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DG Enterprise and Industry  
Unit A.1 General Coordination

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**Public consultation on a possible successor to the Competitiveness and Innovation Framework Programme (CIP)**

Scottish Enterprise is Scotland's main economic, enterprise, innovation and investment agency, whose ultimate goal is to stimulate sustainable growth of Scotland's economy. We work directly with businesses with a potential for strong growth, helping them to improve efficiencies, access new sources of funding and conquer new markets.

We welcome the opportunity to respond to the survey on a successor to the CIP. In addition to our contribution to the online survey, please find below some further comments on specific points in the consultation, as well as our position on the funding of innovation and business support at EU level. We hope these contributions will be of value, reflecting the strong commitment of Scotland's main economic development agency in sharing our expertise at international level on supporting and promoting an innovation culture. Indeed, we would like to stress the important role of Regional Development Agencies (RDAs) in general in delivering the entrepreneurship and innovation agenda across Europe. We would therefore argue for a strong and direct role for RDAs within a new CIP instrument.

Scottish Enterprise remains highly supportive of the idea of a funding instrument at EU level targeting company exploitation of innovation in the market, so as to best complement the Framework Programme focusing on academic and primary research.

Your consultation document mentions the relevance of an EU programme targeting SMEs (B.2). We would like to stress the importance of targeting not just SMEs in general, but rather the more ambitious SMEs, with the potential to become innovative growth companies. It is in this vein that Scottish Enterprise concentrates on the sectors and companies with a high growth potential, in order to ensure the maximum impact of our support. This idea is about supporting rather than picking winners. We believe it is key to focus support on those SMEs with the right attitude for innovation and growth, for it is these enterprises that most often require access to finance that they cannot find locally.

We must recognise the subsidiarity principle and that there are a great number of organisations across Europe providing support services to SMEs at national, regional and local level. Therefore, it is even the more imperative for funding programmes at EU level to focus on those SMEs with the right "mind-set" for growth, if EU instruments are to be a real value added to national and local support programmes. A future CIP instrument needs to be more selective and focus more clearly on SMEs with a high growth potential, so as to better complement other instruments, such as ERDF and ESF, which would target other enterprises at a regional level. The question is thus not about the appropriateness of having a specific instrument targeting SMEs in general, but making sure that a CIP successor as a whole focuses on those SMEs that can deliver European competitiveness and growth.

We would also like to stress the importance that CIP plays in terms of addressing market failures in access to finance. Systemic market failures mean that there is likely to be a need for long term public sector intervention in these markets at seed, early and development stages of innovative SMEs in particular. We welcome the emphasis made in the *Europe 2020 Flagship Initiative on Industrial Policy*

for the globalisation era on the need to improve affordable access to finance for SMEs, and we would therefore recommend that a future CIP instrument targets access to finance even more clearly. This would preferably entail a larger funding envelope dedicated to these market failures both concerning demand and supply of loans and equity finance.

It would appear reasonable that a future CIP instrument, specifically the *Entrepreneurship and Innovation Programme*, is designed and structured to allow it to explicitly compliment other European, national and regional funding schemes aimed at improving SMEs access to the market (e.g. Structural Funds). At Scottish Enterprise we are particularly active in supporting the development of the early stage equity/risk capital market in order to ensure SMEs have access to growth capital. Therefore, we would argue that a key criterion for the success of a future CIP will be the ease by which innovative SMEs are able to access both funds and expertise. The removal of this bottleneck to growth is vital for the further development of an entrepreneurship and innovation culture in Europe.

Additionally, a future CIP instrument will need to address market failure in both supply and demand within the venture capital risk market. This would mean that a new framework needs to be sufficiently flexible to allow the targeting of supply-side resources at particular SMEs (sectoral targeting – renewable energy or targeting at near market commercial opportunities) and to encourage demand-side initiatives with regard to investor *and* investment readiness, all of which will compliment the wider programmes for accessing risk capital.

In addition to the comments above, the following points develop our thoughts on question C.1.a. on the Entrepreneurship and Innovation Programme in more detail:

- (Point 4) Relating to the exchange of best practice on business policy, we believe that this should not only be an issue of cooperation between public sector actors, but also for industry-led cooperation between businesses.
- (Point 8) Relating to cluster support, we would like to stress the need to consider the ‘cluster’ concept in its wider sense. By means of example, Scottish Enterprise targets our support to business according to a sector approach, focused on those key sectors as a whole where Scotland has leading technology, a natural advantage and a critical mass. In Scotland, this takes the form of Industry Advisory Groups, which lead on and deliver forward looking industry strategies for Scotland’s key sectors. As with the point above, we would like to promote at European level the need for support to cooperation between industry-led sectoral ‘clusters’, and not just cluster managers.
- (Point 10) In addition to ‘entrepreneurship culture’, we believe support should focus on the development of an ‘innovation culture’. As well as fostering innovation, it is key to stimulate the innovation *capacity* of SMEs. Targeted support is needed to embed innovation as a way of thinking within SMEs.
- (Point 12) Relating to innovation in services, we would like to stress the importance of focusing on both innovation in the services sector as well as innovation in services for the benefit of all sectors.
- (Point 16) We are supportive of the idea of focusing innovation on societal challenges, as a means of complementing more sector-based approaches. However, such a list of societal challenges needs to be kept selective and focused on those areas that can bring real change. Too long of a list of challenges would add confusion and risk creating duplication of efforts between financing instruments. It will therefore be important to ensure coordination between those societal challenges being targeted through the European Innovation Partnerships, the future R&D Framework Programme, and the successor of CIP.