

A possible successor to the Competitiveness and Innovation Programme 2007-13

UK response to the Commission's public consultation

The UK welcomes the Commission's public consultation to inform decisions about the Competitiveness and Innovation Programme in the next Financial Perspective. The following observations have been prepared by UK officials as a contribution to the debate. We have followed the structure of the online consultation and elaborated where we believe wider considerations than are accommodated in the online form will be helpful.

It is the UK Government's position that the EU Budget must be restrained in the next Financial Perspective. Any additional funds must be drawn from reprioritised existing EU funds. However, we would emphasise that decisions about overall allocations and priorities will rightly be made in the context of discussions on the EU Budget and this response should not be read as pre-empting those discussions. It is also important that thinking on any future programme for competitiveness and innovation complements and builds on work on the Framework Programme.

Designing a future EU programme for competitiveness and innovation

1. (B.1 in the online form) To what extent do you consider that there is a need for an EU programme targeting the creation of a favourable business environment, including for the commercialisation of innovative products and services?

1.1 Creating a favourable business environment, in particular for Europe's 20 million SMEs, will be essential to securing economic growth and employment in the EU. Primarily this is about getting the framework conditions within the Single Market right through a supportive, light touch regulatory environment that frees up enterprise and facilitates small business growth. Ensuring innovative start-ups and SMEs are able to bring their products and services to market and commercialise their innovation will be an important aspect of an EU market in which enterprise and innovation flourish.

1.2 Given the importance of innovation and SMEs to the EU economy, which is recognised in Europe 2020 and a number of its flagship initiatives, and common challenges faced in Europe, there is a good case for EU action in this area. However, we must recognise the scope of the challenge and be realistic about what an EU Programme can achieve. One of the challenges the UK has observed in the development and delivery of the current programme, is the proliferation of diverse activities and a lack of focus. In part this has resulted from the breadth of CIP's high level objectives.

1.3 The UK would therefore call, if there is to be a successor programme, for the recommendations of the interim evaluation to be implemented. Any new programme should have fewer activities aligned to much more clearly defined objectives that visibly link to Europe's strategic priorities. Any successor programme should also signal lower priority actions that will no longer be funded. In all cases there must be a robust intervention logic and evidence of EU added value (fully respecting Member States' competences).

2. (B.2 online) How relevant would an EU programme targeting SMEs be?

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2.1 See above. Boosting enterprise and facilitating the growth of SMEs is a UK priority and addressing market failures in this area is important. A programme focussed on SME growth is potentially valuable. However, we would emphasise the need to Think Small First across all EU programmes so that SMEs are able to access relevant initiatives and support.

3. (B.3 online) To what extent do you consider it relevant for the future programme to provide sector-specific support (eg ICT, eco-innovation, energy efficiency etc)

3.1 In general, the UK believes that business sector-specific initiatives should be the absolute exception and are only justified where there is a significant common market failure that is best addressed at the EU level. For example, the UK did not support the inclusion of a significantly increased budget for tourism support in the 2011 EIP work programme. This should not set a precedent for any future programme.

3.2 However, we are not convinced the examples cited in the question are sector specific: they do not focus on an individual business sector but are looking at issues with cross-cutting relevance. The eco-innovation elements of the EIP and the ICT-PSP and IEE pillars are well used across Europe and a good case can be made for their EU added value. We would therefore not oppose the inclusion of activity in these areas in a future programme.

3.3 In these thematic areas, particularly given the entirely separate management and delivery of the three pillars, there is a particular concern about how far the CIP umbrella has added value. Consideration should be given to streamlining, co-ordinating or merging those parts of CIP which are closely related to FP7, for example ICT-PSP and FP7 ICT, to improve clarity about objectives and create better read across and co-ordination of strategies.

4. (B.4 online) Please state the extent to which you agree with the following: a future EU programme in this area should: a) improve framework conditions targeting the business environment in which companies operate; b) provide better access to finance (VC and loans) from local sources for SME start up and growth; c) improve business support services through intermediaries (cluster organisations, innovation agencies, chambers of commerce, regional development agencies etc); d) enhance direct support through grants to pilot actions testing innovative solutions in real settings and market replication

4.1 All future activity should be based on a robust examination of the evidence of market failure, potential to deliver tangible results and EU additionality. It should work with the grain of markets without replicating member state or private sector activity.

4.2 In terms of the specific points:

a) framework conditions: we would refer to our response at question 1;

b) access to finance: the UK welcomes Innovation Union proposals to address market failures in venture capital provision. Action to develop pan-EU instruments for VC is a priority, drawing from reprioritised existing EU

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UK response to the Commission's public consultation funds. We are less convinced of the EU added value of CIP loan guarantees, which no UK banks have been attracted to use

c) business support through intermediaries: in the context of the objective to deliver a more competitive environment for enterprise and the need to ensure every € of EU spend adds value, great care needs to be taken to ensure a strong intervention logic and justification for EU intervention. Decisions on funding business support services are generally best taken at the local and national level.

d) grants for pilots and market replication: projects in this area under the current programme are popular and appear to demonstrate EU added value. In considering future work, a compelling case will be needed for the cost effectiveness of interventions, with follow up to monitor outcomes and ensure there is no unintended market distortion. We should learn from action to date, evaluate the results and focus on strategic priorities. We would encourage the Commission to ensure that - where a case has been made for the economic benefit and EU added value of such initiatives - grants for pilots are directly and easily accessible to SMEs and that they align with EU programmes encouraging innovation, investment and growth.

4.3 In deciding the balance between and relative priority of these activities, we need to look where there is EU agreement (for example through the Small Business Act and Innovation Union flagship) and where other Programmes are not already operating. We also need to promote simplification and avoid duplication with other Programmes. This will ensure actions are properly targeted and also enable a better articulation of the value of the programme.

Questions related to possible areas/actions to be covered by a future programme for competitiveness and innovation

5 (C.1.a online) In your opinion, how relevant would a possible follow up programme of the Entrepreneurship and Innovation programme be in areas such as....

5.i In all the areas below it is difficult to offer a definitive response. We recognise that a lot of apparently useful activity has been undertaken since 2007 but there is little robust evidence of the impacts of that activity on which to base future decisions. We would urge for effective evaluation and monitoring mechanisms - based on robust indicators and using a variety of tools, including customer surveys - to be built into future initiatives.

- *Business and innovation support services (such as information on EU policy and funding opportunities, knowledge and technology transfer, business cooperation, partner finding, internationalisation, IPR etc)*

5.ii We interpret this question as asking whether a support mechanism like Enterprise Europe Network should continue after 2013. Decisions on the continuance of EEN and/or the design of any future service should be based on a thorough examination of its operation to date, including the market failure being met and its effectiveness in delivering strategic outcomes and economic benefits across Europe. We are modernising business support in England as

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UK response to the Commission's public consultation set out in the October 2010 White Paper *Local Growth - realising every place's potential*. The new landscape will deliver a streamlined, efficient system of information and guidance, recognising that Government should intervene only where there is market failure. The Devolved Administrations in Scotland, Wales and Northern Ireland have their own business support services. EEN is active in all UK regions.

5.iii The EEN has taken time to establish and has encountered challenges. If a decision is taken to continue services under a new programme, it should reflect learning from the current network. For example, we must learn the lessons from concerns over evaluation and monitoring arrangements: outcome-focussed indicators and success measures should enable effective monitoring and encourage the most outcome-focussed activity, without imposing unnecessary administrative burdens on network partners.

- *Support for debt financing to facilitate access to finance for SMEs*

5.iv UK intermediaries have not made use of loan guarantees under the EIP. The uneven take up of this instrument across member states suggests there is a question about demand from lending institutions.

- *Facilitation of access to equity capital for new investment in innovative businesses, e.g. through venture capital or business angels.*

5.v Refer to response at q.1 – EU action to address market failures in venture capital provision are highly relevant. The UK supports Innovation Union's commitment in this area and the development of pan-EU instruments.

- *Increased co-ordination and exchange of best practices between national/regional administrations regarding business policies*

5.vi The exchange of best practice is potentially very useful and there is a clear benefit in encouraging and enabling public authorities to learn from one another's experiences to improve the business environment. We must ensure there is a clear and accessible mechanism for policy makers to identify areas of funded activity and readily identify the key lessons identified by EU funded research.

5.vii Exchange of best practice on the implementation of any future programme would encourage a better understanding of which member states and regions are particularly benefiting from initiatives and enabling learning to be disseminated across participating countries and regions. We would encourage more regular information on beneficiaries breaking down to the regional and local level, where most CIP services are delivered.

- *Direct support in the form of grants for new technologies and services to become commercially successful on the market, eg through first application and market replication*

5.viii Refer to response to q.1.

- *Support for the internationalisation of SMEs, such as providing business services to EU companies entering new EU or non-EU countries*

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5.ix Decisions in this area will need to be aligned with the outcomes of the Commission's proposal on SME internationalisation. In general, we believe that the Commission should focus on market access issues. For example, UK has not been convinced of the case for EU business centres in third countries, which risks replicating services already provided by member states. We would therefore call for any use of programme funds to be based on robust evaluation of the niche being filled and the EU added value of these services.

- *Support for innovative public procurement, e.g. through transnational collaboration of procuring authorities*

5.x This activity will be highly relevant to meeting innovation and growth objectives. Procurement initiatives have the potential to: reduce risk; encourage market entry; create demand; make latent demand manifest; and diffuse technology. The UK strongly supports the creation of an effective SBIR type initiative at the EU level to drive innovation through the use of pre-commercial public sector procurement. In addition to benefits derived from sharing best practice, an EU SBIR would create economies of scale, driving improvements in the quality and cost-effectiveness of public services, accelerating the commercialisation of technology and filling a damaging gap in innovation financing, and supporting small business growth.

- *Support to clusters, e.g. through partnership agreement or training of cluster managers*

5. xi The UK has traditionally supported Commission activities that encourage and facilitate the sharing of best practice between national and regional agencies engaged in cluster development and also acting to remove barriers that hamper clusters working cooperatively with counterparts in other member states. We are opposed, however, to a single European clusters policy, believing clusters develop naturally as businesses gather together to generate competitive advantage. There is no need to ring fence EU funding for clusters. In fact there is a risk that this could lead to "picking winners" and to competitive and market distortions.

- *Support for the development of specific skills (such as eSkills, IPR skills, innovation management skills), e.g. through partnerships with industry*

5.xii We recognise the importance of developing specific skills to encourage enterprise and innovation. The main driver of such change will be at national; regional and local level in Member States. If programmes at EU level can complement and add value to existing activity, then the UK would be supportive of such activity. We support sharing of best-practice in this area.

- *Support for the development of an entrepreneurship culture in the EU*

5.xiii The creation of a culture in which citizens have the skills and ambition to set up, sustain and grow their own businesses, fostering entrepreneurial interest and talent from all sections of the community will be vital to boosting enterprise in Europe. The main activity in this area will rightly be done at the local, regional and national levels. However, if a good case can be made for EU added value, we could support new programme activity in this area.

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- *Support for debt financing (e.g. EU guarantee on a bank loan; risk sharing arrangements) to facilitate the access to finance for eco-innovative countries; Provision of Venture Capital*

5.xiv We have already addressed this question at 4.2, 5.iv and 5.v above

- *Exchange of practices on policies supporting eco-innovation*

5.xv – Improving networking and best-practice sharing, at National and EU level, is a priority for the forthcoming EU eco-innovation plan. The Pro-Inno “Better policies and instrument in support of eco-innovation” (part of the EIP’s 2009 work programme), aimed at closer joint work by Member States in search of “better practice” and concrete steps to put this in place, was positively received. We would welcome further action facilitating exchange of practices on policies supporting eco-innovation in a future programme.

- *Support to green public procurement for eco-innovative products and services*

5.xvi– Further work needs to be done to explore and analyse the context of promising areas for eco-innovation (both products and services) to support green public procurement. For example, the EU Environmental Technology Verification pre-programme accelerates market take up of novel technologies, but is not directly linked to green procurement. We would support action to align the development of new technologies with green public procurement.

6. (C.3.b in the online form) What other type of measure would you suggest adopting under a possible future programme, if any?

6.1 We would again emphasise the need to focus on fewer activities that clearly match strategic objectives and would therefore not encourage even more areas of activity to be added in any future programme

7. (C.4.a in the online form) How relevant would a possible follow-up programme on the “ICT Policy Support Programme be in areas such as....

- *Promoting, monitoring and benchmarking the development of ICT and of the Digital economy in Europe*

7.i We believe this is an area where further work could be done through a successor programme. The UK’s impression is that to date promoting, monitoring and benchmarking have not been central to the ICT-PSP, which has focussed on ICT projects in specific areas.

- *Supporting the Digital Agenda for Europe by policy analysis, consensus building, and awareness raising events*

7.ii This could be relevant. On consensus building, we note that continued use of thematic networks would be relevant, as would the dissemination of the results of pilots.

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- *Stimulating the deployment of interoperable pan-European ICT based services*

7.iii Highly relevant, for example through pilot A and pilot B type projects

- *Stimulating the demand for innovation friendly markets in ICT through pilot actions*

7.iv As above.

- *Increasing focus on the support of large partnerships for ICT solutions addressing key societal challenges*

7.v If a successor programme included actions similar to those undertaken through current Pilot 'A's this could be highly relevant, as funding supports collaborative work between governments across the EU and national funding increase the chance of reaching sufficient critical mass. However, in the case of Pilot 'B' projects there may not be the necessary leverage to achieve this.

- *Directly supporting (through grants) high growth ICT SMEs*

7.xi There would need to be a clear evaluation of need, demand and EU added value. If such grants are awarded, it will be important that the length of time to receive funding is within SMEs' cash flow timeframe and application procedures are simple. If not, SMEs may be discouraged from participating.

- *Promoting ICT innovations through awards, contents, benchmarks organised at EU level*

7.xii This would be relevant, in particular it could be a way to raise awareness and boost participation in the programme

- *Supporting specific actions for improving access to finance for innovative ICT SMEs*

7.xiii In general, the UK believes that action to improve access to finance for SMEs should be open to all relevant sectors and we would therefore need to see a very clear business case that a particular issue exists for ICT SMEs accessing appropriate finance.

- *Supporting specific actions for stimulating innovative public procurement on ICT*

7.xiv The Pan European Public Procurement Online (PEPPOL) project, which aims to implement common standards enabling EU wide public e-Procurement, is already active in this space

8. (C.4.b in the online form) What other type of measure would you suggest adopting under a possible future programme, if any?

8.1 We believe the current ICT-PSP is a good model, although there may be scope for greater emphasis on cross-border services

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9. (C.5.a in the online form) How relevant would a possible follow-up programme of the Intelligent Energy Europe be in areas such as...

- *Actions for fostering energy efficiency and the rational use of energy resources*
- *Actions for fostering the use of renewable energies*
- *Actions for promoting energy efficiency and the use of new and renewable energy sources in transport*
- *Actions supporting the development and implementation of the EU sustainable energy policy*
- *Addressing skills gaps by setting up the private-partner partnerships for qualifications and training schemes in energy efficiency and renewable energies*
- *Leveraging significant investments in energy efficiency and renewable energy through flexible financial instruments in collaboration with financial institutions*
- *Addressing the non-technological barriers to the deployment of energy efficiency and renewable energy through promotion and dissemination of projects*

9.1 The UK supports a continuation of EU expenditure on the activities currently included in the Intelligent Energy Europe 2 annual Work Programmes. The IEE2 Programme overall, addresses a gap between EU support for Research, Development and Demonstration, and the uptake of new energy and energy efficiency technologies in the market. This is important with a view to reaching EU 2020 energy and emission targets.

9.2 The activities under IEE2 help to ensure that we minimise delays in the deployment phase for such technologies, both in terms of public awareness and enthusiasm for change, as well as by developing the necessary policy tools required to support deployment. On this basis, we are supportive of the current range of activities under IEE2 and its efforts to focus more on real added value at EU level. We would wish to see these activities continue, particularly as they relate to the innovative financing facilities that are being developed in conjunction with the European Investment Bank and other institutions in co-operation with the Programme. These, in particular, have the potential to stimulate significant additional activity for relatively modest expenditure from the EU budget.

9.3 The UK would also encourage a closer working relationship and exploration of synergies, between related EU's Programmes and Initiatives such as IEE2, Framework Programme 7 Energy and the Strategic Energy Technology Plan.

10. (C.5.b in the online form) What other type of measure would you suggest adopting under a possible future programme, if any?

10.1 We would refer to our comments above