



EUROCHAMBRES

Connecting **business** to Europe

Position Paper

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FUTURE OF THE COMPETITIVENESS & INNOVATION FRAMEWORK PROGRAMME (CIP)

**EUROCHAMBRES
CONTRIBUTION TO THE
COMMISSION'S STRATEGIC
REFLEXION**

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Nota Bene

Rather than responding to the online public consultation consisting mainly in closed questions, EUROCHAMBRES provides this present contribution to the European Commission's reflection on the future of the Competitiveness and Innovation Framework Programme (CIP). EUROCHAMBRES maintains that inadequate consultation greatly hinders the capacity of all interested stakeholders to react promptly and rigorously to consultations and thus not only reduces the probability of meeting policy objectives, but also increases the likelihood of negative unintended consequences coming to light during implementation. EUROCHAMBRES reiterates its plea for public consultations of higher quality with questions that are clearly and simply stated, in such a way as not to influence the respondent and to maximise the value of the response given.

Europe 2020 frames the EU's competitiveness agenda for the coming decade. This plan must deliver where its predecessor, the Lisbon Agenda, fell short. To do so the action, at all levels, should focus on promoting growth and competitiveness. EUROCHAMBRES believes that it is the fundamental task of the European Union to contribute to creating more favourable conditions for business and for improved competitiveness in Europe.

EUROCHAMBRES stresses the necessity to allocate resources more proportionately to a range of competitiveness objectives, which spread well beyond R&D. In addition, support for competitiveness must benefit in particular SMEs. As companies are heterogeneous in their innovation activities, they need an efficient mix of support instruments that goes beyond the traditional grant financing of the EU Research Framework Programme for cross border cooperation and the innovation support of the EU Structural Funds.

EUROCHAMBRES therefore supports the continuation of the CIP as a toolbox to improve the general framework conditions for competitiveness and innovation, aimed at achieving concrete objectives through tangible actions. The approach must be result-oriented and fully focused on the end-beneficiaries.

Programme aim and objectives

To what extent do you consider that there is a need for a European programme targeting the creation of a favourable business environment, including support for commercialisation of innovative products and services?

Addressing the challenge of becoming a smart, sustainable and inclusive economy by 2020 must fit in with a coherent approach in terms of measures taken at EU level and those implemented nationally and locally. The EU action should focus on areas where there is a clear European added value and create impetus for companies to grow, thus creating and securing jobs.

In this respect, an EU programme targeting the creation of a favourable business environment makes sense in a globalised economy, where cross border networks and business cooperation are more and more important and relevant for a good innovation performance. The added value of such a programme lies precisely in its capacity to create bridges between European companies by fostering cooperation, leading eventually to business partnerships.

The Enterprise Europe Network, in this respect, is an important instrument to help companies make the most of business opportunities in the European Union through the supply of information and assistance to businesses on EU policies and funding opportunities, help with internationalisation and provision of services for innovation and the transfer of technology and knowledge.

Furthermore, the CIP financial instruments increase the capacity of financial intermediaries to support SMEs at all stages (i.e. creation, growth, transfer).

How relevant would an EU programme targeting SMEs be?

SMEs must be central to the delivery of the Europe 2020 strategy as they hold the key to Europe's competitive performance. Especially in the current situation, companies must be encouraged to continue and enhance their research and innovation efforts and to intensify the development of new products, processes and services, in order to meet the challenges of global competition.

The goal of the future CIP should remain the same: to improve the general framework conditions for competitiveness and innovation, with SMEs as its main target. However, the solution to Europe's competitiveness problem is complex and it is important that such a broad programme does not oversimplify the solutions and that important elements are not overlooked. EUROCHAMBRES therefore suggests positioning and using the successor to the CIP as the main European instrument in support of the implementation of the Small Business Act (SBA) for Europe, which clearly identifies the obstacles to the development of the SMEs in Europe and puts in place a comprehensive SME policy framework for the EU and the member states. While the SBA does not cover all policy aspects relating to SMEs, notably innovation, EUROCHAMBRES would nonetheless encourage a clearer correlation between the priorities identified in the SBA and the forthcoming review on the one hand and the successor to the CIP on the other hand.

Furthermore, given budget constraints and the pursuit of maximum impact, EUROCHAMBRES advocates that the successor to the CIP should focus on a limited set of effective measures targeted to the SMEs' needs with clear objectives and the means to achieve them. As highlighted in EUROCHAMBRES' submission to the February 2011 EU Council summit¹, Chambers in particular recommend that one of these measures should focus on financially supporting SMEs during the various phases of the innovation process.

A variety of SME-specific measures already exists within different EU programmes run by various European Commission Directorates General. EUROCHAMBRES believes that a simplified and more efficient structure is required in order to optimise the coherence and understanding of the EU action, while avoiding overlaps between the measures, and recommends gathering all SME-specific support measures at EU level in a single and visible EU programme. This new structure would allow the creation of synergies between the various SME support measures as well as the harmonisation of the rules and procedures (e.g. application, evaluation, reporting, etc...), which currently prevent a lot of SMEs from participating in EU financed projects and benefiting from EU funds.

Programme management

Ensure continuity, refine and streamline

The successor to the CIP should build on the existing instruments, capitalise on their success, simplify and refine them, rather than reinventing the wheel.

The management of the current CIP must be improved and streamlined. The CIP is a piling up of programmes with no synergies between them. For instance, national contact points for the Intelligent Energy Europe programme have been established, while one of the missions of the Enterprise Europe Network is to help SMEs to participate in European programmes. Furthermore, each unit of the European Agency for Competitiveness and Innovation (EACI) runs its programme independently with its own procedures. There is clearly a need for more coherence and a harmonisation of the rules and procedures to access the sub-programmes of the CIP. The grouping of all SME support measures under a cross-departmental programme would enable such simplification, leading to an increased efficiency and effectiveness in their administration as well as important efficiency improvements.

EUROCHAMBRES also hopes that this consolidated approach would lead to a reduction in bureaucracy and help to make the available support programmes more transparent and user-friendly.

¹ Boosting Europe's innovation potential, EUROCHAMBRES, February 2011, <http://www.eurochambres.eu/content/default.asp?PageID=1&DocID=3008>

The new programme should be implemented in a way that will promote simplification and enhance the efficiency and transparency of the policy and support programmes. In existing support programmes the experiences of participants have been that the application and submission procedures of submissions are often both costly and time-consuming and this has limited the effectiveness of the programmes on the ground. Simplified procedures, flat rate payment methods and more stringent reporting requirements, for instance, would significantly reduce administrative barriers.

The German “Central Innovation Programme SME” (ZIM) is considered as a good practice in this field. Within this programme, the technological- and subject-open innovation funding was bundled in a national support programme for SMEs and industrial research institutions. Conditions and requirements for applications were harmonised and a pre-evaluation of the proposal was introduced before the submission.

Other areas for improvement include:

- Better communication and information in raising awareness of all initiatives available to the SMEs and the procedures for accessing them.
- An SME’s successful participation in an EU programme might also be built upon through related national or regional programmes. In the field of innovation, funding decisions often influence the continuation or the end of the development of an innovative solution.

Enterprise Europe Network

The Enterprise Europe Network, launched three years ago, is an important instrument supporting SMEs’ growth. It is now well-established and delivers tangible results. It has become a common reference point for businesses and plays a crucial role in facilitating SME participation in Community programmes thanks to the host organisations, notably the Chambers of Commerce, who are in daily contact with the SMEs and offer their expertise and know-how in the framework of this commendable pan-European initiative.

It is therefore important to ensure the continuity of this network and guarantee an adequate level of funding. Furthermore, the following adaptations are needed in order to increase the efficiency of the network:

- The European Commission should ensure that its strategy for the network accurately reflects its mission, namely helping small business to make the most of the European marketplace. This should be reflected in the performance indicators and the work programme set by the executive agency, ensuring that the services for innovation are provided on an equal footing with the information, feedback, business co-operation and cross-border services.
- EUROCHAMBRES strongly questions the proactive development of Enterprise Europe Network centres in third countries, as we have seen recently in China and South Korea. This role is better performed by existing business support networks, such as EU Business Centres, European Chambers Abroad etc. Adding EEN branches in third countries to this equation would only exacerbate the lack of coherence regarding the European Commission’s actions to support SMEs’ internationalisation. There is a strong need for a clear, articulated but single global vision with regard to the internationalisation of EU businesses that will strengthen the competitiveness of the EU economy.

- The European Commission should establish a strong partnership between the host structures, who co-own the Enterprise Europe Network through their deeds and their considerable co-financing. A regular dialogue, such as meetings with representatives of the host structures at the highest level (i.e. President or Secretary General), should be established to share views and ideas on the strategic development and quality of the services of the network.
- The currently excessive administrative procedures, reporting and the general level of bureaucracy should be reduced, leaving more time to the actual delivery of services to SMEs.
- Performance indicators should be streamlined and reflect more accurately the range of Enterprise Europe Network objectives.
- Training and coordination of consortium activities should be supported with adequate means. Training and administrative tasks are provided by the coordinators, but financed according to the same model as the core business, i.e. a co-financing of about 50% - 60 % of expenses. In the former EIC and IRC networks, these activities were fully financed by the Commission. It is important that an additional burden of coordination of consortium activities is supported with adequate means. Otherwise such a solution decreases, not increases efficiency and quality of the network services.
- The network's potential should be better exploited across the Directorates General of the European Commission as it is a successful tool which delivers tangible benefits to SMEs in relation to a range of policy priorities (e.g. innovation, research, internal market, environment, etc).

CIP financial instruments

Securing easy access to finance for SMEs must be a priority for the years to come. In this respect, it is important to ensure the continuity of the CIP financial instruments after 2013. SMEs often struggle to obtain credit to finance their working capital or new investments and will continue to face bottlenecks in financing with the incoming Basel III regulation and CRD IV, whose effects cannot be specified yet. Furthermore, other initiatives to regulate the financial services may have a negative impact on SME-financing.

The CIP provides a wide range of financial instruments (e.g. guarantees, loans and venture capital) addressing SMEs' needs for financing at various stages of development. These instruments should be maintained, allowing a good level of flexibility in order to react to a changing economic environment and very little bureaucracy.

Furthermore, EUROCHAMBRES suggests gathering the existing EU financial schemes (i.e. CIP, EIB, structural funds, risk-sharing facility of the FP7) under a common platform making a clear distinction between the instruments designed for equity and those for risk-sharing.

Finally, there is too little statistical information on the impact of the CIP on SMEs as they do not directly benefit from the CIP financial instruments, which are indirect instruments given to the financial institutions. As a result, SMEs rarely know that the support that they have received is totally or partially funded by the EU. The European Commission should therefore improve and strengthen the gathering of data on the demand volume for the CIP instruments, the number of contracts signed, the regional distribution, etc and share the results with stakeholders.

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EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the one closest to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 2000 regional and local Chambers of Commerce with over 20 million member companies.

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