European Commission
Directorate General Enterprise and Industry
Directorate General for Economic and Financial Affairs

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EAPB Position Paper on the public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP) and on financial instruments under future EU programmes in the field of Competitiveness and Innovation

The European Association of Public Banks (EAPB) very much welcomes the possibility of responding to the Commission Consultation on the possible CIP successor programme.

I. General comments

The Member Banks of the EAPB carry out development and promotional activities on behalf of the government. In this context, they hold a central function in Europe within the utilization of European funds. EAPB members, as special credit institutions, have comprehensive experience in the development and implementation of various financing instruments at European and national level. EAPB member banks act as a link between politics, administration and the economic system. Due to their regional foundations, they are in a good position to analyse the requirements of the economic and social participants and to develop appropriate support instruments. One of their main field of activity is the business development. In this context, the EAPB is pleased to take the opportunity to state its position as regards a possible successor to CIP for the next programming period as of 2014.

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Basically, we would appreciate the Commission to orientate promotional programmes with a specific focus to the needs of small and medium-sized enterprises (SMEs) being consistent to the aims of the EU 2020 strategy. In this context we would localise the CIP successor programme.

The allocation of public support measures being in line with state aid rules is linked with specific conditions and therefore involves high administrative burden. Against this background, the CIP successor programme should bring out an adequate funding in order to open it to diverse individual financial intermediaries being active regionally or on national level.

II. Comments on specific issues

With regard to the specific design of the new programme the following should be taken into account:

1. Promotion of all innovation areas

There is a need to strengthen the promotion of innovation in general. However, innovation should be defined widely and thus include e.g. product innovation, process innovation, innovative services and innovative approaches to tackle societal challenges. In case innovation would merely include research and development, the majority of SMEs would be excluded to benefit from support measures. Moreover, their innovation capacity, growth and employment potential would not be considered.

In case specific sectors should predominantly be supported, conditions could be adapted adequately through scaled guarantee intensities as well as additional subsidies. This also should apply to pilot projects which serve for testing innovative approaches and therefore necessitate higher financial support.

As regards the development phases of enterprise, SMEs should be targeted by promotional programmes particularly in the expansion stage, however the early stage and the mature/later stages should also be targeted.

2. SME support through flexible EU financial instruments

Loan financing is expedient and widely used for SMEs in the EU; this should therefore also in the future be continued. Additionally there should exist financial instruments providing quasi equity/hybrid capital where needed.

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The CIP successor programmes should comprise possibilities to finance working capital as an important component of corporate financing. Working capital can generally not serve as collateral in contrast to investment financing. Therefore primarily micro enterprises and SMEs need specific support; they have frequently to cope with huge problems to access debt finance to acceptable market conditions as they have difficulties to provide collateral to their banks.

EU promotional programmes should be flexible and should complement measures being in place on Member State and on regional levels. They should furthermore include risk-sharing arrangements for intermediaries in order to increase their capability to take risk and thus, increase SME finance through house banks.

3. Enhancement of SMEs' access to finance through advisory services

As a result of size and structures, a number of SMEs bear shortcomings in getting adequate finance as well as in the sensible assignment of financial instruments on offer – this irrespective whether those are provided on EU, national or regional level.

Therefore all measures and initiatives which aim at increasing the access to finance of SMEs are crucial, although their success cannot directly be linked to a single SME. First of all, SMEs need a comprehensive and all-including professional advice. This being time and cost-intensive, such advisory services should therefore be made possible and also be subsidised through the CIP successor programme. The work of the current Enterprise Europe Network should be continued, but also be expanded in terms of its advisory tasks.

III. Résumé

In conclusion, the subjects and aims of current programmes should be maintained in the future with regard to the competitiveness of SMEs; innovation cannot be seen solely in the area of research and development. SMEs are the backbone of the European economy and therefore must remain in the focus of ongoing support measures. New or enhanced structures, e.g. in the area of financial engineering, are welcome, however the administrative burden coming along with such instruments should be at minimum level in order not to foil the intended results. An issue of high importance is the advisory service for SMEs regarding access to finance.

Our members would welcome if you take the above elaborated concerns into consideration. Should you have additional questions or comments, please do not hesitate to contact us.

Kind regards,

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The European Association of Public Banks (EAPB) represents the interests of 36 public banks, funding agencies and associations of public banks throughout Europe, which together represent some 100 public financial institutions. The latter have a combined balance sheet total of about EUR 3,500 billion and represent about 190,000 employees, i.e. covering a European market share of approximately 15%.

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