suitable instrument to stimulate private investments for strategic R&D&I projects in Europe. It is important to promote and foster value creation and economic activity in Europe as a business location while staying open and compliant with state aid rules and WTO-provisions.

Bitkom explicitly welcomes that existing instruments, such as IPCEIs, are increasingly being used for digital technologies, e.g. on microelectronics. In the digital age, both digital- and industrial-policy are essential parts of good economic policy. In order to become more effective, the renewed communication will need to broaden the scope of IPCEIs in line with current policies, simplify the rules, improve the governance and further develop the instrument's flexibility. To this end, Bitkom would like to make the following recommendations:

- **Scope:** Building upon the work of the "Strategic Forum for Important Projects of Common European Interest" established in the context of the Renewed EU Industrial Policy Strategy, we aim to intensify the dialogue within said platform on potential actions in the fields of High performance computing, Microelectronics,

¹ Precise definition to be delivered by stakeholders.

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Smart health, Industrial Internet of Things, Cloud, and Cybersecurity. The aim is to identify relevant digital technologies and key strategic value chains that support the Commission's priorities, such as the European Green Deal, the Industrial Strategy and the Digital Strategy. It is key to create funding synergies and to better link up the IP-CEIs with the funding available nationally and through NextGen EU, including the Recovery and Resilience Facility. Overall a coherent, consistent and streamlined sequence of instruments, depending on the maturity of technologies, must occur on the national and European level.

- **Purpose:** Industrial policy should not be used to duplicate existing capacities, but should aim to create innovation and a genuine "leap forward". Free market principles, a level playing field and competition based on price and quality continue to be the baseline for technology development.
- **Governance:** Given the cross-border nature and size of IPCEIs, the application requires significant coordination efforts, in particular to gather essential information for the approval process. A central help desk set up by the European Commission and participating Member States staffed with funding experts could support the consortium partners during the preparation phase of new IPCEIs. In particular, with regards to providing guidance on administrative work, using lessons learned from existing IPCEIs and avoiding formal mistakes to speed up the whole application process. Also, there will always be the need for flexibility in regards to approval periods of the member states and project periods of participating IPCEI partners.
- **Clarity:** The current IPCEI communication lacks clarity, especially for people not yet familiar with the topic. Given the Commission's aim to facilitate the involvement of SMEs, the Communication needs to be better structured and clearer.
- **Eligibility:** The requirements on eligible costs (notably those related to first industrial deployment projects) need to be clearer. The time span between application on national level including submission of budget calculation determining the funding amount and final EU-notification was 2 years in some cases. IPCEI's time-to-grant of eight to maximum twelve months must be the target, especially when dealing with rapidly evolving technologies. Also procedures for the selection process must be simplified and significantly accelerated. The Commission should accept eligible projects just once, leaving relevant Member States in the driving seat for all remaining stages in the IPCEI preparation process. It should also harmonise timelines and notifications for project selection across Member States.
- **Funding:** The evaluation of the funding gap, as specified in the Communication, should be clarified, as it is not clear how the technological, financial and regulatory risks involved can effectively be taken into account. The definition of the counterfac-

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tual scenario and the proposed definition for the funding gap can make the evaluation of the necessity and proportionality of the aid challenging. Also, the maximum permissible grant amount is limited by the eligible cost and the funding gap. While grant amount and eligible cost are nominal values, the funding gap is a discounted value. The current procedure of simply defining the funding gap as the maximum grant amount does not adequately reflect this fundamental difference and makes the declared goal of closing the funding gap difficult to reach. A clear rule about how to discount the funding when comparing the grant to the funding gap is needed. In addition, IPCEI funding received - legitimated on market failure as described above - must be incentive-compatible as well as predictable, reliable, and transparent.

- **Agility:** The approach in every IPCEI is case specific and different technologies may require adaptations. Flexibility should be an underlying element in the deployment of IPCEIs. Shifting economic and technological conditions make adaption of monitoring mechanisms, KPIs and multi-year roadmaps fundamental. While EU rules permit to commence work on the project without jeopardizing eligibility once the proposal has been submitted, national rules (e.g. in Germany) often do not provide this possibility. Future IPCEI rules should therefore include regulation that the invitation to submit a project portfolio also serves as the permit to start first activities (on the own risk of the applicant) and such allow participants to gain valuable time in the implementation of the project.
- **Reporting:** The foreseen reporting lines are challenging confidentiality measures and introduce a duplication of reporting structures. Instead, while best practice data and collaborative information should be reported to the EU stakeholders (alliance, European Commission) and between the participants in order to build an ecosystem for the respective strategic value chain of the IPCEI, sensitive data (project specific data, milestones, KPIs) should be reported to the actual grantor Member State only. Thus, business confidential information can be protected while at the same time synergies for the value chain are created. We also recommend to fully digitalize the project controlling and administration process.
- **Participation:** SMEs and start-ups are an integral part of the value chain built around large industrial actors. IPCEIs should better plug into their expertise. This requires the Commission to lead efforts on shrinking the administrative burden on applicants, fast-track processes and, crucially, provide specific assistance to SMEs, in the form of awareness-raising, training and support in proposal-writing.

² For example repayment obligations must be narrowly limited.

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Bitkom represents more than 2,700 companies of the digital economy, including 2,000 direct members. Through IT- and communication services alone, our members generate a domestic annual turnover of 190 billion Euros, including 50 billion Euros in exports. The members of Bitkom employ more than 2 million people in Germany. Among these members are 1,000 small and medium-sized businesses, over 500 startups and almost all global players. They offer a wide range of software technologies, IT-services, and telecommunications or internet services, produce hardware and consumer electronics, operate in the digital media sector or are in other ways affiliated with the digital economy. 80 percent of the members' headquarters are located in Germany with an additional 8 percent both in the EU and the USA, as well as 4 percent in other regions of the world. Bitkom promotes the digital transformation of the German economy, as well as of German society at large, enabling citizens to benefit from digitalisation. A strong European digital policy and a fully integrated digital single market are at the heart of Bitkom's concerns, as well as establishing Germany as a key driver of digital change in Europe and globally.