

Bundesverband  
Öffentlicher Banken  
Deutschlands (Association of German Public Sector  
Banks) **VÖB**

**Comments on a possible successor to the Competitiveness and Innovation  
Framework Programme (CIP) and on financial instruments in the field of  
competition and innovation**

**Organisation:**

Bundesverband öffentlicher Banken Deutschlands [Federal Association of German Public  
Banks]

**Address:**

Lennéstraße 11  
10785 Berlin  
Germany

**Registration number:**

0767788931-41

# **Comments of the Association of German Public Sector Banks, VÖB, on a possible successor to the Competitiveness and Innovation Framework Programme (CIP) and on financial instruments in the field of competition and innovation**

## **I. General**

As the Association of German Public Sector Banks, VÖB, we represent the interests of the German development banks, which form a link between policy, administrative and business interests at federal or regional level. In accomplishing their public sector remit, these banks develop and implement numerous support programmes with financial assistance from the European Union, especially from the Structural Funds. We have already commented separately on this – for us very important – assistance instrument at the beginning of January 2011 in our opinion addressed to the European Commission on the Fifth Cohesion Report.

One of the German development banks' main fields of activity is business development, focussing principally on SMEs. We are therefore very pleased to have this opportunity to give our opinion on a potential successor to the CIP in the next programming period.

We fundamentally welcome the targeting of support programmes at small and medium-sized businesses in accordance with the EU 2020 strategy objectives. A successor to the CIP would fall into this category.

In accordance with the regulations on subsidies, the granting of state funds is linked to certain conditions which make it heavy on bureaucracy. This being the case, any successor to the CIP should provide for adequate funding to enable support claims to be dealt with via several financial intermediaries (operating regionally or nationally).

## **II. Individual points**

As regards the content, the following points should be considered:

### **1. Promoting innovation in all areas**

More needs to be done to promote innovation, and this in all areas (product innovation, process innovation, innovative services, innovative approaches to meeting social challenges, etc.) and with wide coverage. Restriction to, say, research and development would exclude a large proportion of German SMEs and disregard their potential for innovation and growth, and consequently for job creation.

If emphasis is to be placed on certain sectors or priorities, then assistance could be increased in those areas (differentiated levels of guarantee, or special supplements). This also applies to pilot projects, which test innovative ideas in all fields and need a lot of financial support.

SMEs in particular should have access to comprehensive assistance possibilities during the so-called early stage and subsequent expansion stage.

### **2. EU financing instruments to promote SMEs need to be flexible**

Loans are a practical and widespread means of financing SMEs and should therefore be promoted. There should also always be the option of using hybrid and own-capital-type financing instruments where necessary.

The CIP should also, as a general principle, support working capital financing as a major component of business financing. Unlike with investment financing, in the case of working capital the object of financing cannot be used as security. Therefore, in our view, micro- and small businesses are most in need of support. In some cases they have considerable difficulty in obtaining outside capital (under acceptable market conditions) because, often, they are unable to offer their house bank any security.

Assistance at European level should always be designed to be used flexibly to supplement national and regional support possibilities and priorities. Lack of transparency and excessive red tape are a hindrance and stand in the way of efficient support. It would therefore be helpful to simplify the regulations, while supporting those means of assistance which have proved successful at national and regional level.

European support instruments should concentrate on risk reduction or risk-sharing for intermediaries, thereby increasing their risk-bearing capacity. This would result in German house banks undertaking greater commitments in the risk-fraught area of SME financing.

### 3. Advising SMEs improves their access to financing possibilities

Because of their size and structure, many SMEs have problems finding financial instruments or using them effectively, regardless of whether they are offered at regional, national or European level. We therefore consider any measure or initiative constructive that seeks to improve SMEs' access to finance, even if their success cannot be linked directly to a given SME. SMEs need all the financial advice they can get. Providing sound financial advice, however, is time-consuming and therefore costly. A successor to the CIP should therefore also be used to meet existing support needs. The priority here is allow the work of European Enterprise Networks to be pursued, and any consideration of expanding their responsibilities should be seen in this perspective. We have annexed a separate proposal in this regard.