Creative Industries Q&A

Questions & Answers

What can this funding for research and development in the creative industries be used for?

R&D funding is intended for companies seeking bold renewal and business growth in international markets. The purpose of Business Finland's R&D funding for the creative industries is to share the risk with companies carrying out ambitious projects that develop competencies to gain a competitive advantage.

R&D funding is a grant. Small and medium-sized enterprises (SMEs) and Midcap companies can apply for funding.The company must have a team capable of steering its international growth. Business Finland does not fund one-person companies.

But Business Finland's current funding criteria and R&D funding are not suitable for companies in the creative industries, are they?

Research and development activities can improve the competitiveness of companies in any sector.

It should be noted that research and development funding cannot be used to finance a company's core business, such as a new game, TV series, film, music album, artwork or clothing collection, or routine or regular work that generates a company's normal revenue.

How is R&D funding for the creative industries different from R&D funding that has already been available from Business Finland for projects in any sector?

All R&D funding, including earmarked R&D funding for the creative industries, is governed by the same legislation, definitions and criteria. By opening the funding call to promote research and development in the creative industries, Business Finland wants to highlight the opportunities that renewal and access to international markets can bring to the creative industries. In addition, all sectors can benefit from the know-how of the creative industries.

What is special about the creative industries' own R&D funding is that the development of products, services and business models can be supported in projects of small and medium-sized enterprises with a 35% grant instead of the normal 50% loan. Depending on the level of research and the size of the company, the grant may be lower or higher, or in the form of a loan. In addition, companies from other industries can apply for funding if the solution planned in the project is based on creative skills and at least 40% of the project costs involve know-how of the creative industries. Learn more about the call for application LEENALTA LINKKI and the terms and conditions for R&D funding. Funding terms and conditions

What does Business Finland mean by research and development?

Research and development activities result in innovative products or services, production methods or business models aimed at achieving a significant competitive advantage in international markets.

A *research-oriented project* aims to acquire new knowledge that is at least new to the industry and that will create capabilities for further development. A research-oriented project does not itself create a finished product or service.

In a development-oriented project, a company can verify the functionality of a solution in cooperation with the customer, develop new products or services, or speed up access to the market, for example.

What are the definitions and limitations of research and development based on?

Business Finland's funding is governed by EU and national regulations. For example, Business Finland can only fund R&D activities as defined in the EU's Block Exemption Regulation.

Aid for research and development projects is based on Article 25 of the General Block Exemption Regulation and, on the national level, Government Decree on Funding for Research, Development and Innovation Activities (1444/2014).

The OECD guidelines for R&D activities contain five elements. The definition applies to all industries.

- the goal is to produce new information and new results
- creative problem setting, solutions are sought with new concepts and by testing of observed hypotheses
- risky; uncertainty about the results and the necessary resources
- systematic; planned, budgeted, and the implementation is monitored
- the result must be transferable and/or reproducible

On their own, one or some of the above elements do not alone satisfy the criteria for R&D activity in a way that would justify funding. In addition, companies are required to have a goal and commitment to gaining a competitive advantage in international markets.

What does it mean that competitive advantage should be sought on the international market?

A prerequisite for funding granted by Business Finland is that a competitive advantage is sought in view of the international market. Significant competitive advantage means differentiation from what competitors offer on the international market. First, identify your company's product, competitive advantage and position in the domestic market and assess whether your company has sufficient resources to enter the international market.

What is meant by industrial research or research orientation?

A project is research-oriented when it produces new information and know-how that further development work can be based on. Thus, a research project does not result in a finished product, service, production method or business model. The information produced in a research-oriented project can later be used to develop new products, processes or services, or to significantly improve existing ones. This applies to any industry or technology.

What is meant by experimental development or development work **?**

It means a significant renewal of existing products, services, production methods and business models or the development of entirely new ones. Development work means acquiring, combining, modifying and using existing knowledge and skills. However, development work is not routine or regular work.

What is meant by piloting?

Piloting is the verification of the functionality of a new solution, which is on the verge of commercialization, on a sufficiently large scale for commercial exploitation, when the functionality

of the solution still involves significant uncertainties. The content of the pilot project must be research and development work. Piloting can also be carried out at a customer's premises, if it is not about a commercial delivery and the customer does not directly or indirectly finance the project. In other words, the risk of making a pilot project successful must always be borne by the beneficiary.

Could an R&D project be carried out with a foreign partner, for example a foreign hotel chain?

Business Finland can provide R&D funding only to a Finnish company with a Finnish Business ID. Naturally, it is beneficial to develop the product, service or solution in a way that meets the needs of the target customer, for example a foreign hotel chain. It is also possible to pilot the solution with a foreign customer.

Can an entrepreneur's own salary be included in the project costs?

Yes, an entrepreneur's salary costs can be included in the eligible costs. However, it should be kept in mind that, in practice, entrepreneurs need to allocate their working time to many other tasks as well. Therefore, spending 100% of their working time on R&D would be unusual.

Entrepreneurs often do not pay themselves a salary, in which case there are no eligible salary costs either.

This is explained in more detail in the funding terms and conditions for companies' research and development projects. Salaries of the funding recipient's management and administrative personnel are generally considered overhead costs. However, the salaries of these persons may, at the funder's discretion, be accepted as direct costs if the work performed is directly related to the project.

Can costs incurred by an affiliated company be included in the project costs?

Purchased services from group companies and affiliated companies may be accepted. However, the group or affiliated company must also maintain project accounting and working time records in accordance with the funding terms and conditions.

The group or affiliated company must submit an invoice to the funding recipient for the services purchased for the project. The funder may accept costs that have been paid by the funding recipient and that were incurred by the seller in providing the service.

Internal administrative costs within the group and amounts charged as management fees are not eligible project costs. The funder accepts the purchased service without a profit margin. To demonstrate that no profit margin has been included, the group or affiliated company must also report the costs incurred by the project in a separate cost statement.

What type of funding is appropriate for purchasing equipment that is necessary for R&D activities?

As part of the approved cost estimate for an R&D project, the full rental costs of equipment required for the project may be accepted. For purchased equipment, depreciation calculated in accordance with the depreciation plan may be accepted for the duration of the project.

Example: If the project lasts two years and the depreciation period of the equipment is five years, the depreciation for two years can be accepted, corresponding to 40% of the purchase cost.

Can the company's own funding contribution consist of a notional salary, as many entrepreneurs are flexible about paying themselves a salary?

All costs, including salaries, must actually have been paid and must be recorded in the funding recipient's accounting records during the project period.

Is an R&D project required to include work purchased from a research organisation?

No. The key requirement is that the project has access to the best expertise needed to carry out the work.

The required expertise may already exist within the company, it may be recruited into the company, or it may be purchased as a service from another company or a research organisation.

What matters is that the project has access to the most suitable and appropriate expertise for achieving its objectives and successfully implementing the project.