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**Annex to the**

**Proposal for a Decision of the European Parliament and of the Council  
establishing a Competitiveness and Innovation Framework Programme  
(2007-2013)**

{COM(2005) 121 final}

## TABLE OF CONTENTS

Executive Summary .....	4
1. What issue/problem is the policy/proposal expected to tackle?.....	8
1.1. What is the issue/problem in a given policy area expressed in economic, social and environmental terms, including unsustainable trends? .....	8
1.2. What are the risks inherent in the initial situation?.....	10
1.3. What is (are) the underlying motive force(s)? .....	10
1.4. Who is affected?.....	11
2. What main objective is the policy/proposal expected to reach? .....	11
2.1. What is the overall policy objective in terms of expected impacts? .....	11
2.2. Has account been taken of any previously established objectives?.....	11
3. What are the main policy options available to reach the objective?.....	12
3.1. What is the basic approach to reach the objective?.....	12
3.2. Which policy instruments have been considered? .....	14
3.3. What are the trade-offs associated with the proposed option?.....	14
3.4. What “designs” and “stringency levels” have been considered?.....	15
3.5. Which options have been discarded at an early stage? .....	16
3.6. How are subsidiarity and proportionality taken into account?.....	17
4. What are the impacts – positive and negative – expected from the different options identified?.....	18
4.1. What are the expected positive and negative impacts of the options selected, particularly in terms of economic, social and environmental consequences, including impacts on management of risks? Are there potential conflicts and inconsistencies between economic, social and environmental impacts that may lead to trade-offs and related policy decisions? .....	18
4.1.1. Economic impacts expected.....	18
4.1.2. Social and environmental impacts expected .....	22
4.2. Are there especially severe impacts on a particular social group, economic sector (including size-class of enterprises) or region?.....	23
4.3. Are there impacts outside the Union on the Candidate Countries and/or other countries (“external impacts”)?.....	24
4.4. What are the impacts over time?.....	25
4.5. What are the results of any scenario, risk or sensitivity analysis undertaken? .....	27

5.	How to monitor and evaluate the results and impacts of the proposal after implementation? .....	29
5.1.	How will the policy be implemented? .....	29
5.2.	How will the policy be monitored? .....	29
5.3.	What are the arrangements for any <i>ex-post</i> evaluation of the policy? .....	29
6.	Stakeholder consultation .....	30
6.1.	Which interested parties were consulted at what stage in the process, and for what purpose? .....	30
6.2.	What were the results of the consultation? .....	30
7.	Commission draft proposal and justification .....	31
7.1.	What is the final policy choice and why? .....	31
7.2.	Why was a more/less ambitious option not chosen?.....	31
7.3.	What are the trade-offs associated with the chosen option? .....	32
7.4.	If current data or knowledge are of poor quality, why should a decision be taken now rather than be put off until better information is available?.....	32
7.5.	Have any accompanying measures to maximise positive impacts and minimise negative impacts been taken?.....	33
8.	Annex 1 - Programme objectives and indicators .....	34
8.1.	Objectives, expected results and related indicators of the proposal in the context of the ABM framework .....	34
8.1.1.	The Entrepreneurship and Innovation Programme .....	34
8.1.2.	The ICT support programme.....	37
8.1.3.	The Intelligent Energy Europe programme.....	39
9.	Annex 2 – Report on the results of the stakeholder consultation.....	42

## EXECUTIVE SUMMARY

The Lisbon process has placed competitiveness firmly at the centre of political attention. In February 2005, marking the halfway point in the Lisbon agenda, the Commission presented its new strategy for creating more growth and jobs<sup>1</sup>. This calls for actions to deliver growth and competitiveness and to make Europe a more attractive place to invest and work. It emphasises that entrepreneurial initiative must be stimulated, sufficient venture capital attracted to start up businesses, and a strong European industrial base sustained, while innovation and in particular eco-innovation, the uptake of ICT and the sustainable use of resources should be facilitated.

### PROBLEMS TO BE ADDRESSED

However, EU entrepreneurial spirit remains weak: only 47% of Europeans say that they would prefer self-employment to being employed<sup>2</sup>. Those who take entrepreneurial risks are confronted by an unfriendly business environment and face difficulties in getting access to financial resources – this applies especially to SMEs, which make up 55% of total jobs in the private sector<sup>3</sup>, at their seed, start-up and growth phases – not least as they are often considered as a high-risk investment, with potentially low returns which only materialise in the medium to long term. Moreover, Europe lags behind the US in 10 out of 11 innovation indicators, and in investing in Information and Communication Technologies ICT<sup>4</sup> - one of the main innovative means to improve productivity - half of the productivity gains in the economy come from ICT. The EU is not fully exploiting its potential by bringing to the market environmentally-friendly technologies and improving its energy efficiency, and it is still too reliant on fossil fuels, most of which are imported. Community action can therefore play a complementary role to that of the Member States in order to address certain market failures and to ensure coherence and consistency in the implementation of the strategy for growth and jobs.

### THE OPTIONS THAT WERE EXPLORED

Several Community programmes addressing these problems are already in place and have proved their worth over the years. A possible option, therefore, would have been to continue to implement the various programmes independently. However, this option would have not created synergies between them, nor would it have been acceptable to continue to address some of the issues relating to the strategy for growth and jobs in a piecemeal fashion. A more ambitious option would have been to merge the specific programmes into one single cross-cutting integrated programme. However, the outcome of the stakeholder consultation clearly favoured a more balanced approach, which is reflected in the chosen option: a framework programme with specific pillars building on the existing Community programmes, which are as follows:

- (1) The Entrepreneurship and Innovation Programme, which will support, improve, encourage and promote access to finance for the start-up and growth of SMEs; co-

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<sup>1</sup> COM (2005) 24, 2.2.2005

<sup>2</sup> Eurobarometer survey 2003 (Eurobarometer Flash N°146)

<sup>3</sup> Figures are for the EU-25 + 3 candidate countries + the EFTA countries, Source: Observatory of European SMEs, 2003/7

<sup>4</sup> Between 1995 and 2001, investment in IT capital goods ran at 1.6 % of GDP less than the US; from Francesco Daveri, *Why is there a productivity problem in the EU?*, Centre for European Policy Studies.

operation via European business support services for SMEs; and economic and administrative reform. It will also provide for action to support, improve, encourage and promote innovation in enterprises (including eco-innovation), and innovation governance and culture.

- (2) The ICT policy support programme, which will provide for action to develop the single European information space and to strengthen the internal market for information services; to stimulate innovation through a wider adoption of and investment in ICT; and to promote an inclusive information society.
- (3) The Intelligent Energy Europe Programme, which will provide for action to foster energy efficiency and the rational use of resources; to promote new and renewable energy sources; and to support these energy aspects in transport.

**EXPECTED  
ECONOMIC  
IMPACTS**

In terms of economic impacts, the Community Financial Instruments for SMEs will ease the supply of seed and early-stage capital for innovative start-ups and young companies. They will increase the supply of development equity for innovative SMEs in their expansion stage ('follow-on' capital in order to bring their products/services to market, to continue their research/development activities and to grow further). This will facilitate SMEs investments in knowledge-related activities, innovation and environmental technologies, where they are currently hindered by the difficult access to finance. The European business and innovation support services will enable SMEs to identify and exploit business opportunities outside their home country, and to get the most out of the enlarged internal market (by providing information on legislation, standards, public tenders). They will also enable business concerns to be more fully integrated into EU policymaking, ensuring that the voice of businesses is heard, and the impact of existing legislation on SMEs will be monitored. Furthermore, the initiatives to encourage economic and administrative reform should reduce the burden of red tape.

Table: The estimated economic impacts of the Community Financial Instruments.

<b><u>Community Financial Instruments</u></b>	<i>Number of SMEs benefited at 7 year horizon</i>	<i>Average cost(€)</i>	<i>Number of jobs maintained or created at 5 year horizon</i>	<i>Average cost (€) to the EU budget per job created or maintained</i>
Venture Capital for Growth and Innovative SMEs: early stage	674	300 000 (600 000 for eco-innovation)	35 048	6 362
Venture Capital for Growth and Innovative SMEs: expansion stage	526	500 000 (750 000 for eco-innovation)	27 352	10 420
Guarantees and Counter-Guarantees for SME loans	315 750	1 330	315 750	1 330
Capacity Building <sup>5</sup>	10 000	25 000	N/A	N/A

The programme will encourage entrepreneurial innovation, in particular organisational and non-technological innovation. Expected impacts would include an increased take-up of innovative activities in terms of processes or products/services, and organisational innovation in more European enterprises. The ICT programme should enable the desired levels of ICT penetration to be attained and cluster the necessary critical mass for uptake and best use of ICT services, which in turn should lead to necessary productivity gains. It should also leverage new investments in the member states for best use of ICT in order to modernise public sector services and improve their efficiency and effectiveness, which should again offer downstream productivity and reduce red tape.

**EXPECTED SOCIETAL IMPACTS AND IMPACTS ON THE ENVIRONMENT**

Many of the social consequences will be linked to the impacts created by the Community Financial Instruments for SMEs, which will enable the creation and growth of enterprises where the market has failed to do so, thus creating employment. In addition, the policy analyses, development and co-ordination to enhance entrepreneurship, enterprise growth and innovation are expected to have positive impacts on the framework conditions, including the social framework<sup>6</sup>. The ICT programme will have a societal impact as well - with productivity growth at current levels, Europe will have difficulty maintaining its standards of living, as real wage increases cannot be sustained. Through the use of ICT-based innovative management and organisational models, the balance between work and leisure can be improved. The uptake of ICT has been shown to have a positive impact on productivity levels and this framework programme will nurture such uptake. A synergistic interplay of the ICT Policy Support programme with the other components of the Competitiveness and Innovation Framework Programme should also deliver positive impacts in terms of social and territorial sustainability through better inclusion of European citizens within the European knowledge economy and

5 Grants accompanying credit lines from International Financial Institutions

6 For instance, good practices in providing social security to entrepreneurs can increase the entrepreneurial climate and thus lead to more employment over time.

through the reduction of territorial and social digital divides while favouring multilingualism and penetration of e-services in remote areas.

Innovation also has a high potential to contribute in products and services to improving the quality of life of specific social groups, such as the disabled, and of the ageing population, and to improve public health through innovative medicines and health-care organisation. In environmental terms, the main failure of innovation is that it is not delivering eco-innovations fast enough to tackle possible negative impacts of economic growth and the degradation of environment. Positive indirect environmental benefits of the Competitiveness and Innovation Framework Programme will be generated by the promotion of sustainable production methods and the increased availability of financing for SMEs, including financing of eco-innovations. More direct environmental benefits should flow from stimulating better use of resources and energy through the Intelligent Energy Europe Programme. This should also promote new and renewable energy sources and support energy diversification, thus reducing Europe's reliance on imported fossil fuels. Negative environmental impacts are hard to foresee at this stage as, for example, innovative SMEs tend to be less, rather than more, resource-intensive.

**A  
COHERENT  
AND  
COMPLE-  
MENTARY  
PROGRAMME**

The Competitiveness and Innovation Framework Programme therefore represents one of the main Community contributions, bringing together Community programmes and activities in this field into one coherent and synergetic framework, while simultaneously addressing complementary environmental concerns. It is part of a coherent and broad Community response that complements the other major initiatives within this strategy, such as those in the cohesion activities, the research activities of the framework programme for research and development, and the education and skills issues dealt with by the integrated Community Programme for Lifelong Learning, which includes four specific programmes: Comenius, Erasmus, Leonardo Da Vinci, Grundtvig, as well as the Youth Programme. It will contribute to improving the competitiveness and sustainable growth of the EU economy by orienting it towards innovative, productive, environmentally sound, resource-efficient, and socially inclusive approaches. The Programme will have a transversal focus, targeting industry sectors, enterprises in general, public institutions, education and the public at large. While recognising the important role of small and medium-sized enterprises in boosting competitiveness, innovation, and the sustainable use of resources, the Programme will also underline the role of governments in creating the right environment for competitiveness and the development of society as a whole.

## 1. WHAT ISSUE/PROBLEM IS THE POLICY/PROPOSAL EXPECTED TO TACKLE?

### 1.1. What is the issue/problem in a given policy area expressed in economic, social and environmental terms, including unsustainable trends?

The Lisbon process has placed competitiveness firmly at the centre of political attention. In February 2005, marking the halfway point in the Lisbon agenda, the Commission presented its new strategy for creating more growth and jobs<sup>7</sup>. This calls for actions to deliver growth and competitiveness and to make Europe a more attractive place to invest and work. It emphasises that entrepreneurial initiative must be stimulated, sufficient venture capital attracted to start up businesses, and a strong European industrial base sustained, whilst innovation and in particular eco-innovation, the uptake of ICT and the sustainable use of resources should be facilitated.

**SMEs** make up 99% of enterprises in Europe - 25 million small businesses providing 55% of all jobs in the private sector<sup>8</sup>. One of the major challenges confronting them is gaining **access to financial resources**, particularly at their seed, start-up and growth phases – not least as they are often considered as a high-risk investment, with potentially low returns which only materialize in the medium-to-long term. In a changing financial environment banks might be more reluctant to provide credit to what they perceive as their riskiest clients because of insufficient collateral, the low profit margins of SME lending and the relatively high cost of such small transactions - an attitude which might lead to a more difficult access to credit for SMEs.

Moreover, EU entrepreneurial spirit remains weak: only 47% of Europeans say that they would prefer self-employment to being employed<sup>9</sup>. Europe is not attractive enough to encourage business activity since there are barriers restricting the entry of new enterprises into the market and the administrative burden on businesses is perceived as excessive. **Economic and administrative reform in the Member States** is therefore necessary in order to promote the competitiveness of SMEs, entrepreneurial values, temper the fear of risk-taking and cut red tape. Reform is not only an issue for administrations. Corporate social responsibility can be a driver for change for those businesses which maintain economic success and achieve commercial advantage by making an effective contribution to the social, environmental and economic pillars of the sustainable development goal.

There is a clear correlation between **innovation activity** and **GDP growth**. Innovation is one of the keys to productivity growth, and productivity growth is essential if we are to raise standards of living in the context of falling population growth and an ageing population. Yet EU innovation performance continues to lag behind its main competitors<sup>10</sup>. Europe lags behind the US in 10 out of 11 innovation indicators, including access to early-stage finance. Businesses, especially SMEs, are often put off from investing in innovative technologies by

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7 COM (2005) 24, 2.2.2005

8 Figures are for the EU-25 + 3 candidate countries + the EFTA countries, Source: Observatory of European SMEs, 2003/7

9 Eurobarometer survey 2003 (Eurobarometer Flash N°146)

10 See '2003 European Innovation Scoreboard', SEC(2003)1255 of 10.11.2003.



up-front costs - even if ultimately it will prove economically beneficial. For example, switching to an **environmental technology** can be seen as a costly and risky investment in the short run, although it has been demonstrated that such technology can create market opportunities. The Environmental Technologies Action Plan<sup>11</sup> (ETAP) aims at lifting the barriers hindering the development of these technologies, so as to tap their full potential. It includes a number of actions aiming at bringing environmental technologies from research to the market, improving market conditions for their uptake, and taking advantage of their potential in the global environment. “Lasting success for the Union depends on addressing a range of resource and environmental challenges which if left unchecked will act as a brake on future growth.”<sup>12</sup>

**Information and Communication Technologies (ICT)**<sup>13</sup> are one of the main innovative means to improve productivity - half of the productivity gains in the economy come from ICT. In the EU, for instance, of around 1.4% productivity growth between 1995 and 2000, it is estimated that around 0.7% was due to ICT. Innovation performance is crucially dependent on strengthening investment and the use of new technologies, particularly ICT, by both the private and public sectors. Information and communication technologies provide the backbone for the knowledge economy, and ICT is a major source of innovation in most high-value products and services, improving work methods and business processes in all major industrial sectors. Yet, despite its efforts to seize the opportunities that ICT can offer, the EU lags behind its major competitors in investing in ICT<sup>14</sup>. While more than 90% of EU enterprises have a basic ICT infrastructure, far fewer have integrated ICT into their business strategies and processes<sup>15</sup>. In order to ensure future economic growth, the EU needs a comprehensive and holistic strategy to spur on the growth of the ICT sector and the diffusion of ICTs in all parts of the economy<sup>16</sup>.

The **EU’s energy policy** has been developed to address three main issues: the security of supply problem arising from the EU’s increasing dependence on energy supplied from non-EU countries; the environmental damage caused by the high proportion of fossil fuels with its contribution to CO<sub>2</sub> emissions; and helping the competitiveness of European industry. Recent assessments have concluded that the EU’s goals for sustainable energy are unlikely to be achieved. Three main barriers can be identified: *Non-technological barriers* still hamper the widespread implementation of sustainable energy technologies; there are *low levels of investment* because these barriers render the market less attractive to potential investors and entrepreneurs; and there has been *low demand for sustainable energy solutions* because competition from more traditional energy sources such as fossil fuels affects entry into the market. In order to meet its sustainable energy targets as well as to contribute to security of

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11 COM(2004) 38 final, of 28.1.2004. Report on the implementation of ETAP: COM(2005) 16 final, of 27.1.2005

12 Communication to the 2005 Spring European Council, Working together for growth and jobs – A new start for the Lisbon Strategy – COM(2005) 24 final, of 2.2.2005, p.22.

13 [Enterprise Policy Scoreboard](#), SEC(2003) 1278, 04.11.2003.

14 Between 1995 and 2001, investment in IT capital goods ran at 1.6 % of GDP less than the US; from Francesco Daveri, Why is there a productivity problem in the EU?, Centre for European Policy Studies.

15 E-Business Watch sector database, 2002

16 Kok Report, 2004 - *Report from the High Level Group chaired by Wim Kok - Facing the challenge. The Lisbon strategy for growth and employment*

supply and to foster competitiveness of sustainable energy technologies in Europe the Community has to proactively encourage the market uptake of sustainable energy technologies.

### **1.2. What are the risks inherent in the initial situation?**

One major risk is that the market does not support young innovative SMEs to the level necessary. The market is risk-averse, and so is wary of new or young SMEs which are perceived as high-risk investments, especially if they are innovative. The Community Financial Instruments have started to make an impact on this problem, but only by their continuation and expansion (both in terms of investment and duration in the business cycle) can deeper and longer-term impacts be assured. Business and innovation support services are also a strategic tool; however, the market does not perceive sufficient potential return at the micro level, so public intervention is needed to support them.

Innovation, carried through to the enterprise level, suffers from what the market considers to be excessive up-front costs, and long-term return on investment. In some cases there are also societal costs and benefits that may not be taken into account by the market – such as environmental costs and resource efficiency gains, or the macro effect of increased resource efficiency.

Other risks lie within aspects of social and environmental sustainability. For example, the enlarged Europe suffers from greater digital divides in terms of access to ICT and ICT-infrastructures (i.e. urban areas vs. rural areas; countries with major take-up vs. countries with poor take-up) and necessary skills to make best use of ICT-based services. The existing barriers to eco-innovation also mean a higher cost for protecting the environment, less efficient use of resources and missed opportunities in global markets.

It is a major risk in terms of sustainability that the existing structures of energy production and use severely affect Europe's environmental goals, security of supply and competitiveness. Market take-up and market transformation, as well as investment in sustainable technologies, are still insufficient. Awareness of the benefits of sustainable energy production and use has to be increased substantially.

### **1.3. What is (are) the underlying motive force(s)?**

Beyond addressing the problems outlined above, the underlying motive force is to bring together Community programmes and activities in the field of competitiveness and innovation into one coherent and synergetic framework, while simultaneously addressing sustainability and complementary environmental concerns – a desire that is shared by stakeholders, as demonstrated by the response to the consultation. The Competitiveness and Innovation Framework Programme is furthermore designed as part of a coherent and broad Community response to the Growth and Jobs strategy that complements the other major initiatives within this strategy, such as those that will take place at regional level as part of the cohesion activities, the research activities of the framework programme for research, and the education and skills issues dealt with by the Community Programme for lifelong learning.

#### **1.4. Who is affected?**

As demonstrated by the range of responses to the stakeholder consultation the target population of the CIP is potentially both huge in number and very wide in scope. Stakeholders include Member States' administrations and other public administrations at national, regional and local levels, enterprises, including SMEs, and business associations, technology transfer agencies, innovation actors - including universities - and relevant experts. These are operating throughout the European Union and in the candidate countries, and at all geographical levels, from local to international. They cover an enormous variety of sectors, including business services, the environment, production and manufacturing, ICT, financial services and other financial areas, energy and energy services, engineering, craft, transport and logistics, extractive industries and mining, construction, tourism, education, trade (wholesale and retail), technology transfer and incubators.

## **2. WHAT MAIN OBJECTIVE IS THE POLICY/PROPOSAL EXPECTED TO REACH?**

### **2.1. What is the overall policy objective in terms of expected impacts?**

The Competitiveness and Innovation Framework Programme will contribute to the improvement of the competitiveness and sustainable growth of the EU economy by orienting it towards innovative, productive, environmentally sound and resource-efficient and socially inclusive approaches. The Programme will have a transversal focus, targeting industry sectors, enterprises in general, public institutions, agencies, educational institutions and the public at large. While recognising the important role of small and medium-sized enterprises in boosting competitiveness and innovation, the Programme will also underline the role of governments in creating the right environment for competitiveness and the development of society as a whole.

### **2.2. Has account been taken of any previously established objectives?**

The Competitiveness and Innovation Framework Programme takes into account the Lisbon objective of the EU becoming the world's most competitive and dynamic knowledge-based economy capable of sustainable economic growth with more and better jobs, greater social cohesion and respect for the environment. It also deals with some of the issues identified in the Kok report and the new strategy on Growth and Jobs. The programme builds upon the objectives that were previously established in relation to the forerunners of each of the specific programmes:

- the multi-annual programme for Enterprise and Entrepreneurship, in particular SMEs (MAP),
- some of the innovation actions in the Competitiveness and Innovation Framework Programme will build upon experience gained in the 5th and 6th RTD Framework Programmes,
- activities on the promotion and demonstration of environmental technologies covered by the Life programme;

- ICT-focused programmes: Modinis, eContent, and eTEN.
- The multiannual programme for action in the field of energy, Intelligent Energy - Europe

### **3. WHAT ARE THE MAIN POLICY OPTIONS AVAILABLE TO REACH THE OBJECTIVE?**

#### **3.1. What is the basic approach to reach the objective?**

The objective stated in 2.1 will be addressed by a number of specific programmes:

- (a) The Entrepreneurship and Innovation Programme;
- (b) The ICT policy support programme;
- (c) The Intelligent Energy Europe programme

The approach will be as follows:

- (1) The Entrepreneurship and Innovation Programme;

This specific programme will address the need to encourage entrepreneurship and improve conditions for entrepreneurs, including the problems of access to finance for SMEs, and promote a better environment and governance for innovation. It will improve SMEs' access to finance by addressing persistent and recognised market gaps, the insufficient level of capital and collateral of SMEs and by providing leverage to national instruments. It will also be aimed at promoting economic and administrative reform for more innovation, entrepreneurship and a better business environment. It will focus on the exchange of experience, and cooperation among national and regional programmes and policy strategies will be carried out to add value at the European level and to improve the overall conditions for innovation, entrepreneurship, SME development, and competitiveness in industrial and service sectors. It will help to bridge market gaps in SMEs finance, including investment in knowledge-related activities and innovation such as eco-innovation, and thereby contribute to the development of SMEs, especially those with growth and innovation potential. It will stimulate commercially-driven investment in early-stage companies. It will disseminate best practices of public-private partnerships in SME finance to make optimal use of financial resources.

This specific Programme will also encourage the development and exchange of experience and best practice between enterprises and administrations, as well as mutual learning activities. This involves support to strategic dialogue and priority setting on key issues such as entrepreneurship and the business environment, skills and innovation and risk-taking culture to which EU policy action can make a difference. It will support the dissemination of best practices and awareness-raising in the relevant areas covered by the framework Programme. This includes stakeholder mobilisation and widespread communication and promotion activities. It will foster co-operation between enterprises, in particular SMEs, and examine the feasibility of reform measures identified by benchmarking activities. It will contribute to improving the regulatory environment through funding for impact assessment and evaluation

activities in areas covered by the CIP. It will also ensure the functioning and further development of the European business support services.

Innovation can improve productivity, sustainable growth and foster the creation of added-value, i.e. make a major contribution to attaining the Lisbon goals. Innovation takes place when knowing what the market wants is brought together with knowing how to do it, in a new context. Making innovation work therefore means innovation capacity building, the uptake of new technologies and of existing technologies in a new context and carrying them through to business level. Access to finance, technologies and relevant skills is indispensable for this. Facilitating the creative mix of ideas and actors and helping to exploit the creative potential of Europe by opening up the national innovation activities and policies to a European dimension is therefore the main approach of the innovation strand of the Programme. This will include promoting a better environment and governance for innovation by fostering cooperation and mutual learning between national and regional innovation actors, improving knowledge on innovation performance and policies, and encouraging entrepreneurial innovation. It will support innovation in enterprises, in particular in SMEs, through networking of poles of excellence and clusters, through services in the area of Intellectual Property Rights and financing related issues, the transfer of technology to promote the exploitation of research results (e.g. through Innovation Relay Centres), and the operation of business support networks and assistance to innovative start-ups. It will encourage the development of new technologies, in particular eco-efficient technologies, and facilitate the market uptake of technologies and applications, for instance those stemming from space research. It will go beyond mere facilitating of exchanges of good practice among actors by offering support to specific joint activities in variable geometries among national and regional innovation programmes.

(2) The ICT policy support programme;

The ICT Policy Support Programme is aimed at developing a single European information space, in particular by ensuring seamless access to digital services over high-speed heterogeneous networks with particular emphasis on interoperability in the context of converging networks and services. It will improve the conditions for the development of digital content with particular emphasis on cultural diversity (this will be covered by the *eContentplus* programme<sup>17</sup> until 31.12.2008). It is aimed at increasing the security of ICT networks and services, including issues related to trust, dependability and governance of ICT infrastructures and services. The ICT Policy Support Programme is also aimed at promoting innovation in business processes, services and products enabled by ICT, notably in SMEs and public services, taking into account skills requirements. It is expected to stimulate debate on emerging ICT trends, communication and awareness measures promoting the opportunities and benefits that ICT brings to citizens and businesses. Lastly, the programme will establish actions on the promotion of an inclusive information society, more efficient and effective services in areas of public interest and improved quality of life; while widening ICT

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17 Decision No .../.../EC of the European Parliament and of the Council establishing a multiannual Community programme to make digital content in Europe more accessible, usable and exploitable, OJ L ...P...

accessibility and digital literacy, reinforcing trust and confidence as well as improving the quality, efficiency and availability of electronic services in areas of public interest, including interoperable pan-European or cross-border public services.

### (3) The Intelligent Energy Europe programme

It is the objective of the Intelligent Energy Europe Programme to support sustainable development in the energy context and to contribute to the achievement of the general goals of environmental protection, security of supply and competitiveness.

The programme aims to accelerate action in relation to the agreed Community strategy and targets in the fields of energy efficiency, renewable energy sources and energy diversification, and in particular: to facilitate the development and implementation of the energy regulatory framework; to increase the level of investment in new and best performing technologies and to increase the uptake and demand for energy efficiency, renewable energy sources and energy diversification, including in transport, through raising awareness and knowledge among key actors in the EU. This programme also aims at sustainable economic growth with job creation, greater social cohesion and higher quality of life, as well as at avoiding the dissipation of natural resources.

Three main ways of delivering these objectives are identified: strengthening policy and administrative capacity; measures to improve confidence and encourage increased levels of investment into sustainable energy technologies; and dissemination and promotion activities.

### **3.2. Which policy instruments have been considered?**

The framework Programme will use a number of instruments which would be managed directly or indirectly by the Commission, while others were considered but not retained – see 3.4 and 3.5, below.

### **3.3. What are the trade-offs associated with the proposed option?**

Policymaking under the programme will involve certain trade-offs between conflicting objectives and time horizons. To make informed choices it is necessary to engage in an informed debate in which all relevant evidence and underlying facts are analysed. Improving competitiveness is a horizontal problem which is affected by a wide variety of policies. Some of these are designed directly to influence competitiveness, but others have implications for competitiveness even though they are aimed at achieving objectives other than competitiveness:

- Resistance to change could affect the flexibility that enterprises need in order to modernize and to take on new technologies and organisational methods.
- At least in the short run, some environmental protection policies may have adverse effects on the competitiveness of certain enterprises.
- The shift to more knowledge-intensive and innovative activities could result in aggravating the employment problems of unskilled workers in the short term.

- A major trade-off regarding the proposed Community Financial Instruments for SMEs relates to the diversity of financial situations in the participating countries and the related political goals.
- Well-developed financial markets and the political willingness to promote competitive sectors place importance on the promotion of equity and quasi-equity finance.
- Less developed financial markets and the political willingness to support traditional businesses place importance on the provision of loan finance as source of external finance for SMEs.
- The Community Financial Instruments for SMEs under the programme are market-based tools that are different from public grants or state aids which are usually closely linked with a political objective (the carrying out of a promising research project, the application of a certain technology, the maintenance of employment in a region). Thus their use will be hampered if SMEs can obtain public grants or aids for the same investment purposes.

### **3.4. What “designs” and “stringency levels” have been considered?**

The *leitmotiv* of the Competitiveness and Innovation Framework Programme is to provide a coherent and co-ordinated framework for financial support of Community actions in the fields of competitiveness and innovation, including sustainability and support for the open method of co-ordination between the Member States. Its specific actions will need more specialised input from national authorities and a decision must be taken on the most effective means of ensuring operational co-ordination at the more technical level. Furthermore, the programme will be delivered through a variety of instruments, some of which will be transversal in nature, while others will be used only in specific policy areas. Some will be stable (“year-on-year”) instruments, whereas others will require more frequent opinions and monitoring. Some will involve significant budgetary resources, whereas others will be relatively minor in budgetary terms.

Policy analysis, development and coordination in relation to innovation and competitiveness measures carried out under the programme will regularly change to reflect political priorities, whereas certain instruments supported by the programme will fulfil their core role on a continual basis. At the overall level the design of the programme structure should therefore impose an adequate degree of control over the implementing powers of the Commission, whilst avoiding cumbersome and inefficient management procedures which may constrain implementation progress and lead to under-execution of the budget.

Having examined the “do nothing” and “no-change” scenarios (see part 4) and having looked at other forms of programmes, such as the research and development framework programmes, the option finally chosen was to have an overall structure with individual pillars, or specific programmes, building on established programmes and stakeholder groups. This will ensure that stakeholders could continue to identify the relevant activities (a desire that was strongly expressed in the public consultation). It will ensure that there is a large degree of coherence between the objectives, the specific programmes, and the adjacent research and regulatory activities within the relevant Commission services. While ensuring the overall coherence of

the framework-programme, this structure allows for the necessary flexibility in implementing different instruments and activities, and for the clarity of budgetary allocation and control.

### **3.5. Which options have been discarded at an early stage?**

Recent evaluations of existing programmes recommend the continuation of EU actions in the relevant areas, and have demonstrated that the instruments carried forward and expanded upon address critical *market failures* that the simple coordination of private entities or the collaboration of Member States would not address entirely. The operation of Community Financial Instruments for SMEs is also in large part dependent on the availability of Community funds. Total reliance on own-resource type of instruments from the European Investment Fund or the European Investment Bank was discarded as they would have been characterised by a lower-risk attitude and therefore would be to the detriment of many SMEs. Furthermore, without financial support from the Community, European business support services would have less incentive to operate and to provide feedback to the Commission. They would thus not be a European focal point for first-hand information about Community activities, and the Community would lack their dissemination, counselling, feedback and relay functions.

Voluntary approaches were also examined but rejected. With regard to improving SMEs' access to finance and economic and administrative reform for more entrepreneurship and a better business environment, although the existing and planned Community Financial Instruments for SMEs are market-based tools, it would not be possible to improve access for finance for SMEs without Community expenditure. The European business and innovation support services would not be available via voluntary cooperation either, as national or regional partners are unlikely to see a direct interest in offering them; nor would the private sector provide such services at rates that are affordable to the majority of small enterprises.

Using Communications and action plans alone would lack impact unless they are supported by Community expenditure to bring together the experts and stakeholders, and by gathering and analysing the information needed to base policy decisions upon. The same is true of effective co-ordination and European-wide dissemination actions. The areas covered by the Competitiveness and Innovation Framework programme are areas of shared responsibility between the Community and the Member States; therefore, Community regulation cannot be envisaged. However, the programme can provide input to policies and activities, including regulation, being pursued under other provisions of the Treaty having an impact on the competitiveness of enterprises. The assessment of impacts of legislation, both at the national and European level, is an important element in this regard.

The support to environmental technologies was initially planned in the LIFE+ instrument, with a theme dedicated to eco-innovation. Its inclusion within the Competitiveness and Innovation Framework Programme stems from the structure and financial volume within that programme and the choice to build a coherent programme addressing the different aspects of competitiveness and innovation, and to exploit the synergies between the different planned programmes, in relation to enterprises.



### 3.6. How are subsidiarity and proportionality taken into account?

European firms compete in an increasingly global economy, but the business conditions they face in the internal market are key determinants of their competitiveness, growth and employment performance. The services all these elements provide and the efficiency of the “system” they form influence the competitiveness and innovation performance of businesses. Focussing on market/system failures has been identified as a means of greatly increasing the efficiency of policymaking. The Community and the Member States each have important and complementary roles in addressing these failures.

In recent years, therefore, many different policy measures and support schemes to improve competitiveness and innovation have been implemented or are under preparation, reflecting the diversity of conditions in the Member States. However, while progress has been made in some Member States, the overall picture is, at best, patchy. There is therefore a complementary role for Community action to support coherence, address certain market failures, and ensure consistency in implementation.

There are certain system/market failures that can best be tackled via public interventions. For example innovation, carried through to the enterprise level, suffers from what the market considers as excessive up-front costs, and long-term return on investment. Likewise the market is risk-averse and wary of new or young SMEs which are perceived as high-risk investments, especially if they are innovative. ICT uptake and best use are affected by perceived concerns with regard to return on investment and security aspects, with a genuine European dimension (if not global, such as in security). Governments and public service providers have an essential role in stimulating private investment in ICT and initiating actions for best use. The EU level, by virtue of its scale and scope, is also best suited for fostering interoperability for the users' benefit<sup>18</sup>. Interoperability on a trans-European level of ICT-based services requires higher investments up-front, but will lead to long-term benefits by creating larger markets.

Innovation policy takes place mostly at national and regional levels but there is a potential need for intervention at Union level, as innovation is by definition a global phenomenon that is not successful and sustainable in a closed-shop environment. The same goes for trans-national policy learning, networking and policy benchmarking. Therefore, Community action will add value to national interventions by providing a European dimension in support of innovation for enterprises, through assistance services in the areas of transfer of technology, through clustering and networking and through supporting the teaming up of national and regional business innovation programmes.

The Competitiveness and Innovation Framework Programme will thus respect the principle of subsidiarity. It would reinforce competitiveness and facilitate SMEs' access to finance, lead to improvements in energy efficiency, and accelerate the uptake of environmental technologies leading to a more efficient use of resources. The Programme would aim at a wider uptake of ICT by businesses, public sector and citizens across Europe, and at developing an information society for all, based on trustworthy and secure products and services.

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18 Preliminary Analysis of the Contributions of the EU Information Society Policies and Programmes to the Lisbon and Sustainable Development Strategies – ongoing study by DG INFSO C3, 2005

**4. WHAT ARE THE IMPACTS – POSITIVE AND NEGATIVE – EXPECTED FROM THE DIFFERENT OPTIONS IDENTIFIED?**

**4.1. What are the expected positive and negative impacts of the options selected, particularly in terms of economic, social and environmental consequences, including impacts on management of risks? Are there potential conflicts and inconsistencies between economic, social and environmental impacts that may lead to trade-offs and related policy decisions?**

The Competitiveness and Innovation Framework Programme will encourage an environment favourable to entrepreneurial initiative, innovation, and to the development of enterprises, particularly SMEs. The programme will facilitate access to finance for SMEs, and framework conditions for entrepreneurs. It will offer business and innovation support services, and create unique and extensive networks for policy learning and cooperation, grouping at Community and Member States' levels the business and institutional entities (including poles of innovation excellence) aiming to fully exploit the creative and innovative potential of Europe. It will foster joint or co-ordinated innovation initiatives of national and regional innovation programmes, triggering synergies (including cohesion fund activities), avoiding overlaps and repetition and giving European added value to the projects. Support to eco-innovation aims to exploit the potential of environmental technologies for meeting the environmental challenges while contributing to competitiveness and growth. The programme will help reduce the time-to-market for innovative goods and services and thus speed up the return on investment in innovation. It will also create the conditions for *interoperability* in the design of ICT-based networks and services through a more homogeneous and coherent view of ICT services and deployment functions.

*4.1.1. Economic impacts expected*

In terms of economic impacts the Community Financial Instruments for SMEs will ease the supply of seed and early-stage capital for innovative start-ups and young companies. They will increase the supply of development equity for innovative SMEs in their expansion stage ('follow-on' capital in order to bring their products/services to market, to continue their research/development activities and to grow further). This will facilitate SMEs investments in knowledge-related activities, innovation and environmental technologies, where they are currently hindered by the difficult access to finance. The European business and innovation support services will enable SMEs to identify and exploit business opportunities outside their home country, and to get the most out of the enlarged internal market (by providing information on legislation, standards, public tenders). They will also enable business concerns to be integrated into EU policy making, ensuring that the voice of businesses is heard, and the impact of existing legislation on SMEs will be monitored. There will also be initiatives to encourage economic and administrative reform, which should reduce red tape.

Some of the major economic impacts of the new programme will therefore be due to the Community Financial Instruments for SMEs:

<b>Community Financial Instruments</b>	<i>Number of SMEs benefited at 7 year horizon</i>	<i>Average cost(€)</i>	<i>Number of jobs maintained or created at 5 year horizon</i>	<i>Average cost (€) to the EU budget per job created or maintained</i>
Venture Capital for Growth and Innovative SMEs: early stage	674	300 000 <sup>19</sup> (600 000 for eco-innovation) <sup>20</sup>	35 048 <sup>21</sup>	6 362
Venture Capital for Growth and Innovative SMEs: expansion stage	526	500 000 <sup>22</sup> (750 000 for eco-innovation) <sup>23</sup>	27 352 <sup>24</sup>	10 420
Guarantees and Counter-Guarantees for SME loans	315 750	1 330 <sup>25</sup>	315 750 <sup>26</sup>	1 330
Capacity Building (Grants accompanying credit lines from International Financial Institutions)	10 000 <sup>27</sup>	25 000	n.a.	n.a.

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- 19 Average investment into early stage companies under ETF Start-up around EUR 1.2 million. This includes the initial investment and follow-on investments by the same venture capital fund. With an EC participation of 25%, the average cost to the EU budget was around EUR 0.3 million.
- 20 The EC maximum investment in GIF1 venture capital funds focused on eco-innovation is 50%. The cost for the EU budget per SME supported is therefore 50% of EUR 1.2 million
- 21 From EIF “the economic impact of venture capital-a study based on the experience of the EIF with ETF Start-up programme”: 37 supported jobs and 15 increased jobs = 52, which is used as the parameter for the purpose of this calculation.
- 22 The average investment at expansion stage is estimated at around EUR 3 million. Therefore, with a typical EC participation of 15%, the average cost to the EU budget will be around 0.5 million.
- 23 The EC maximum investment in GIF2 venture capital funds focusing on eco-innovation is 25%. The cost to the EU budget per SME supported is therefore 25% of EUR 3 million
- 24 By analogy, based upon the same data as for GIF 1, giving 52 jobs per investee company (see above)
- 25 Based on data relating to the SME Guarantee Facility under the Growth and Employment initiative: with € 100 million, it is possible to reach around 75 000 SMEs
- 26 From Growth and Employment data: beneficiary SMEs created on average 1.2 jobs. A more conservative ratio should be used, however, as micro-enterprises create fewer jobs than other SMEs and the number of companies reached under micro-credit guarantee corresponds to more than 20% of all companies reached by SMEG. Thereby, the creation of 1 job seems more realistic.
- 27 Under capacity building programmes such as the preparatory action and PHARE SME Finance Facility, each € provided by the Commission corresponds to +/-€ 5 of credit line provided by an IFI. In addition, based on PHARE SME Finance Facility, the average loan is around €25,000.

	<i>Number of venture capital funds supported / Number of transactions/ Number of intermediaries</i>	<i>EU investment/EU cost/EU support per intermediary or transaction</i>
Venture Capital for Growth and Innovative SMEs : early stage	17 (including 2 funds focused on eco-innovation)	Maximum: EUR 30 million Typical range: EUR 10 million to EUR 14 million
Venture Capital for Growth and Innovative SMEs : expansion stage	15 (including 2 funds focused on eco-innovation)	Maximum: EUR 30 million Typical range: EUR 13 million to EUR 23 million
Securitisation	16	EUR 3 million

For the European business and innovation support services the expected impacts per € 1,000,000 expenditure are as follows:

- Around 45,000 SMEs could be reached by the European awareness-raising activities developed by the business and innovation support services.
- Around 112 events dealing with European issues with relevance for SMEs could be organised.
- Around 2 500 enterprises looking for a partner in another country could be put in contact through the business cooperation tools managed by the business and innovation support services.

The European business and innovation support services also perform a more indirect, but vital economic task by providing a number of non-financial benefits such as opportunities for finding new potential partners, marketing business technology intelligence, development of new/improved products/processes, funding through programmes, increasing the attractiveness to investors, induction of investments and possibilities for environmental savings.

The innovation strand of the Programme will encourage entrepreneurial innovation, including organisational and non-technological innovation. Expected impacts would include an improvement in the innovation input (such as more enterprise-university and SME cooperation for innovation; increase of innovation expenditure as a percentage of turnover, more SMEs using non-technological innovation; more accessibility of risk-capital and leveraging national and regional funding for business innovation projects) and output (such as an increase in sales of new-to-market products/services and of new-to-firm products/services; increase in EPO patent registrations; increase in employment in medium-high and high-tech manufacturing).

The support to eco-innovation within the Programme aims to exploit the potential of environmental technologies for meeting the environmental challenges while contributing to competitiveness and growth. Many companies in Europe and elsewhere have already realised that moving to more eco-efficient production and products will improve environmental performance, cut costs for energy, resource input and waste management, and open new

markets. The world market for environmental goods and services was estimated at over €500 billion in 2003 – comparable to the aerospace and pharmaceutical industries – and continues to grow at around 5% per year.<sup>28</sup> Investments in eco-innovation may therefore offer an attractive growth dividend.

The ICT programme should enable the desired levels of ICT penetration to be attained and cluster the necessary critical mass for uptake and best use of ICT services, which in turn should lead to necessary productivity gains. It should also leverage new investments in the member states for best use of ICT in order to modernise public sector services and improve their efficiency and effectiveness, which should again offer downstream productivity and reduce the burden of red tape. On the other hand, there could be indirect negative economic and social impacts in terms of reducing the employment prospects of unskilled workers.

Benefits from increased synergy of forerunner programmes for ICT (eContent, eTEN and Modinis) are supported by recent evaluations and are expected to be enhanced by further integration. The new ICT Policy Support Fund will enhance and multiply positive impacts due to leveraging of funds and their catalysing effect.

*Leveraging* is expected to reach high levels by strengthening *additionality* in fund allocation. Pure additionality in eContent activities concerns 51% of organisations (63% of universities and research institutes) involved in the programme, which would not have become involved the work without EU funding<sup>29</sup>. In eContent, EU funding has a positive effect on the scale and scope of projects in 42% of the cases that would otherwise have had reduced objectives and finances, with fewer partners and over longer timescales. This same effect has been seen in eTEN as well. Some projects would not have been undertaken without eTEN support, while most of the remainder would probably have been undertaken on a smaller scale, with a narrower geographical coverage, or at a later time without the support from the programme. In that respect, the reinforcement of the programme's activities and increased synergies with other "e-domains" will be useful in promoting a larger-scale and speedier implementation of the projects.

Moreover, the Intelligent Energy Europe specific programme aims to create sustainable economic growth with job creation, greater social cohesion and higher quality of life, as well as to avoid the dissipation of natural resources. The Programme will foster the market uptake of - and boost investment in - sustainable energy technologies. Europe is a leader in energy efficiency and renewable energy technologies. Their contribution to Europe's competitiveness is basically twofold: On the one hand they improve manufacturing processes (for instance in terms of cost-efficiency); on the other hand they open up a new global market for European technology with substantial impacts on economic growth and employment. The Intelligent

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28 According to data from the European Committee of Environmental Technologies Suppliers Associations.

29 According to survey of project participants in - European Commission - Commission Staff Working Paper Ex ante Evaluation: Multiannual Community programme to make digital content in Europe more accessible, usable and exploitable (*eContentplus*) (2005 – 2008) - 16 February 2004

Energy Europe Programme is expected to create 1 807 *Promotion and Dissemination Projects*<sup>30</sup> and 63 *Replication Projects*<sup>31</sup>, which will create substantial leverage:

- *Promotion and Dissemination Projects* can attract additional private/government funding of at least €451.75 million for projects supporting promotion and dissemination activities in the field of sustainable energy production and use.
- *Replication Projects* can attract additional private/governmental funding of minimum €585 million, which means a total of €900 million for projects benefiting the replication and market penetration of just-proven sustainable energy technologies.

The possibility of fostering actions with Member States and private partners (through additionality and coordinated actions) in the field of investment in ICT and its best use will have a relevant catalytic effect. The programme will enlarge the market for the re-use of public sector information<sup>32-33</sup> (estimated at €68 billion in 2000). This market value is liable to grow substantially in an environment fostering best use of ICT and regulatory certainty<sup>34</sup>. It is estimated that between one half and two thirds of project participants expect to “enter new business/activity areas”; add new skills and technical knowledge; increase exposure to the European market; increase product or service quality; increase turnover or productivity by 10%-20%, within two years<sup>35</sup>

#### 4.1.2. *Social and environmental impacts expected*

Many of the social consequences will be linked to the impacts created by the Community Financial Instruments for SMEs, which will enable the creation and growth of enterprises where the market has failed to do so and thus create employment. In addition, the policy analyses, development and co-ordination to enhance entrepreneurship, enterprise growth and innovation are expected to have positive impacts on the framework conditions, including the social framework<sup>36</sup>. The ICT programme will have a societal impact as well - with productivity growth at current levels, Europe will have difficulty maintaining its standards of

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30 Promotion and Dissemination Projects aim to accelerate market penetration of sustainable energy technologies and stimulate investment, to remove non-technological barriers and create structures and instruments for sustainable energy development, to promote sustainable energy systems and equipment, to raise awareness, to develop information, education and training structures; to disseminate know-how and best practices, to finance studies for the preparation of future legislative measures; to monitor the implementation and the impact of Community legislative and support measures.

31 Replication Projects concerned with the first market replication of just-proven technologies of European relevance, designed to promote innovatory techniques processes or products which have already been technically demonstrated with success but, owing to residual risk, have not yet penetrated the market, so that the Union shares the risk involved in the economic exploitation of the results of research, technological development and demonstration activities.

32 Market Study by Pira International Ltd, 20 Sept. 2000: Commercial Exploitation of Europe's public Sector Information

33 The improvement of conditions for the development of digital content with a special emphasis on cultural diversity will be covered by the eContent<sup>plus</sup> programme until 31.12.2008

34 European Commission - Exploiting the Potential of Europe's Public Sector Information, 2004

35 European Commission, 2005 - Intermediate Evaluation of ETEN (former Ten-Telecom) Programme

36 For instance, good practices in providing social security to entrepreneurs can increase the entrepreneurial climate and thus lead to more employment over time.

living, as real wage increases cannot be sustained. The uptake of ICT has been proven to have a positive impact on productivity levels and this framework programme will nurture such uptake. A synergistic interplay of the ICT Policy Support programme with the other components of the Competitiveness and Innovation Framework Programme should also deliver positive impacts in terms of social and territorial sustainability through better inclusion of European citizens within the European knowledge economy and through the reduction of territorial and social digital divides, while favouring multilingualism and penetration of e-services in remote areas.

Innovation also has a high potential contribution to make in products and services to improve the quality of life of specific social groups, e.g. disabled persons, and of the ageing population, and to improve public health through innovative medicines and health-care organisation. Indeed, in environmental terms, the main failure of innovation is that it is not delivering eco-innovations fast enough to tackle possible negative impacts of economic growth and the degradation of the environment. Positive indirect environmental impacts of the Competitiveness and Innovation Framework Programme will be generated by the promotion of sustainable production methods and the increased availability of financing for SMEs, including financing of eco-innovations.

Environmental sustainability and climate protection is one of the three main goals of the Intelligent Energy Europe Programme. Besides, sustainable energy production and use has a positive impact on the local environment since it means lower levels of emissions of air pollutants, not just CO<sub>2</sub>. Secondly, sustainable energy production has also a very important social integration dimension. Energy efficiency and renewable energy technologies represent a new market and carry a huge employment potential. Renewable energy generation mainly relies on decentralized production structures with major benefits for social and regional cohesion and particular advantages for economically weak (for example rural or peripheral) regions.

Negative environmental impacts are hard to foresee at this stage, since innovative SMEs, for example, tend to be less rather than more resource-intensive.

#### **4.2. Are there especially severe impacts on a particular social group, economic sector (including size-class of enterprises) or region?**

There should be positive impacts, as compared to the previous programmes, as there will be a focus on policies in favour of socially disadvantaged entrepreneurs (such as ethnic minority entrepreneurs). The role of employees, including employees owning shares, will be looked at. Also, the intended programme extension for the definition and implementation of competitiveness strategies will address certain industrial sectors affected by structural change or global competitiveness challenges.

The geographical extension of the business and innovation services will also increase their positive impacts on less developed regions, since it is aimed at ensuring the provision of an equivalent set of services in all the regions of the participating countries. This also means that these regions will obtain extra benefits from business co-operation activities of the business and innovation services. The building of Technology Partnerships among different regional

innovation players is expected to add to their impact, which will be increased by the number of jobs saved/created and the increase in R+D+I spending. The support to eco-innovation should have a positive impact on the sector of environmental goods and services, which includes a large number of SMEs, often labour-intensive, which showed high growth in recent years and have good growth prospects, in particular in the new Member States.

A major challenge for Europe is the elimination of the digital divides that are emerging in the Enlarged Europe. For example, broadband penetration in EU25 is on average 6.5% of the EU population (7.6% in EU15), with major disparities between countries (Denmark having 15.6% penetration rate and Greece having 0.2%). According to the eEurope+ Household Survey 2003 Report (2004), 67.3% of respondents in the New Member States did not have a computer and only 3.8% were benefiting from broadband.

Digital divides materialise in two aspects of the Information Society:

- Access divide (supply side) in the dissemination of ICT services and infrastructures (i.e. urban areas vs. rural areas; countries with major take-up vs. countries with poor take-up);
- Skills divide (demand) involving the need to strengthen the skills to make best use of ICT-based services and creatively enrich the services provided.

This implies that the majority of the EU population (and especially those in rural areas) is in danger of being excluded from the benefits of the Information Society. The parallel actions of ICT deployment and the creation of conditions for best use in terms of training and service delivery could result in larger portions of the EU population actively embracing the benefits of ICT/ISTs and creatively developing new services and making use of them. In this regard, the actions to favour users' uptake of ICT have the potential to actively involve into the labour market a larger share of European citizens who are currently excluded from the active labour market for reasons of social or geographical disadvantage.

#### **4.3. Are there impacts outside the Union on the Candidate Countries and/or other countries (“external impacts”)?**

The capacity-building instrument to improve the financial environment for SMEs will accelerate the provision of credit to SMEs in countries with low banking intermediation. The business and innovation support services will also cover Bulgaria, Romania, Croatia and Turkey as well as two EFTA countries (Norway and Iceland). Stable cooperation with correspondence centres in other third countries will be put in place, which will facilitate the reinforcement of commercial links with those countries.

The leading role in electronic infrastructures could place Europe at the centre of the "networked knowledge economy" embracing and involving the main emerging world regions (such as Brazil, China, India, etc.) and, more immediately, the neighbouring countries<sup>37</sup>.

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37 Towards a Global Partnership in the Information Society: Translating the Geneva principles into actions. Commission proposals for the second phase of the World Summit on Information Society (WSIS) - COM(2004) 480 final



Nevertheless, the objective to boost international competitiveness of EU companies also means an expected negative impact, in relative terms, for their main competitors.

The support to environmental technologies should allow candidate countries and new Member States to implement the Community 'acquis' more cost-efficiently. It will also help with tackling global challenges such as climate change or the depletion of global resources such as drinkable water. The development and transfer of eco-efficient technologies will also help developing countries and economies in transition to use resources more efficiently and thus save financial resources for their development needs.

#### **4.4. What are the impacts over time?**

The Competitiveness and Innovation Framework Programme's Community Financial Instruments for SMEs will continue to allow more SMEs to benefit from loans (via the loan guarantees, and in the medium term through the new securitisation instrument). In the case of an economic upturn, venture capital may also receive a significant stimulus through the intended instruments (start-up and early-stage equity financing). All financial instruments will have long-term impacts beyond the programme period, in particular those that help to create new financing markets for SMEs (such as the securitisation instrument). They will act as a catalyst to accelerate national policy development and decision-making in the field of access to finance and contributing to the development of new SME financing instruments, increase the supply of development equity for innovative SMEs in their expansion stage ('follow-on' capital in order to bring their products/services to market, to continue their research/development activities and to grow further). They will increase the supply of debt finance for SMEs that lack the collateral necessary to obtain such loans, including micro-credit. They will contribute to capacity-building in countries with a banking intermediation that is significantly lower than the EU-average, in partnership with the international financial institutions which provide loans to these countries. The variety of Community Financial Instruments for SMEs reflects the fact that different economies and the market develop at different rates and according to different cycles; therefore a wide range of instruments is necessary; indeed evaluation has shown the need for this and so this proposal responds to that need. It should be noted that, given the time needed to choose financial intermediaries for investment and for SMEs to grow, the impact of these instruments over time will be progressive rather than linear.

The Competitiveness and Innovation Framework Programme is expected to enhance co-operation between policymakers. Strong emphasis will be placed on identifying and disseminating best practice. It should increase the Community dimension in the content of national policy initiatives, and will lead to the establishment of tools that help interested enterprises to find business partners in participating and in third countries. The net effect of this will be to a certain degree cumulative, and is expected to lead to an increase in the number of specific national and regional policies on SMEs and entrepreneurship.

The European business and innovation support services of the Competitiveness and Innovation Framework Programme will also ensure that SMEs are aware of European policies and actions, that SMEs can identify and exploit business opportunities outside their home country, and that they get the most out of the enlarged internal market (by providing information on

legislation, standards, public tenders). Tools will be used which will help to integrate businesses' concerns into EU policymaking, ensuring that the voice of businesses is heard in this process; the impact of existing legislation on SMEs will also be monitored. Ensuring that a range of different types of services are offered under the heading of business and innovation services will improve their cost-effectiveness, and the sharing of a set of common tools will facilitate access to the right contacts for SMEs.

In terms of encouraging innovation the Competitiveness and Innovation Framework Programme will promote efficient innovation governance and networking among stakeholders. It will analyse and benchmark innovation performance and promote best practice for innovation policy. It will encourage entrepreneurial innovation, including organisational and non-technological innovation. Expected results include cooperation projects between innovation actors (in both the public and private spheres). The exchange of best practice will lead to mutual learning among public and private actors (including enterprises). This will be underpinned by support and information services, in particular in the area of technology transfer and IPR. There should be an increased take-up of innovative activities in terms of process or products/services, and organisational innovation in more European enterprises.

EU participation in coordinated initiatives between Member States with a view to developing the Information society across the Member States is also regarded as a tool to optimally achieve desired levels of ICT penetration and cluster the necessary critical mass for uptake and best use of ICT services. Community funding via the Competitiveness and Innovation Framework Programme will be essential to trigger and leverage new investments in the member states for best use of ICT in order to modernise public sector services and improve their efficiency and effectiveness. Community funding will be necessary to build interoperable solutions across the Union, help overcome barriers of multiple languages and of technical fragmentation in Member States, and support cohesion and inclusion of all citizens. It will help participation of citizens in public life through more, safer and higher-quality online services across countries and regions.

#### 4.5. What are the results of any scenario, risk or sensitivity analysis undertaken?

Options / Impacts on:	1) "Do Nothing" (i.e. stop all the relevant on-going EU interventions)	2) "No Change" / "Business as usual" / separate programmes	3) Establishing the Competitiveness and Innovation framework Programme
<b>Competitiveness (including more entrepreneurial attitudes, better access to finance, business support and other networks, and productivity, including ICT uptake)</b>	<p>(--) Incoherent, fragmented and greatly weakened response to Lisbon mid-term review, Kok report, and growth and jobs strategy at outset</p> <p>(--) No coherent policy interface for Council / Member States</p> <p>(--) Virtually no attempt to take any measures in this area at EU level outside Research Framework Programmes or Cohesion Policy</p> <p>(--) Indirect and direct negative impact on employment</p> <p>(--) No Community support to encourage entrepreneurial attitudes</p> <p>(--) Fragmentation of the market in certain sectors, so deterioration of framework conditions for companies and producers</p> <p>(--) No Community support for business support networks</p> <p>(--) Abandonment of attempt to fill market failure regarding access to finance for SMEs</p> <p>(--) Serious negative impact on image of EIF</p> <p>(--) No stakeholder interface at EU level</p> <p>(--) End of EICs means end of inclusion of EU involvement in EU15 - EU 10 / CC's cross-border business co-operation</p>	<p>(=) Response to Lisbon mid-term review, Kok report, and growth and jobs strategy via renewal of several existing programmes only</p> <p>(-) Market failure in access to finance for SMEs throughout the early stages of the business life-cycle not addressed in complementary manner</p> <p>(=/-) Networks role's static – synergies low</p> <p>(-) Not taking account of Enlargement</p>	<p>(++) Coherent response to Lisbon mid-term review, Kok report, and growth and jobs strategy at outset</p> <p>(+) reinforcing EU leadership and productivity</p> <p>(++) Synergies with Research Framework Programmes or Cohesion Policy</p> <p>(++) Community Financial Instruments for SMEs address market failures in access to finance throughout the difficult stages of the business life-cycle, therefore more jobs</p> <p>(+) Better synergy, leveraging, e.g. critical mass pooling ICT deployment in public sector. Critical effects on economy</p> <p>(+) Synergies and efficiency gains by the joint management of implementation instruments, for example business and innovation support networks</p> <p>(+) Economies of scale for technological uptake (e.g. cost reductions for larger ICT uptake and roll-out e.g. interoperability)</p> <p>(++) Framework programme addresses broad range of competitiveness issues to encourage growth and jobs</p> <p>(+) Strategic Public Procurement</p> <p>(++) Possible catch up of 10 NMS</p> <p>(+) Array of measures to improve innovation culture and environment for enterprises within</p>
<b>Leadership and Innovation</b>	<p>(--) Fewer Community measures to improve innovation culture and</p>	<p>(=) measures to improve innovation culture and environment for enterprises</p>	<p>(+) Array of measures to improve innovation culture and environment for enterprises within</p>

<b>Capacity</b>	<p>environment for enterprises</p> <p>(-- ) Very low visibility for business stakeholders</p> <p>(-- ) EU co-ordination and leadership role abandoned</p> <p>(-- ) No stakeholder interface at EU level</p> <p>(-- ) Industry strategy fragmentation</p>	<p>within several programmes</p> <p>(-/=) more difficult technology roll-out and uncertain markets</p> <p>(-) risk of absorbing third country services or technology. Losing some EU leadership.</p>	<p>one framework programme</p> <p>(-/=) visibility and unity of action for business stakeholders</p> <p>(+) capturing ICT/IST value-chain and regulation/ nurturing effective deployment</p> <p>(+) strengthening internal market for services and business</p> <p>(+) enhanced public services for civil society</p>
<b>Administrative requirements on businesses and better regulation</b>	<p>(-- ) Uneven, incoherent and fragmented response to needs for reducing the burden on business &amp; improving regulation</p> <p>(-- ) Multiplication of national rules – market fragmentation</p>	<p>(-) Less synergies and savings due to continuation of current separate programmes</p>	<p>(++) Easier to improve bureaucracy on synergistic programmes</p> <p>(+) Priorities will prevail over fragmentation</p>
<b>Social Inclusion</b>	<p>(-- ) No attempt to address social exclusion in the areas in question (inc. remote areas), for example relevant to digital divides</p>	<p>(=) Impact of separate programmes will be fragmentary</p>	<p>(+) Synergy would provide for holistic approach and greater impact on reducing social exclusion, for example with regard to digital divides</p>
<b>Environmental Sustainability</b>	<p>(-- ) No Community programme to address market failures regarding environmental technologies</p> <p>(-- ) Aggravation of current trends resulting in higher costs for environmental protection, less efficient use of resources and missed opportunities in global markets</p>	<p>(-) Integration of environmental aspects across the various programmes not optimised</p>	<p>(+) Increased synergy in deployment would favour sustainability outcomes</p> <p>(++) Full integration of environmental issues within programmes</p> <p>(+) Opportunity for environmental technologies access to finance market gap to be addressed by market players</p>
<b>Sustainable production and use of energy</b>	<p>(-- ) No non-technological Community Programme in the field of sustainable energy</p> <p>(-- ) No non-technological support for fulfilling the Community's sustainable energy targets and Kyoto commitments</p> <p>(-- ) Lacking market up-take for sustainable energy technologies</p> <p>(-- ) Lacking awareness due to absence of promotion and dissemination at European level</p> <p>(-- ) Lacking investments in</p>	<p>(-/=) No change, therefore inter-programme articulation not optimised</p>	<p>(+) Increased synergy in deployment of sustainable energy technologies</p> <p>(+) Full integration of sustainable energy issues within all programmes within Competitiveness and Innovation framework Programme</p>

sustainable energy technologies

(--) Lacking replication of newly introduced sustainable energy technologies

**Engagement of key stakeholders**

(--) No interface at all in key areas  
(--) Lack of coherent strategic vision leading to increase in market uncertainties

(=) No cross-cutting involvement, stakeholder engagement static

(+) Clear engagement in specific programmes that have wider potential impacts due to synergy and efficiency gains

(+) Increased integration of key stakeholders

(+) Framework means potential cross-cutting involvement in areas that were previously behind "glass walls"

(+) Increased synergy of actions would increase chances for uptake and critical mass

(+) Possible multiplier effects

## **5. HOW TO MONITOR AND EVALUATE THE RESULTS AND IMPACTS OF THE PROPOSAL AFTER IMPLEMENTATION?**

### **5.1. How will the policy be implemented?**

The Competitiveness and Innovation Framework Programme will be implemented within specific programmes, as stipulated in part 3 (above). Implementation will take place both via indirect management of the Community Financial Instruments, primarily through the EIF, and by direct management by the Commission, notably for policy analysis, implementation, and framework programme-level evaluation and monitoring tasks.

### **5.2. How will the policy be monitored?**

Regular monitoring of the implantation of programme is planned, in accordance with the principles of sound financial management. Audits of individual programme elements will also be carried out on a regular basis, as part of the annual programming and management cycle of the Commission.

### **5.3. What are the arrangements for any *ex-post* evaluation of the policy?**

The framework Programme and its specific programmes will be subject to interim and final evaluations which will examine, *inter alia*, issues of relevance, coherence and synergies, effectiveness, efficiency, sustainability and utility. The interim evaluation may also include *ex-post* evaluation elements with regard to previous programmes

The interim evaluations will be completed by 31 December 2009, the final evaluations by 31 December 2011.

## **6. STAKEHOLDER CONSULTATION**

### **6.1. Which interested parties were consulted at what stage in the process, and for what purpose?**

In order to collect input from stakeholders at an early stage of the programme design, the Commission carried out a public consultation between December 2004 and February 2005. The consultation followed established Commission guidelines<sup>38</sup>. All interested stakeholders, both individuals and organisations, were invited to present their views on a consultation document setting out the main objectives and proposed instruments of the programme. The main tool used to collect feed-back was an online questionnaire (Interactive Policy Making Tool, IPM) to which 186 responses were received, and, in addition, the Commission received more than 100 position papers and written contributions from European level and national stakeholder groups. Regarding the types of respondent, 16% of the replies came from individuals, 15.5% from business associations, 14% from public administrations and 13% from enterprises (mainly SMEs). Business service and innovation networks and research and technology centres also took part in the consultation. There was a good participation rate by enterprises as well as associations representing enterprise interests.

### **6.2. What were the results of the consultation?**

The main results of the public consultation can be summarised as follows<sup>39</sup>:

- A majority of respondents support the suggestion to establish a coherent framework for actions to boost competitiveness and innovation.
- All the objectives proposed were considered as either important or very important by an overwhelming majority of stakeholders, and relevant or very relevant to their individual needs.
- European-level intervention in the areas proposed is considered necessary to fill clearly identified market gaps in respecting the principle of subsidiarity. The Community action is thus seen as complementary to actions at national, regional and local level.
- As some elements of the programme unavoidably target fields where action is already being taken by European, national and regional level actors, it is essential to ensure synergies between various initiatives through adequate co-ordination and co-operation.
- The framework programme should, on the one hand, be based on a genuine integration between its component parts and, on the other hand, ensure that the visibility and political focus of the programmes included is not weakened.

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38 Communication from the Commission “Towards a reinforced culture of consultation and dialogue – General principles and minimum standards for consultation of interested parties by the Commission », COM(2002) 704 final.

39 The detailed results of the consultation are enclosed in annex 2.

- The framework programme presents an opportunity to rationalise and simplify the component programmes included. They should be made more user-friendly and more easily accessible to SMEs.
- The stakeholders recognised the need to deploy a wide variety of instruments to achieve the various objectives of the framework programme and pointed to the need to make these instruments operate horizontally across all aspects of CIP to enhance the integration of the programme's elements.
- Measures to ensure proper evaluation of the activities undertaken and efficient dissemination of their results were deemed crucial for the overall effectiveness and visibility of the programme.

## **7. COMMISSION DRAFT PROPOSAL AND JUSTIFICATION**

### **7.1. What is the final policy choice and why?**

The Competitiveness and Innovation Framework Programme has been chosen as the final policy choice. It will offer significant synergies and economies in terms of common implementation structures between its specific components. It will offer a range of interventions aimed at enterprises, public administrations and citizens, and actions aimed at better using our resources. Furthermore, it will occupy a key place in relation to these other Community programmes, creating necessary synergies with them. Through the Community's Framework Programme for Research and Technological Development new knowledge will be created and the results of the supported activities will be disseminated and optimised at project level. The Competitiveness and Innovation Framework Programme will encourage the further dissemination and exploitation of this work, thereby creating synergies by its interaction with the Framework Programme for Research and Technological Development and by reinforcing the link between research and innovation and its market uptake.

In the fields of innovation, enterprise and competitiveness, large regional disparities remain in Europe. The regional dimension is essential to improving European competitiveness and innovation. The operation, behaviour and development of most enterprises are largely conditioned by their local contexts and these contexts are diverse. The Commission's proposed new cohesion policy makes competitiveness and innovation an explicit and central basis for Structural Fund intervention in the "Convergence" and "Regional competitiveness and employment" Objectives. Where the Competitiveness and Innovation Framework Programme identifies and promotes excellence, cohesion funds must be used by national and regional authorities as a complementary instrument to bring those who are lagging behind up to these levels of excellence; boosting regional competitiveness and innovation, and thereby reducing disparities.

### **7.2. Why was a more/less ambitious option not chosen?**

A more ambitious option would have been to merge the specific programmes into one single cross-cutting programme. This option was not chosen as the stakeholder consultation clearly

favoured a more visible approach to the component policy strands, a view which is mirrored in the framework approach with specific programmes.

A less ambitious option would have been to continue to implement the various programmes independently. This option was not chosen as it would not have taken account of the clear message from the majority of stakeholders in the consultation to create synergies by using a framework approach, and it would not have been acceptable to continue to address the issues relating to Lisbon and Growth and Jobs in a piecemeal fashion. A coherent set of major European policies is needed to maximise impact, and the Competitiveness and Innovation Framework Programme therefore fits with the 7<sup>th</sup> Framework Programme for RTD, the revised Structural Funds and the new integrated Programme for Lifelong Learning.

### **7.3. What are the trade-offs associated with the chosen option?**

The scale of expenditure and the micro-economic focus of the programme are too limited to create conflicts between social, economic and environmental impacts under the proposed programme. However, there are trade-offs between fundamental political choices. These have been described above. On a more operational level, the programme will contribute to impact assessments of specific Community measures and each individual impact assessment will allow examination of potential conflicts between social, environmental and economic impacts thus enabling policymakers to make informed choices in relation to specific measures.

In the area of ICT, existing programmes, with their relatively small financial contribution, either constitute a relevant means of catering for the necessary demonstration activities in the areas they affect (eContent) or exert some *leveraging effect* (eTEN<sup>40</sup>). However, considering the individual programmes, “these goals are very broad, and the resources of the programme quite limited. Thus, it would be unrealistic to expect these programmes to have a far-reaching impact”<sup>41</sup> without significant clustering.

### **7.4. If current data or knowledge are of poor quality, why should a decision be taken now rather than be put off until better information is available?**

The decision can be taken now, as the supporting data, knowledge and evidence base are sufficiently extensive. In addition to the annual implementation reports of the various predecessor programmes and the stakeholder consultations mentioned above (see 6.1 and 6.2), the evidence underlying this proposal is detailed and thorough, and includes:

- The final evaluation of the multiannual programme for enterprise and entrepreneurship and in particular for small and medium-sized enterprises (SMEs)(2001-2005) (September 2004)<sup>42</sup>
- Mid-term report on LIFE III<sup>43</sup>

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40 eTEN Mid-Term Evaluation Report – 2004

41 Mid-term Evaluation of the eContent programme – May 2003

42 *External evaluation of the Multiannual Programme for Enterprise and Entrepreneurship, and in particular for Small and Medium-sized Enterprises (SMEs)* (2001-2005), INFYDE, S.L. / Lacave Allemand & Associés, September, 2004 (SEC(2004)1460)



- External evaluation of LIFE III, used as a basis for the mid-term report<sup>44</sup>
- Evaluation of the multi-annual Community programme to stimulate the establishment of the Information Society in Europe, PROMISE
- The Mid-term Evaluation of the e-Content programme
- The ex-ante evaluation of eContentplus<sup>45</sup>
- The e-TEN mid-term evaluation report
- The Five-Year Assessment of IST-RTD (1999-2003)
- PROMISE final evaluation
- Ex-ante evaluation of a renewed multiannual Community programme in the field of energy (2007-2013)<sup>46</sup>
- The Five-Year Assessment of the European Union Research Programmes 1999-2003<sup>47</sup>

**7.5. Have any accompanying measures to maximise positive impacts and minimise negative impacts been taken?**

As stated above (see 7.1) the Competitiveness and Innovation Framework Programme will occupy a key place in relation to these other Community programmes creating necessary synergies with them. The Commission's proposed new cohesion policy makes competitiveness and innovation an explicit and central basis for Structural Fund intervention under the "Convergence" and "Regional competitiveness and employment" objectives. Based on best practices, the cohesion funds and Competitiveness and Innovation Framework Programme will be complementary and therefore reinforce each other in reaching their mutual objectives, though their approaches and instruments differ - in particular, there are plans for a guide on Community Financial Instruments for SMEs to be used under cohesion funds.

The Research Framework Programme and the Competitiveness and Innovation Framework Programme will be complementary and mutually supportive, because the research results generated under the Research Framework Programme can benefit from the technology transfer, IPR and eco-demonstration activities. A user-friendly access to any research and innovation related information will be ensured through a common web-system (CORDIS). The networking activities among national innovation programmes will follow similar structures (based on the ERA-Net experiences) and allow for cross-project information.

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43 COM 2003(668) Final

44 Report to European Commission Directorate-General Environment Ref: B4-3200/2002/SI2.349011/MAR/D1 *External evaluation of the LIFE III programme by AEA Technologies*, May 2003

45 Ex ante Evaluation of the Multiannual Community programme to make digital content in Europe more accessible, usable and exploitable (eContentplus) (2005 – 2008) - SEC(2004) 169

46 Ex-ante evaluation of a renewed multiannual Community programme in the field of energy (2007-2013) ECOTEC Research and Consulting/ECORYS Nederland BV, October 2004.

47 see: [http://europa.eu.int/comm/research/reports/2004/pdf/fya\\_en.pdf](http://europa.eu.int/comm/research/reports/2004/pdf/fya_en.pdf)

Regarding eco-innovation, in addition to the complementarity explained above with the Framework Programme for Research and Technological Development and with the instruments of the Cohesion policy, the Competitiveness and Innovation Framework Programme is complementary to the proposed LIFE+ instrument, which is to fund activities directly relevant for policy support (studies, surveys, modelling and scenario building, networking, awareness raising campaigns, information and communication actions), which will complement the impact of Competitiveness and Innovation Framework Programme on eco-innovation.

## 8. ANNEX 1 - PROGRAMME OBJECTIVES AND INDICATORS

### 8.1. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

#### 8.1.1. *The Entrepreneurship and Innovation Programme*

NB: If any of these indicators prove to be insufficient as an optimum measure of the quality of objectives or effectiveness of policy measures, other “soft” indicators are to be used, for example Eurobarometer surveys.

It should be remembered that these indicators are also subject to review and updating.

*Access to finance for the start-up and growth of SMEs and investment in innovation activities, including eco-innovation*

Objective	Indicators	Verification source
increasing investment volumes of risk capital funds and investment vehicles promoted by business angels	Degree of change (in investment volumes of venture capital funds and investment vehicles promoted by business angels)	Annual reporting and monitoring, programme evaluation
providing leverage to SME debt financing instruments	Change in volume of investment financing	Annual reporting and monitoring, programme evaluation
	The number of SMEs receiving new financing	Annual reporting and monitoring, programme evaluation
	Jobs created in SMEs receiving new financing	Annual reporting and monitoring, programme evaluation
	Total net disbursement	Annual reporting and monitoring
improving the financial environment for SMEs	The number of SMEs receiving new financing	Annual reporting and monitoring, programme evaluation

*Creation of an environment favourable to SME co-operation;*

Objective	Indicators	Verification source
fostering services in support of SMEs	Number of queries answered	Annual reporting and monitoring
	Number of awareness raising	Annual reporting and monitoring

	campaigns	Annual reporting and monitoring
	Number of on-line consultations carried out	
contributing to measures helping SMEs to cooperate with other enterprises across borders, including SME cooperation in the field of European standardisation	Number of cross-border cooperation projects carried out	Annual reporting and monitoring, programme evaluation
promoting and facilitating international business cooperation	Number of international cooperation projects carried out	Annual reporting and monitoring, programme evaluation

*Innovation, including eco-innovation in enterprises*

<b>Objective</b>	<b>Indicators</b>	<b>Verification source</b>
fostering sector-specific innovation, clusters, innovation networks, public-private innovation partnerships and cooperation with relevant international organisations, and the use of innovation management;	More information on sector specific innovation needs and performances.	Annual reporting and monitoring, programme evaluation
	Increase of interaction and cooperation among, clusters, networks of excellence, public-private innovation partnerships including science-industry cooperation	Annual reporting and monitoring, programme evaluation Annual reporting and monitoring, programme evaluation
	SMEs using non-technological change (% of SMEs)	European Innovation Scoreboard
	University R&D expenditures financed by business sector	European Innovation Scoreboard
	Innovative SMEs co-operating with others (% of SMEs)	European Innovation Scoreboard
	supporting national and regional programmes for business innovation;	Number of joint or coordinated programmes or actions.
Number of enterprises benefiting from the support from these joint or coordinated programmes or actions.		Annual reporting and monitoring, programme evaluation Annual reporting and monitoring, programme evaluation
Amount of national and regional funding, as well as private co-funding leveraged for business innovation per € 1 million CIP contribution.		
supporting the take-up of innovative technologies;	Number of demonstrations performed	Annual reporting and monitoring, programme evaluation
supporting services for trans-national knowledge and technology transfer and for intellectual and industrial property	Number of services provided	Annual reporting and monitoring, programme evaluation
	Number of technology transfer agreements resulting from the	Annual reporting and monitoring,

management;	services.	programme evaluation
exploring new types of innovation services	Results of evaluation with regard to any new types of innovation services tested	Annual reporting and monitoring, programme evaluation
fostering technology and knowledge through data archiving and transfer	Scale of data archiving Number of data transfers	Annual reporting and monitoring, programme evaluation

*Entrepreneurship and Innovation culture*

<b>Objective</b>	<b>Indicators</b>	<b>Verification source</b>
encouraging entrepreneurial mindsets, skills and culture, and the balancing of entrepreneurial risk and reward;	Degree of change in propensity to become an entrepreneur	Eurobarometer, programme evaluation
	Quality of regulatory and administrative environment	Eurobarometer, programme evaluation
encouraging a business environment favourable to innovation, enterprise development and growth;	Number and quality of contributions	Annual reporting and monitoring, programme evaluation
supporting policy development and cooperation between actors, including national and regional programme managers	Number of initiatives launched in the area, including conferences and studies	Annual reporting and monitoring, programme evaluation

*Enterprise and innovation related economic and administrative reform.*

<b>Objective</b>	<b>Indicators</b>	<b>Verification source</b>
collecting data, analysing and monitoring performance, and developing and coordinating policy;	Number of qualitative studies in the area	Annual reporting and monitoring, programme evaluation
contributing to the definition and promotion of competitiveness strategies related to industry and service sectors;	Number of awareness-raising events/campaigns completed	Annual reporting and monitoring, programme evaluation
	Number of hits on Innovation Portal web-site	
supporting mutual learning for excellence in national and regional administrations	Number of new mutual learning and cooperation projects and networks	Annual monitoring, programme evaluation

### 8.1.2. The ICT support programme

The indicators relevant to the ICT policy support programme build on the existing Eurostat Information Society Policy and Structural indicators that are already used, and on the eEurope indicators. When these indicators are not sufficient as an optimum measure of the quality of objectives or effectiveness of policy measures, other “soft” indicators are to be used, based on Eurobarometer surveys.

It should be remembered that these indicators are also subject to review and updating.

Objective	Indicators	Verification source
<i>Development of single European information space;</i>	Quality and effectiveness of content accessibility by different devices	Eurostat Information Society Structural Indicators; Eurobarometer survey - Annual reporting and monitoring, programme evaluation
(a) ensuring seamless access to ICT-based services and establishing appropriate framework conditions for rapid and appropriate take up of converging digital communications and services, including interoperability, security and trust aspects;	Speed of interconnections and services available between and within national research and education networks (NRENs) within EU and world-wide	eEurope Indicator <sup>48</sup> 4 - Annual reporting and monitoring, programme evaluation
	Percentage of EU web sites in the national top 50 visited	eEurope Indicator 22 - Annual reporting and monitoring, programme evaluation
	Perceived quality of public service multilingual websites	Eurobarometer survey - Annual reporting and monitoring, programme evaluation
(b) improving the conditions for the development of digital content with a special emphasis on multilingualism and cultural diversity;	Citizens access to and use of the Internet	Eurostat
	Enterprises access to and use of ICTs	Eurostat
(c) monitoring the European Information Society, through data collection and analysis of the development, availability and use of digital communication services including the growth of internet, access to broadband as well as developments of content and services.	Information Society Policy Indicators	Eurostat
	Perceived security. Quality of filtering technologies. Number of network security concerns. Number of criminal cases on the internet. Internet users' experience and usage regarding ICT-security. (** see below).	ENISA monitoring; Eurobarometer survey; Eurostat - Annual reporting and monitoring, programme evaluation
<i>Wider adoption of and investment in ICTs,</i>	Eurostat / OECD indicators on ICT investment	Eurostat Information Society Structural Indicators – OECD

48 Liste des indicateurs d'étalonnage pour le plan d'action eEurope - 13493/00 - ECO 338 - n° doc préc. : 10486/00 ECO 216 CAB 7 SOC 266 EDUC 117. The eEurope indicators are subject to a process of periodical revision and update in the course of eEurope Action Plans and follow-up initiatives.

			statistical reports - Annual reporting and monitoring, programme evaluation
(a) promoting innovation in processes, services and products enabled by ICTs, notably in particular in SMEs and public services, taking into account the necessary skills requirements;	Amount of government information (by pages or by megabytes) which is digitalised and available on line		eEurope indicator (22- iii – iv) - Annual reporting and monitoring, programme evaluation
(b) facilitating public and private interaction as well as partnerships for accelerating innovation and investments in ICTs;	Employment in the on-line content sector		eSkills reports; Eurostat eLearning indicators - Annual reporting and monitoring, programme evaluation
	Percentage of companies that buy and sell over the Internet	Definition	eEurope indicator 16 - Annual reporting and monitoring, programme evaluation
(c) promoting and raising awareness of the opportunities and benefits that ICTs brings to citizens and businesses and stimulating debate at the European level on emerging ICT trends;	Public use of government on-line services - for information/ for submission of forms		eEurope indicator 18 - Annual reporting and monitoring, programme evaluation
	Percentage of public procurement which can be carried out on-line		eEurope indicator 19 - Annual reporting and monitoring, programme evaluation
<i>An inclusive Information Society, more efficient and effective services in areas of public interest and improved quality of life</i>	Information Society Policy Indicators		Eurostat - Annual reporting and monitoring, programme evaluation
	Quality and efficiency of on-line services. Impact on quality of life		Eurobarometer survey - Annual reporting and monitoring, programme evaluation
(a) widening ICT accessibility and digital literacy;	Information Society Policy Indicators		eEurope indicator 10 - Annual reporting and monitoring, programme evaluation
(b) reinforcing trust and confidence as well as support of ICT use, addressing, in particular, privacy concerns;	Percentage of teachers using the Internet for non-computing teaching on a regular basis		eEurope indicator 11 - Annual reporting and monitoring, programme evaluation
(c) improving the quality, efficiency and availability of electronic services in areas of public interest and for ICT enabled participation, including interoperable pan-European or cross border public services as well as the development of common interest building blocks and sharing good practices.	Percentage of workforce with (at least) basic IT training		eEurope indicator 12 - Annual reporting and monitoring, programme evaluation
	Number of places and graduates in ICT related third level education		eEurope indicator 13 - Annual reporting and monitoring, programme evaluation
	Percentage of workforce using telework		
	Definition		
	** (as above)		

### 8.1.3. The Intelligent Energy Europe programme

The proposed programme aims to support sustainable development in the energy context, making a balanced contribution to the attainment of the following general objectives: security of energy supply, competitiveness, and environmental protection. The Union has set itself clear quantitative targets for the uptake of sustainable energy to be achieved by 2010. These include:

- doubling the share of renewable energy sources in EU energy consumption to reach 12%,
- increasing to 22% the share of electricity generated by renewable sources and
- increasing up to 5.75% the share of bio-fuels in all petrol and diesel used for transport.
- rationalising and stabilising energy consumption to reduce energy intensity, with the aim of saving at least 1% more energy each year.

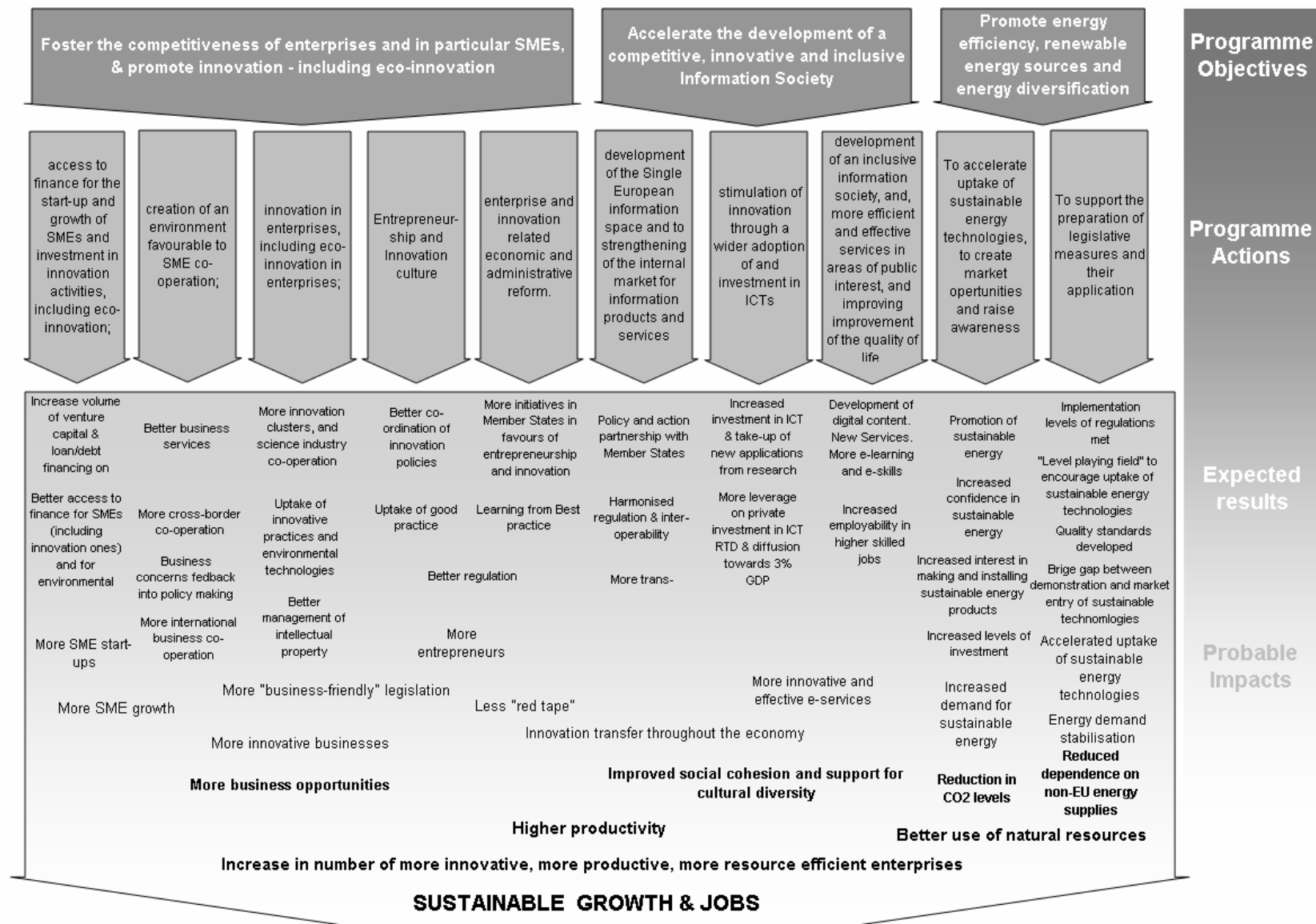
A number of more qualitative targets are also to be achieved, such as increased sales of energy efficient products/appliances, expansion of high-efficiency cogeneration, reduced energy consumption of energy-using products and number of products complying with eco-design requirements. A proposal has also been made for Member States to further reduce the amount of energy distributed to final consumers by 1% per year.

The objectives and a non-exhaustive list of key baseline indicators are presented in the table below:

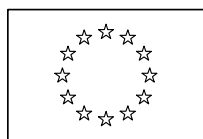
Objectives	Key baseline indicators	Justification / source
To provide 22% of electricity from renewable sources in EU-15 (21% in EU-25)	Contribution of renewable energy sources to total electricity generation. (Eurostat data).	2001/77/EC: The Promotion of Electricity from renewable energy sources in the internal energy market
To have 5.75% of biofuels in all petrol and diesel used for transport by 2010	Biofuels production (contribution to total petrol and diesel market).  Hectares growing biomass for biofuel production. (Eurostat data)	2003/30/EC. Promotion of the use of biofuels or other renewable fuels for transport
Rationalise and stabilise energy consumption to reduce energy intensity, aiming at saving at least 1% more energy each year.	Electricity generated by CHP plant (Eurostat data)  Other indicators can also be used to indirectly measure the impact of a number of energy savings Directives. They can be used to measure impacts in terms of CO2 emissions, energy intensity and energy and electricity consumption: <ul style="list-style-type: none"> <li>• CO2 emissions per capita</li> <li>• Energy intensity</li> <li>• Final energy consumption</li> </ul>	2004/08/EC: Promotion of cogeneration based on useful heat demand.  2002/91/EC. Directive on the Energy Performance of Buildings  COM(2003) 739: Proposal for a Directive on energy end use efficiency and energy services.

	<ul style="list-style-type: none"> <li>Final household energy consumption by fuel</li> </ul>	
(Voluntary initiatives) Energy efficiency labelling to contribute towards reducing energy consumption	<p>Baseline indicators could include data on the average energy efficiency of appliances sold, the improvements in energy efficiency of appliances (rating A to G, now to be A++)</p> <p>For eco-design, could cover a wide range of products, including heating and water heating equipment, electric motor systems, lighting, domestic appliances, office equipment, consumer electronics and air conditioning systems.</p>	<p>Energy labelling Directives:</p> <ul style="list-style-type: none"> <li>95/12/EC – Household washing machines</li> <li>95/13/EC – Household electric tumble driers</li> <li>96/60/EC – Household combined washers-driers</li> <li>97/17/EC – Household dishwashers</li> <li>98/11/EC – Household lamps</li> <li>2002/40/EC -Household electric ovens</li> <li>2002/31/EC - Household air-conditioners</li> <li>2003/66/EC - household electric refrigerators, freezers and their combinations</li> </ul> <p>Minimum energy efficiency requirements for energy using products:</p> <ul style="list-style-type: none"> <li>92/42/EC – Hot water boilers</li> <li>96/57/EC – Household electric refrigerators, freezers and combinations</li> <li>2000/55/EC – Ballasts for fluorescent lighting</li> </ul> <p>Regulation (EC) No 2422/2001 - energy efficiency labelling programme for office equipment (Energy Star)</p> <p>COM(2003)453: Proposal for a Directive on establishing a framework for the setting of Eco-design requirements for energy using products</p>
Establishing the internal energy market	Degree of openness for gas and electricity markets (Eurostat data)	Electricity and Gas Directives on establishing the internal energy market (Directives 2003/54/EC and 2003/55/EC respectively)





**9. ANNEX 2 – REPORT ON THE RESULTS OF THE STAKEHOLDER CONSULTATION**



**EUROPEAN COMMISSION**

**Community Competitiveness and Innovation  
Framework Programme**

**Summary of the results of the public consultation**

## Introduction

The Commission is preparing a proposal for a Competitiveness and Innovation Framework Programme (CIP) due to start in 2007 and to run until 2013. CIP forms part of the package of proposals put forward by the Commission in the context of the discussions on the EU financial perspectives for the period from 2007 to 2013. In order to collect input from stakeholders at an early stage of the programme design, the Commission carried out a public consultation between December 2004 and February 2005. The consultation followed the established Commission guidelines<sup>49</sup>. All interested stakeholders, both individuals and organisations, were invited to present their views on a consultation document setting out the main objectives and proposed instruments of the programme. The main tool used to collect feedback was an online questionnaire (Interactive Policy Making Tool, IPM<sup>50</sup>) to which 186 responses were received. In addition, the Commission received more than 100 position papers and written contributions from European level and national stakeholder groups. This report analyses the responses and presents an overall summary of the feedback received. Consultation website: [http://europa.eu.int/comm/enterprise/enterprise\\_policy/cip/consultation.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/cip/consultation.htm)

### (1) Responses received

#### (a) *The online survey*

The Commission received 186 replies to the on-line survey (IPM). Regarding the types of respondent, 16% of the replies came from individual persons, 15.5% from business associations, 14% public administrations and 13% from enterprises (mainly from SMEs). Business service and innovation networks and research and technology centres also took part in the consultation. A good participation rate of enterprises as well as associations representing enterprise interests should be noted.

**Table 1: Type of respondent**

Type of respondent	Number of responses	% of responses
Individual person	30	16,1 %
Business association	29	15,6 %
Public administration	26	14 %
Enterprise	24	12,9 %
Technology Transfer Agency	15	8,1 %
NGO	10	5,4 %
Innovation agency	10	5,4 %
Chamber of commerce	6	3,2 %
Another (non-banking) financial sector actor	1	0,5 %
Bank	0	0 %
Venture capitalist	0	0 %
Other	35	18,8 %

49 Communication from the Commission "Towards a reinforced culture of consultation and dialogue – General principles and minimum standards for consultation of interested parties by the Commission », COM(2002) 704 final.

50 The results of the Interactive Policy Making survey are enclosed in annex

Nearly half of the respondents (45%) indicated research and development as their main field of activity, followed by ICT (37%), business services (36%), technology transfer centres (26%), networks (26%) and education (23%). In general, a good coverage of various fields of activity can be noted.

**Table 2: Field of activity**

Sector(s) active	Number of responses	% of responses
Research and development	85	45.7 %
ICT (Information and Communications Technology)	69	37.1 %
Business services	67	36.0 %
Technology Transfer Centre. incubator	49	26.3 %
Networks	48	25.8 %
Environment	44	23.7 %
Education	43	23.1 %
Energy	28	15.1 %
Manufacturing	28	15.1 %
Tourism	28	15.1 %
Engineering	27	14.5 %
Other	23	12.4 %
Financial services	21	11.3 %
Transport and logistics	18	9.7 %
Trade (wholesale and retail)	14	7.5 %
Other financial	11	5.9 %
Construction	10	5.4 %
Craft	9	4.8 %
Extractive Industries and mining	5	2.7 %

**Table 3: Country**

Country	Number of responses	% of total responses	Country	Number of responses	% of responses
DE – Germany	28	15.1 %	AT – Austria	2	1.1 %
NL – Netherlands	22	11.8 %	EE – Estonia	2	1.1 %
IT – Italy	20	10.8 %	MT – Malta	2	1.1 %
ES – Spain	18	9.7 %	RO – Romania	2	1.1 %
FR – France	17	9.1 %	DK – Denmark	2	1.1 %
UK – United Kingdom	14	7.5 %	BG – Bulgaria	1	0.5 %
BE – Belgium	9	4.8 %	CH – Switzerland	1	0.5 %
FI – Finland	8	4.3 %	SL – Slovenia	1	0.5 %
TR - Turkey	6	3.2 %	IE – Ireland	1	0.5 %
CY – Cyprus	5	2.7 %	CZ – Czech Republic	1	0.5 %
EL – Greece	4	2.2 %	IS – Iceland	0	0 %
HU – Hungary	4	2.2 %	SK – Slovak Republic	0	0 %
PT - Portugal	4	2.2 %	LI - Liechtenstein	0	0 %
NO – Norway	3	1.6 %	LT – Lithuania	0	0 %
PL - Poland	3	1.6 %	LU – Luxembourg	0	0 %
Other	3	1.6 %	LV – Latvia	0	0 %
SV – Sweden	3	1.6 %			

The respondents were well aware of the proposed component programmes of the CIP, as only 4% of the respondents indicated that they were not aware of any of the programmes listed. The

innovation activities in the R&D Framework programme were best known (75%), followed by the Multiannual Programme for Enterprise and Entrepreneurship (60%). Other programmes proposed as CIP components were less familiar. The European Union/Commission websites were by far the most important source of information on the Community programmes (60.8%). Many respondents (47%) indicated that they had participated in activities of the proposed component programmes.

**(b) *Written contributions***

The Commission received more than 100 written contributions and position papers in response to the public consultation. National and European level business and industry organisations, energy and environmental associations, public authorities and innovation and business support networks were the most active contributors. The issues raised and comments presented complemented, often in a very detailed way, the feedback gathered via the IPM questionnaire. These contributions form a valuable contribution to the preparation of Commission's proposal for the Competitiveness and Innovation Framework Programme.

**(2) *Results of the consultation***

In the online survey questionnaire participants were asked to rank the importance of various objectives set out in the consultation document, to indicate whether they agreed with the need for Community intervention and with the analysis presented. Moreover, feedback was sought on the relevance of the different programme elements to respondents, on the proposed implementation instruments and on possible duplication with national, regional or local level measures or with the measures undertaken at the Community level. Lastly, the respondents were asked to indicate the most desirable outcome of the programme.

The majority of the written contributions received focused on the abovementioned issues, but other comments regarding the purpose and structure of the programme proposal and its scope were also presented. In addition, many useful suggestions and comments concerning specific sectors, specific types of enterprise and individual programmes were received. These comments will be carefully analysed and duly considered in the subsequent phases of the programme design. They will also provide valuable input in the further implementation of the ongoing programmes.

**(a) *Purpose and structure of the programme***

The idea of creating a coherent framework for actions to boost competitiveness and innovation received very positive feedback. Many stakeholders considered that such a framework would contribute to promoting the transversal nature of competitiveness, innovation and sustainable development-related aspects, to assist in priority-setting and to enhance the visibility of the actions covered.

Many respondents, however, pointed to the general nature of the consultation document and called for further information on the rationale for amalgamating the various programmes into a framework programme. Some contributors argued that putting together the proposed programmes which they see as having different beneficiaries and operating modes would not achieve the objective of creating a coherent and effective framework programme.

Some stakeholder groups expressed their concerns about the status of the individual component parts of CIP. The main fear was that the identity and political focus of individual programmes would be weakened. This was especially the case for the Intelligent Energy for Europe programme where a large number of stakeholders, both public administrations and energy associations, indicated that the programme should remain outside the framework programme. Business representatives expressed their concerns about the visibility and coherence of the enterprise-related activities within the programme and felt that a sharper focus on the key activities and a structured method of dealing with them should be opted for.

Some stakeholders felt that pursuing too many different goals within a single framework programme could potentially endanger the effectiveness and visibility of the whole programme. Many stakeholders called for more details on the overall size and breakdown of the proposed CIP budget and drew attention to the need to match the programme content with adequate financial and human resources.

The majority of stakeholders saw the proposed framework programme as an opportunity for rationalising and simplifying the component programmes of CIP. They stressed the need to make them more user-friendly and more easily accessible to SMEs by reducing administrative burden and streamlining procedures. Furthermore, to ensure participation by small enterprises it was suggested that the ‘Thinking small first’ principle should be introduced as a transversal principle throughout the programme.

A large majority of respondents agreed with the analysis presented in the consultation document:

**Table 4: Analysis in the consultation document**

Objective	Agree/mostly agree	Mostly disagree/ disagree	No opinion
Innovation and sustainable use of resources	90.3 %	4.9 %	3.2 %
Mastery and best use of ICT	87.1 %	5.9 %	5.4 %
SME's access to finance	85.0 %	7.0 %	5.4 %
Entrepreneurship & better business environment	83.3 %	7.0 %	6.5 %

**(b) Scope and objectives**

Concerning the question on alternative means to achieve the objectives, about half of the respondents to the IPM survey considered that no or only few alternative means are missing. Those who claimed that several or substantial means were missing mainly wanted to alter the balance between the various elements proposed, or referred to measures in other policy areas like employment policy and competition policy, which have a bearing on competitiveness but which do not directly come within the remit of the programme.

**Table 5: Alternative means to achieve the objectives**

Are there any other means to achieve the objectives that are not foreseen?	No alternative means/ a few alternative means are missing	Several alternative means/substantial alternative means are missing	Do not know
	47.8 %	18.8 %	33.3 %

The four action areas and objectives proposed for the programme (encouraging innovation and sustainable use of resources, ensuring mastery and best use of ICT, improving SMEs access to finance and economic and administrative reforms) were rated either as important or very important by an overwhelming majority of stakeholders. Innovation was singled out as the most important objective, followed by ICT, access to finance and economic reforms. When respondents were asked to rank the objectives in terms of relevance to their needs, innovation remained the most important objective, followed by access to finance, ICT and economic reforms.

**Table 6: Importance and relevance of the proposed objectives**

Objective	Very important/important	Very relevant/relevant	Not important/unnecessary	Of little relevance/ no relevance at all
Innovation & sustainable use of resources	100 %	95.2 %	0%	4.8 %
Mastery and best use of ICT	95.7 %	83.8 %	2.7 %	16.2 %
SME's access to finance	95.2 %	85.5 %	3.8 %	14.5 %
Entrepreneurship & better business environment	90.9 %	87.1 %	4.8 %	12.9 %

A large number of suggestions on what should be included or emphasised under different objectives were put forward. The feedback received can be summarised as follows:

### Objective 1

The objective to encourage innovation was considered by a number of stakeholders as a prime instrument to boost productivity and, consequently, transversal to the whole programme. On the other hand, some respondents preferred to link innovation more closely to the objective of sustainable use of resources. All the stakeholders underlined the importance of giving a broad interpretation to the concept of innovation. There was a substantial convergence of views among the respondents that CIP should strongly focus on encouraging entrepreneurial innovation through the means listed in the consultation document, i.e. the exploitation and management of Intellectual Property Rights and financing-related issues, the transfer of technology and the operation of business support networks.

Many welcomed the initiative to move innovation-related actions from the R&D Framework Programme into CIP in order to focus better on business-related innovation. However, some respondents, notably business organisations, stressed the importance of maintaining the link between industry, innovation and the R&D Framework Programme. They also pointed out that moving certain innovation-related activities from the R&D Framework Programme into CIP should not be allowed to lead to over-emphasising basic research in the future R&D Framework Programme to the detriment of applied research. Furthermore, the business organisations were concerned that transferring activities and budget from R&D Framework Programme into CIP would reduce the share of SME-specific programmes in the Framework Programme. It was also pointed out that care should be taken to build the suggested actions on the existing ones (including Innovation Scoreboard and the TrendChart). A recurring comment both in Member States' and business organisations' contributions related to the need to recognise the wide range of services offered by the innovation relay centres and to reflect upon how the range of services

could be broadened to address the market's failure as regards SME access to knowledge and technology.

The objective of encouraging sustainable use of resources by assessing the technical and economic viability and market potential of new technologies and by improving energy and resource efficiency were welcomed by a majority of respondents. Mainly environmental sector respondents called for a better balance between the various objectives of the programme which should be seen as mutually supportive. They identified a need to further strengthen the interaction and synergies between innovation and competitiveness in terms of environmental considerations. In order to ensure coherence and synergy between existing initiatives and programmes, respondents drew attention to the important role of CIP in helping to deliver the EU Environmental Technologies Action Plan (ETAP) by supporting technology development and innovation through the R&D Framework Programme.

## **Objective 2**

Respondents broadly agreed with the analysis presented in the consultation document concerning the link between the productivity growth and the exploitation of ICT both in the private and public sector. Some respondents pointed to the time lag before productivity gains appear and felt that this should be taken into account when introducing policy measures. On the one hand, a wide variety of suggestions were made as to the focus to be given to the various activities listed in the consultation document. Some respondents felt it was important to introduce policy measures to support the ICT industry itself and for the use of IT. Mainly business organisations believed that priority should be given to measures enhancing the use of IT by SMEs, especially those operating in the more 'traditional' sectors (production, skilled crafts and services) to make them more capable of facing the challenges of internationalisation and globalisation. On the other hand, some stakeholders called for a more focused approach to areas where EU action is likely to have a clear added value, such as interoperability at EU level or EU standards relating to security, ensuring complementarity with other Community programmes. Finally, many stakeholders called on the Commission to ensure coherence and complementarity between various Community-level IT programmes and the future eEurope Action Plan.

## **Objective 3**

Improving SMEs' access to finance was considered an important objective that should be understood as a broad concept including, *inter alia*, taxation and state aid aspects. It was felt that EU-level intervention should address market gaps, provide leverage to national financial instruments and disseminate best practice. The question on the type of instruments to be developed received mixed feedback. Some stakeholders, particularly business organisations and Chambers of Commerce, but also some new Member States, underlined the importance of providing financial support not only to high-tech innovative enterprises but also to traditional enterprises covering all stages of enterprise development and catering for all forms of financing. Other actors preferred a more selective approach and placed more emphasis on increasing venture capital to small, growing and innovative companies. It was also stressed that the proposed measures should be flexible in order to respond quickly and efficiently to changes in the market conditions and be easily accessible to SMEs. Furthermore, some respondents considered it



important to address the problems on the demand side in parallel with interventions on the supply side to ensure the overall effectiveness of measures.

#### **Objective 4**

The objective to foster economic and administrative reform for more entrepreneurship and better business environment was considered by an overwhelming majority of respondents as the necessary “glue” holding the various parts of the programme together. This objective was also placed within a wider policy context and considered as a primary tool to drive forward the EU better regulation and entrepreneurship initiatives.

Examining the feasibility of reform measures identified by benchmarking activities and contributing to improving the regulatory environment through funding for impact assessment and evaluation of activities were considered as key (and complementary) objectives in improving the framework conditions and promoting better regulation. Stakeholders underlined that impact assessments and consultation of stakeholders should be undertaken for all proposed legislation to examine its impact on competitiveness and they should be carried out from the very early drafting stage to the final adoption of legislation. It was felt important to ensure that impact assessments are properly targeted, funded and resourced. Some respondents referred to the need to examine whether the Member States’ implementation of EU legislation has contributed to a level playing field for businesses across the EU.

Responses from business associations and enterprises paid considerable attention to improving the overall conditions for entrepreneurship and SME development. The European Charter for Small Enterprises was seen as the main tool for developing SME’s competitiveness both at European and national level. The message to use the Action Plan on Entrepreneurship as the guiding policy document in promoting entrepreneurship in the European Union was conveyed in several contributions.

Encouraging the development and exchange of experience and best practice between both enterprises and administrations was considered as a key activity. However, some questions were raised about the suitability of using the open method of coordination to attain environmental objectives at national and Community levels. Some respondents called for a broader approach to encouraging and exchanging best practice and suggested that third countries’ practices should also be analysed to obtain benchmarks for reforming the EU regulatory regime.

The objective of fostering co-operation between enterprises, in particular SMEs, gave rise to two types of comments. Some stakeholders, especially SME representatives, but also some public authorities, stressed the importance of fostering cooperation not only between SMEs but also between small and large companies, including enterprises in the third countries. Some business organisations argued for direct support to SMEs. Other respondents were less convinced by the need for such initiatives.

Networking activities were considered useful in bringing a European dimension to enterprises’ activities and helping them to benefit more efficiently from the Single Market. Many stakeholders pointed to the need for analysing possible overlaps and linkages between various networks. Many pointed out that the full potential of the networks has not yet been fully exploited.

**(c) Need for a Community-level response**

When asked about the need for a European-level intervention in the four areas proposed, the majority of respondents felt there was either a significant or a clear need for intervention at European level.

**Table 7: Need for Community-level intervention**

Objective	Significant/clear need	No need/slight need
Innovation and sustainable use of resources	93.0 %	7.0 %
Mastery and best use of ICT	79.5 %	20.4 %
SME's access to finance	82.8 %	17.2 %
Entrepreneurship and better business environment	79.0 %	20.9 %

However, many pointed out that the prime responsibility for boosting economic growth and providing right framework conditions for enterprises lies within the Member States. Thus, the Community action within the framework programme should be considered as complementary to measures taken at the national, regional and local level. They should focus on identifying the obstacles to growth, establishing benchmarks and exchanging good practice.

A majority of respondents considered that, from the outset, there is no major duplication of activities between the proposed framework programme and actions conducted by Member States or by the Commission. However, those who felt that some duplication or even major duplication would take place pointed to the fact that some elements of the programme would unavoidably target areas already covered by national and/or other Community measures. Therefore, specific attention needs to be paid to creating synergies between Community programmes and avoiding any overlaps and gaps – especially in relation to the R&D Framework Programme. Furthermore, measures to ensure co-ordination between CIP activities and national activities should be undertaken. Many felt it would also be important to examine the functioning of the individual component programmes to remedy possible weaknesses and to build on the strengths of each.

**Table 8: Duplication**

Questions	No duplication/slight duplication	Some duplication	Major duplication
Are there any aspects that duplicate any activities by another public authority?	68.3 %	25.8 %	5.9 %
Are there any aspects that duplicate any activities of the European Union?	75.8 %	18.3 %	5.9 %

Many respondents pointed out that a concerted effort is needed at the Community, national and regional levels to achieve best results and to ensure real progress. Accordingly, initiatives at EU level will only be able to make a significant contribution to increasing the competitiveness of European enterprises if Member States implement coherent and supporting measures at the national level.

**Table 9: Complementarity**

Other measures to complement programme?	Measures to be undertaken by local/ regional/ national authorities	Measures to be undertaken at European level	Measures to be undertaken by businesses or business organisations	None
	132.3 %	43.5 %	40.3 %	11.8 %

**(d) Implementation**

The proposed implementation instruments were considered appropriate by a majority of respondents. The stakeholders recognised the need to deploy a wide variety of instruments to achieve the various objectives of the framework Programme and pointed to the need to operate these instruments horizontally across the CIP to enhance the integration of the programme’s components. To ensure maximum efficiency and effectiveness, all instruments should focus on delivering specific outcomes, being evidence-based and adding value at European level.

Many respondents felt that there is considerable scope to improve the dissemination of the results gathered in various studies, projects and publications. Public sector actors pointed to the need to ensure that policy conclusions are always drawn from the findings and circulated among the relevant policymakers to influence shaping of government policies and to provide a useful source of information both to public sector actors and to enterprises. Concerning the type of activities to be promoted, several contributors made reference to the results of the external evaluation on the Multiannual programme on Entrepreneurship and Enterprises which concluded, *inter alia*, that certain types of actions, such as databases or directories that need constant updating, tend to yield few benefits and should not be promoted.

A recurring message in several contributions concerned the need to ensure proper monitoring and regular evaluation of the programme. For this purpose, it was felt important to develop both quantitative and qualitative indicators to measure the progress and impact of activities undertaken.

Closer involvement of stakeholders (both public authorities at the national and regional level and other stakeholder groups) in the programme design, projects and implementation was stressed. This was seen as an important factor in increasing the overall visibility of the forthcoming framework programme and the individual actions included therein. In this respect, it was felt that the networks should have a more transversal role in disseminating information on the various parts of the CIP.

Concerning the delivery modes, a majority of stakeholders were in favour of indirect management of tasks which are related to the project application process and implementation and which require technical and financial expertise, so as to allow the Commission services to focus on more strategic tasks. However, it was noted that core management issues, such as prioritisation, work programmes, financial allocations and evaluation criteria setting, should remain within the Commission.

The majority of respondents expect the programme to have a positive impact on the competitiveness of enterprises, to help innovative enterprises to obtain access to finance and to encourage the transfer of technology.

### **(3) Conclusions:**

The main results of the public consultation on CIP can be summarised as follows:

- There is very strong support for the suggestion to establish a coherent framework for actions to boost competitiveness and innovation.
- All the objectives proposed were considered as either important or very important by an overwhelming majority of stakeholders, and relevant or very relevant to their individual needs.
- European-level intervention in the areas proposed is considered necessary to fill clearly identified market gaps in respecting the principle of subsidiarity. Community action is thus seen as complementary to actions at national, regional and local levels.
- As some elements of the programme unavoidably target fields where action is already being taken by European, national and regional actors, it is essential to ensure synergies between various initiatives through adequate co-ordination and co-operation.
- The framework programme should, on the one hand, be based on a genuine integration between its component parts and, on the other hand, ensure that the visibility and political focus of the programmes included is not weakened.
- The framework programme presents an opportunity to rationalise and simplify the individual programmes it comprises. They should be made more user-friendly and easily accessible to SMEs.
- The stakeholders recognised the need to deploy a wide variety of instruments to achieve the various objectives of the framework Programme and pointed to the need to make these instruments operate horizontally across all aspects of CIP to enhance the integration of the programme's components.
- Measures to ensure proper evaluation of the activities undertaken and efficient dissemination of their results were deemed crucial for the overall effectiveness and visibility of the programme.

## Competitiveness and Innovation framework Programme

There are 186 responses.

### General interest

#### I am answering

		<b>% of total</b>
As an individual person	30	(16.1%)
On behalf of a chamber of commerce	6	(3.2%)
On behalf of a bank	0	(0%)
On behalf of a business association	29	(15.6%)
On behalf of a NGO	10	(5.4%)
On behalf of another (non-banking) financial sector actor	1	(0.5%)
On behalf of an enterprise	24	(12.9%)
On behalf of an innovation agency	10	(5.4%)
As a venture capitalist	0	(0%)
On behalf of a public administration	26	(14%)
On behalf of a technology transfer agency	15	(8.1%)
other (please specify)	35	(18.8%)

#### If you are answering on behalf on an enterprise, how many people work in your company?

		<b>% of total</b>
Sole	0	(0%)
1-9	7	(3.8%)
10-49	9	(4.8%)
50-249	2	(1.1%)
250-499	0	(0%)
500 or more	6	(3.2%)

#### What country are you established in?

		<b>% of total</b>
AT - Austria	2	(1.1%)
FI - Finland	8	(4.3%)

NL - Netherlands	22	(11.8%)
BE - Belgium	9	(4.8%)
FR - France	17	(9.1%)
NO - Norway	3	(1.6%)
BG - Bulgaria	1	(0.5%)
HU - Hungary	4	(2.2%)
PL - Poland	3	(1.6%)
CH - Switzerland	1	(0.5%)
IE - Ireland	1	(0.5%)
PT - Portugal	4	(2.2%)
CY - Cyprus	5	(2.7%)
IS - Iceland	0	(0%)
SL - Slovenia	1	(0.5%)
CZ - Czech Republic	1	(0.5%)
IT - Italy	20	(10.8%)
SK - Slovak Republic	0	(0%)
DE - Germany	28	(15.1%)
LI - Liechtenstein	0	(0%)
SV - Sweden	3	(1.6%)
DK - Denmark	2	(1.1%)
LT - Lithuania	0	(0%)
RO - Romania	2	(1.1%)
EE - Estonia	2	(1.1%)
LU - Luxembourg	0	(0%)
TR - Turkey	6	(3.2%)
EL - Greece	4	(2.2%)
LV - Latvia	0	(0%)
UK - United Kingdom	14	(7.5%)
ES - Spain	18	(9.7%)
MT - Malta	2	(1.1%)
Other (please specify)	3	(1.6%)

### What is the geographic extent of your activities?

		<b>% of total</b>
Local	8	(4.3%)
Regional	45	(24.2%)
National	40	(21.5%)
European	51	(27.4%)
International	42	(22.6%)

### In which sector(s) are you active?

		<b>% of total</b>
Business services	67	(36%)
Energy	28	(15.1%)
Environment	44	(23.7%)

Research and development	85	(45.7%)
Manufacturing	28	(15.1%)
ICT (Information and Communications Technology)	69	(37.1%)
Financial services	21	(11.3%)
Other financial	11	(5.9%)
Engineering	27	(14.5%)
Craft	9	(4.8%)
Transport and logistics	18	(9.7%)
Extractive Industries and mining	5	(2.7%)
Construction	10	(5.4%)
Tourism	28	(15.1%)
Networks	48	(25.8%)
Education	43	(23.1%)
Trade (wholesale and retail)	14	(7.5%)
Technology Transfer Centre, incubator	49	(26.3%)
Other	23	(12.4%)

**Among the following Community programmes, please select those you are aware of:**

		<b>% of total</b>
Multiannual programme for Enterprise and Entrepreneurship, and particularly SMEs (2000-2005)	111	(59.7%)
Innovation actions from the Framework Programme for Research and Development	140	(75.3%)
Intelligent Energy	52	(28%)
Life	78	(41.9%)
eTENS	71	(38.2%)
Modinis	14	(7.5%)
eContent	79	(42.5%)
None of these	8	(4.3%)

**Please tell us how you became aware of these programmes?**

		<b>% of total</b>
European Union/Commission websites	113	(60.8%)
Participate(d) in its activities	87	(46.8%)
Learned about it from the Commission	56	(30.1%)
Read reports or publications	68	(36.6%)
Learned about it from a European network	71	(38.2%)
From another source	28	(15.1%)

## **II. Questions on the programme**

**Objective 1: to encourage innovation and the sustainable use of resources**

**Importance of this subject**

**% of total**

very important	148	79.6%)
important	38	20.4%)
not important	0	0%)
unnecessary	0	0%)
don't know	0	0%)

**Do you agree that there is a need for European level intervention?**

		% of total
no need	0	0%)
slight need	13	7%)
clear need	73	39.2%)
significant need	100	53.8%)

**Do you agree with the analysis regarding this objective in the consultation document?**

		% of total
agree	66	35.5%)
mostly agree	102	54.8%)
mostly disagree	7	3.8%)
disagree	2	1.1%)
no opinion	6	3.2%)

**OBJECTIVE 2: to ensure the mastery and best use of ICT**

**Importance of this subject**

		% of total
very important	111	59.7%)
important	67	36%)
not important	4	2.2%)
unnecessary	1	0.5%)
don't know	3	1.6%)

**Do you agree that there is a need for European level intervention?**

		% of total
no need	6	(.2%)
slight need	32	17.2%)
clear need	86	46.2%)
significant need	62	33.3%)

**Do you agree with the analysis regarding this objective in the consultation document?**

		% of total
agree	63	(33.9%)
mostly agree	99	(53.2%)
mostly disagree	9	(4.8%)
disagree	2	(1.1%)
no opinion	10	(5.4%)



## OBJECTIVE 3: to improve SME's access to finance

### Importance of this subject

		<b>% of total</b>
very important	129	(69.4%)
important	48	(25.8%)
not important	7	(3.8%)
unnecessary	0	(0%)
don't know	2	(1.1%)

### Do you agree that there is a need for European level intervention?

		<b>% of total</b>
no need	6	(3.2%)
slight need	26	(14%)
clear need	67	(36%)
significant need	87	(46.8%)

### Do you agree with the analysis regarding this objective in the consultation document?

		<b>% of total</b>
agree	81	(43.5%)
mostly agree	78	(41.9%)
mostly disagree	11	(5.9%)
disagree	2	(1.1%)
no opinion	10	(5.4%)

## OBJECTIVE 4:

### Importance of this subject

		<b>% of total</b>
very important	124	(66.7%)
important	45	(24.2%)
not important	6	(3.2%)
unnecessary	3	(1.6%)
don't know	8	(4.3%)

### Do you agree that there is a need for European level intervention?

% of total

no need	9	(4.8%)
slight need	30	(16.1%)
clear need	69	(37.1%)
significant need	78	(41.9%)

**Do you agree with the analysis regarding this objective in the consultation document?**

		% of total
agree	73	(39.2%)
mostly agree	82	(44.1%)
mostly disagree	7	(3.8%)
disagree	6	(3.2%)
no opinion	12	(6.5%)

**Are there any other means that could be used to achieve the objectives of the proposed programme that are currently not foreseen?**

		% of total
No alternative means are missing	30	(16.1%)
A few alternative means are missing	59	(31.7%)
Several alternative means are missing	17	(9.1%)
Substantial alternative means are missing	18	(9.7%)
Do not know	62	(33.3%)

**In your opinion what other measures are needed to complement the programme in order to ensure the achievement of these objectives? (you can tick more than one option)**

		% of total
Measures that need to be undertaken by local authorities	56	(30.1%)
Measures that need to be undertaken by regional authorities	85	(45.7%)
Measures that need to be undertaken by national authorities	105	(56.5%)
Measures that need to be undertaken at European level	81	(43.5%)
Measures that need to be undertaken by businesses or business organisations	75	(40.3%)
None	22	(11.8%)

**Which elements of the programme are most relevant to your needs?**

**OBJECTIVE 1: to encourage innovation and the sustainable use of resources**

		% of total
Not at all	1	(0.5%)
A little	8	(4.3%)
To some extent	60	(32.3%)
Very fully	117	(62.9%)

**OBJECTIVE 2: to ensure the mastery and best use of ICT**

		% of total
Not at all	7	(3.8%)
A little	23	(12.4%)
To some extent	78	(41.9%)
Very fully	78	(41.9%)

### OBJECTIVE 3: to improve SME's access to finance

		% of total
Not at all	9	(4.8%)
A little	18	(9.7%)
To some extent	60	(32.3%)
Very fully	99	(53.2%)

### OBJECTIVE 4: to foster economic and administrative reforms for more entrepreneurship and a better business environment

		% of total
Not at all	11	(5.9%)
A little	13	(7%)
To some extent	67	(36%)
Very fully	95	(51.1%)

**Are there any aspects of the programme that duplicate any activities by another public authority (either at local, regional or national level)**

		% of total
No duplication	67	(36%)
Slight duplication	60	(32.3%)
Some duplication	48	(25.8%)
Major duplication	11	(5.9%)

**Are there any aspects of the programme that duplicate any activities of the European Union?**

		% of total
No duplication	87	(46.8%)
Slight duplication	54	(29%)
Some duplication	34	(18.3%)
Major duplication	11	(5.9%)

**Please indicate the most desirable outcomes of this programme from your point of view (you may choose more than 1 option)**

		% of total
have a positive impact on the competitiveness of enterprises	142	(76.3%)
simplify the administrative framework	87	(46.8%)
lighten the administrative burden on business	67	(36%)
help innovative enterprises get access to finance	112	(60.2%)
encourage the transfer of technology	106	(57%)
improve the business support services to SMEs	105	(56.5%)
encourage the uptake of environmental technologies	64	(34.4%)
improve the eco-efficiency of production processes	51	(27.4%)
encourage the uptake of new and renewable energy sources	53	(28.5%)
improve the efficient use of energy	48	(25.8%)

encourage the uptake of ICT into business processes	83	(44.6%)
stimulate the use of ICT by enterprises	80	(43%)
enhance the exchange of data between administrations	33	(17.7%)
increase the visibility of the measures proposed	25	(13.4%)
other (please specify)	6	(3.2%)

## Implementation

Are these instruments appropriate to ensure the implementation of the programme?

Do you accept that the services of the Commission may contact you to obtain further

		<b>% of total</b>
Entirely appropriate	27	(14.5%)
Mostly appropriate	112	(60.2%)
Partly appropriate	23	(12.4%)
Mostly inappropriate	9	(4.8%)
Entirely inappropriate	0	(0%)
Don't know	11	(5.9%)

## details on the information you have submitted?

		<b>% of total</b>
Yes	151	(81.2%)
No	35	(18.8%)

## How did you perceive the questionnaire?

		<b>% of total</b>
Expectations met	153	(82.3%)
Expectations not met	33	(17.7%)

## Why?

		<b>% of total</b>
Too general	28	(15.1%)
Too short	1	(0.5%)
Too technical	2	(1.1%)
Too long	2	(1.1%)

Do you plan to provide further detailed comments on the consultation document or parts of it?

		<b>% of total</b>
Yes	56	(30.1%)
No	51	(27.4%)
Do not know	79	(42.5%)