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**MINISTER FOR ECONOMIC  
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### **Danish response to the EU public consultation on a new Competitiveness and Innovation Framework Programme (CIP II)**

In the wake of the economic crisis and deep recession, Europe finds itself in a weakened position as to global competitiveness. Are we to create growth in the EU in the coming years, it demands the willingness to make the transition towards a knowledge and innovation based green economy while in the meantime ensuring consolidation of public budgets.

The Europe 2020 Strategy lays down an ambitious framework for making the necessary transition of the European economy. It calls for action to create an Innovation Union and to develop an industrial policy for a globalised world while also strengthening the Internal Market, ensuring resource efficiency, mobility and raising a digital agenda for Europe which includes the creation of a digital single market.

#### **The current CIP programme**

With the current Competitiveness and Innovation Framework Programme (CIP) EU has established a programme structure to stimulate growth and to foster competitiveness and innovation in small and medium sized enterprises (SMEs) in the European Union. The current CIP programme is funded by the multi-annual financial framework and runs from 2007 to 2013 with an overall budget of EUR 3621 million.

Within the framework of CIP three separate operational programmes exist, namely EIP (entrepreneurship and innovation), ICT PSP (information and communication technology) and IEE II (intelligent energy). With SMEs as its main target CIP supports innovation activities (including eco-innovation), provides better access to finance, improves framework conditions and delivers business support services in the European Regions. It also encourages a better take up and innovation of information and communication technologies (ICT) and helps to develop the EU information society. Finally the programme promotes the increased use of renewable energies and energy efficiency.

Recent information on the European Economy shows a significantly lower average growth rate compared to the US and the BRIC-countries. With a lower level in research and development (R&D) and innovation, an insufficient use of information and communication technologies and a less dynamic business environment in the EU compared to other economic

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partners, this calls for further action by the EU and justify the increased focus on growth in the Europe 2020 strategy. It also lays the ground for further development of the CIP programme to meet future economic challenges for European SMEs.

### **Perspectives for a future CIP II programme**

A new Competitiveness and Innovation Programme (CIP II) for the next multi-annual financial framework (2014-2020) is currently planned and will be a central instrument to realise some of the initiatives within the Europe 2020 Strategy.

In that respect CIP II for instance should strengthen instruments to overcome market gaps and increase finance and guarantees for innovative SMEs, start-ups and early growth phases for enterprises. It should also strive to facilitate a strong coordination between research, innovation and competitiveness programmes in order to orient innovative activities towards the needs of society.

CIP II should work to exploit the EU potential to capitalize on a strong technology base and create a large Green Single Market, e.g. by promoting SMEs to use all forms of eco-innovation. It should contribute to the removal of market barriers for sustainable energy and to creating a more favourable business environment for increasing energy efficiency and renewable markets.

Keeping in mind the great potential of Information and Communication Technologies (ICT) to further growth and innovation CIP II should also prioritize the digital agenda and support the introduction of the digital single market. Finally CIP II should continue providing a wide range of access to finance for SMEs as well as incorporating the financial perspectives directly to existing programmes that provide project support for SMEs.

To meet these strategic challenges it is of utmost importance that the CIP II has a significant volume and an efficient design while at the same time being based on targeted policy principles. Denmark suggests that CIP II should be developed on the following general principles:

- *The general budget for handling challenges concerning EU competitiveness must be increased by redeployment from other budget categories.* Future EU framework programmes concerning EU competitiveness should have an increased budgetary volume in order to meet the new policy targets set out in the EU 2020 strategy.
- *The application procedure concerning the CIP II calls for proposals must be simplified and funding to larger scale initiatives should be prioritized.* This should ensure transparency in the EC

selection of service providers and secure fair competition between all SMEs regardless their size. Furthermore, CIP II should promote simplification of existing specific programmes within the framework programme as well as prioritizing budgetary larger scale initiatives.

- *CIP II should be a horizontal framework underpinning and linking together strategic areas and policies.* The programme should embrace areas such as green growth, sustainable and smart growth as well as addressing the EU competitiveness and innovation policy directly to SMEs. Focus should be on capturing the added value in between policies by supporting them and ensuring positive spill-over effects and to avoid overlaps. Furthermore, CIP II should be presented and thought of as a unity.

The design of a future CIP II should contribute positively and targeted to the EU competitiveness and innovation by supporting the Europe 2020 targets for smart, sustainable and inclusive growth as well as supporting the coming Eco-innovation Action Plan. CIP II could fill out the role as an effective implementation platform for several policy proposals in the different Europe 2020 flagship initiatives: ‘Innovation Union’, ‘Industrial policy for the globalisation era’, ‘A digital agenda for Europe’, ‘Resource efficient Europe’ and ‘An agenda for new skills and jobs’. In that respect the link to LIFE+ should also be taken into account.

In addition, CIP II should promote synergies with the new framework programme for research and development (FP8) in order to establish a clear link between research and development activities and the commercialization of products.

### **Proposals for a set of policy principles in CIP II**

It is of utmost importance to ensure coherence between all of the above-mentioned general recommendations in order to provide strong framework conditions for European SMEs. An ambitious CIP II framework programme should rest on the core principles in Europe 2020 which could form a solid and ground future for European work on competitiveness and innovation policy. With this response to the EU public consultation on CIP, Denmark thus proposes the following specific policy principles:

*Support to the internationalisation of SMEs to help them benefit from the EU and global markets*

CIP II support infrastructure must be prepared so that European SMEs can accommodate an increasing international competition and benefit from a global economy. In order to help SMEs go international, they need the right information and support in markets outside the EU. Therefore, promoting creation, growth and internationalisation of SMEs also has to be of part of a new EU integrated industrial policy.

Denmark supports the idea of promoting SME internationalisation. However, it is important to focus on real European value added and avoiding duplication of existing initiatives both in the EU and at the Member-State level. Any initiatives to promote SME internationalisation should be co-ordinated and possible synergies with existing initiatives should be exploited.

*Increased focus on high-growth entrepreneurship*

High-growth entrepreneurs play an important role in contributing to economic growth in the EU. However, whilst the improvement of the business environment is a relevant aspect in the policy toward growth of many countries, most of the existing initiatives used to promote high growth entrepreneurs rely on the facilitation of access to finance and the support to research, development and innovation.

Therefore, CIP II should pay specific attention to policy initiatives that provide support to training and skill upgrading in young and small enterprises that have a clear growth potential; e.g. found in specific incubator and accelerator programmes. This could also encourage the entrepreneurial attitude in the EU in order to stimulate more growth ambitions in new and existing enterprises.

*Ensuring the right business environment for SMEs*

The Internal Market is an important factor for growth in the EU. In times of an economic crisis and a new world order where the largest growth is mainly seen in the BRIC-countries, it is essential to make sure that the EU also continues to increase its growth. In relation to the Internal Market this also means that it is not only important to make sure that the Internal Market works in practice on the ground – and thereby delivers a business environment that benefits end-users in the Internal Market (e.g. businesses, consumers, and employees) – but also that the policy tools used are modern, flexible and innovation friendly.

Therefore, the right way to create a future innovation friendly business environment is to use a modern policy tool box for the Internal Market. This means a policy tool box where legislators and civil servants always have the end-user of the regulation in mind throughout the entire policy cycle. Such a tool box will make sure that the Internal Market delivers on the ground because the business environment will be specifically designed to fit the contexts and needs of the end-users. Furthermore attention should be paid on implementation, application and enforcement to ensure that the rules and principles of the single market effectively support business opportunities throughout Europe. This also enhances compliance and thereby the attainment of desirable policy goals.

*Increase the link between research, development and commercialization*

CIP II should strive to raise the total amount of funds given to programmes that support market driven innovation. This counts for pro-

grammes that support commercialisation of products, market application programmes as well as employee driven innovation.

In this respect the synergies between LIFE+, the future FP8 and CIP II should undergo further investigation in order to secure a direct link between research projects, development of new innovative products in the EU and the need for addressing environmental demonstration projects.

The use of standards based on the latest knowledge and technologies often provides an important foundation for the development of new and innovative products and services. Hence the role of standards in the value chain between research, standardisation and innovation is a good example of how research and state of the art knowledge can be effectively and legitimately integrated into the innovation process, thus resulting in new innovative products.

In addition, more focus could be kept on commercialization on research initiatives, e.g. by including commercialization opportunities as a key criteria for the selection and evaluation of new research and development initiatives. This could contribute to a stronger interaction between researchers and European SMEs and increase their mutual benefits and access to new knowledge.

CIP II should also be able to support bringing research results to market i.e. by supporting proof-of-concept activities. This strives for a direct link between FP8 cooperation programmes and specific sector programmes in CIP II where there are clear overlaps, e.g. ICT, Intelligent Energy and Eco-innovation.

#### *Promote access to finance for European SMEs*

Further priority of financial instruments managed by European Investment Fund (EIF) should be given in CIP II. CIP II financial instruments should provide European SME's and high growth companies with access to finance on market based terms with a clear focus on European value added.

CIP II should also provide further supply of early-stage venture capital to innovative SMEs with high growth potential and take appropriate action in order to support their innovative-driven activities. Finally further strengthening should be given to the co-investment in funds and investments vehicles promoted by business angels through the existing financial instrument – e.g. risk capital for innovative SMEs in their early stages (GIF 1).

#### *Promote the use of all forms of Eco-innovation*

CIP II should strive to promote SMEs to use all forms of Eco-innovation, should underpin the coming Eco-innovation Action Plan as well as providing the necessary financial and business support. In that matter CIP II

should prioritize eco-innovation co-funding of financial instruments. Specific and innovative allocation of financial instrument to eco-innovation may be more useful than additional funding of traditional measures. This will also be in line with the ambitious EU climate and environmental policy and research targets.

Within Eco-innovation there is a need to open up for demonstration projects - the step in the innovation chain prior to "first application" and "market replications" projects. European SMEs often find it very difficult to find the necessary funding for e.g. the demonstration of new technologies within e.g. waste treatment methods and wastewater treatment. Eco-innovation could be an effective instrument to close the gap.

In addition, Eco-innovation 'first application' and 'market replication' project fills an important gap in the innovation support chain and should be prioritized in CIP II. Encouragement to take up of environmental technologies is needed in most "green areas", which calls for an increase of the CIP II budget allocated to this point. Enablers for green and innovation-friendly public and corporate procurement should also be enhanced.

Furthermore, a larger eco-innovation programme will make it possible to introduce two yearly calls for proposals, which will make the programme much more in line with the planning horizon of SMEs and the overall programme perspectives.

#### *Creation of a digital single market in the EU*

CIP II shall support information and communication technology's potential to improve growth and productivity through an increased focus on the creation of a digital single market, access to high-speed broadband and better digital skills. The European Commission estimates that the Information and Communication Technologies sector is directly responsible for 5% of European GDP and contributes far more to the overall productivity growth (20% directly from the ICT sector and 30% from ICT investments). Despite the impressive rates, ICTs still hold great potential to further affluence, welfare and growth.

The European Commission recently published the Digital Agenda, the first flagship initiative of the Europe 2020 strategy to be launched. The initiatives include a digital single market and e-Commerce, access to high-speed broadband everywhere and increased digital skills to promote use of the possibilities on the net. These priorities should be reflected in CIP II.

CIP II should prioritize to set up an interoperational environment build upon national systems and infrastructures supporting SME activities. An increased focus on the standardization and interoperability of e.g. ICT public contracts across national systems will provide further cross border trade for SMEs. This will also lead to further innovation on the ICT market for the benefit of EU growth and competitiveness.

*Enhance the use of renewable energies and energy efficiency*

Sustainable energy policy has become an important part of the European strategy, set up in Europe 2020, including the so-called '202020' climate and energy package from 2008. This emphasis on energy policy is also reflected in article 194 of the Lisbon Treaty.

Current reviews indicate that EU must make extra efforts in achieving the targets set in '202020' by reinforcing the EU acquis in new and revised directives, and in follow up to implementing measures. At the same time, energy supply will demand access to new resources and huge investments inside EU over the next decades, including substantial innovation.

So obviously, an energy strategy must be supported by a multitude of actions on an EU scale. This is also emphasised in the Strategic Energy Technology Plan (SET Plan) from 2008 and should be reflected and accompanied by future support programmes for sustainable energy.

Over the last decade, the programme Intelligent Energy Europe (IEE2) has developed as a valuable instrument in implementing sustainable energy policies. The programme has expanded and is now gradually being adjusted to the new challenges and opportunities:

- the clear link to climate and energy policies should be maintained as an indispensable precondition, including the SET Plan
- investments in energy efficiency and renewable energy should be stimulated further
- the involvement and of local actors, municipalities, SMEs, building work force and owners, etc. should increase
- product innovation and market replication related to sustainable energy could develop further, also in a global context.

On this basis, an IEE3 could be designed as a strengthened continuation of the previous programmes. The link to CIP II and other programmes should be clear and avoiding unnecessary overlap or duplication.