

Position Paper

UEAPME's¹ reply to the green paper consultation on a “Common Strategic Framework for EU Research and Innovation funding”

1. General remarks

Europe will not be able to achieve the targets on competitiveness, growth, employment and social inclusion defined by the EU 2020 Strategy and the Innovation Union without exploiting the innovation potential for Europe's small and medium sized enterprises.

Even if only a small number of SMEs undertake research activities, for the overwhelming majority of Crafts and SMEs access to existing technologies and the results of research are crucial for their innovation activities. Due to the fact that R&D and – to a certain degree – also innovation activities show positive external effects, they constitute market failures and therefore justify public support.

While most of the public support for R&D and Innovation takes place at national or regional level, European programmes can create a European added value and are crucial to stimulate cross border activities within the European Union.

Therefore, UEAPME welcomes the green paper consultation “From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding” (CSF) and agrees with the idea to create a better integrated and more coherent funding structure for the support of research and innovation at European level.

Nevertheless, it should be clear that UEAPME supports only the integration of the “innovation part “ of the current CIP 2007-2013 into the Common strategic framework, meaning that:

- UEAPME demands the EC to carry on a programme apart of the CSF, dedicated to an horizontal approach of the competitiveness of SMES (as the CIP currently does), which could support actions to SMEs like those on standardisation, sustainable development and energy efficiency, studies and reports as well as the implementation of the Small Business Act and the Think Small First principles.
- the financial instruments of the current CIP should in any case stay in an separate programme and have to go beyond financing innovation by using a horizontal approach.

In order to achieve the strategic aims set by EU 2020, research has to be seen more as an important element of an innovation cycle and less as an aim in itself or the starting point of an innovation chain. Innovation, especially for SMEs, is about bringing ideas to markets, which means an innovation cycle rarely starts with research but with

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](#).

an idea for a new product or services. Therefore, the Common strategic framework has to be oriented towards an enlarged approach of innovation and not only to high-tech as expressed in the green paper.

Against this background, UEAPME agrees with the approach that the CSF should be targeted towards societal challenges, competitiveness and excellence in research, which may allow covering the different needs and interest public authorities, companies and research organisations / universities.

Finally, UEAPME welcomes the aim to streamline and to simplify the different funding instruments and to make them accessible in an easier manner.

2. Lessons from current EU research and innovation programmes

The experiences of SMEs and their intermediaries with the current programme (FP 7) are rather mixed.

On the positive side:

- + FP 7 plays an important role to support R&D and also innovation at EU level and stimulates cross border activities of research institutes and business.
- + The SME-specific programme (research to the benefit of SMEs) is better designed to meet the needs of SMEs and less bureaucratic than the Crafts programme in FP 6. The high number of proposals demonstrates the attractiveness of this part of FP 7 for SMEs and has led to a much larger number of proposals compared to the financial means available.
- + FP 7 shows also a better participation of real SMEs at the thematic programmes, which is a result of better administration and the efforts made by the Commission to facilitate and encourage SME participation (specific calls, etc).

On the weak side:

- While FP 7 has not been able to reach the 15 % target for SME participation in thematic research, the SME-specific programmes are not provided with sufficient financial means and only a minority (10 to 12 %) of qualified projects can be supported, which creates frustration and high costs for unsuccessful but qualified applicants.
- The huge variety of instruments in FP 7 is quite confusing for many SMEs and even their advisers. Moreover, they do not aggregate to a coherent and systematic structure for support measures.
- The strong impact of the European Research Council, which is very much biased toward basic / fundamental research, has further increased in FP 7 the already high share of fundamental research in FP 6 at the expenses of applied research, even if the latter is more important to achieve the EU 2020 goals. Furthermore, many business representatives complain that business needs are hardly recognised by the annual work programmes.
- Especially intermediaries supporting SMEs at national and regional levels complain about missing coherence between FP7 and related programmes (CIP, Structural Funds), but also about missing coherence between European, national and regional programmes.

- Further efforts as regards simplification of programme design and procedures are needed – i.e. flexibility (if circumstance change), to facilitate the participation of small entities by accepting smaller projects as regards volume and duration.
- Finally, the experiences made with the Euro Stars Programme shows that such a management model cannot be used for a general Innovation and Research Programme for SMEs. The reason for this is that the partners have to deal with Eureka in Brussels and each partner with its national or regional support structures, which creates enormous amount of administration and coordination work and too often projects fails because one national partner creates problems.

As regards the results of FP 7, we see that many European documents complain about an innovation gap in Europe and argue that in spite of excellent results in fundamental research, Europe is not able to bring these technologies to the market. This may be a result of a too strong focus on basic and fundamental research, which (by definition) does not consider market application. Such a concept of innovation is wrong, because it starts with research and tries to bring its results to market (vertical approach), instead of starting with market ideas, which may need research throughout an innovation process (horizontal approach). Therefore, the economic impact of research should become a more pronounced criterion for future R&D programmes in Europe.

3. Towards a Common Strategic Framework

3.1. Working together to deliver on Europe 2020 (Questions 1 to 8)

- UEAPME agrees that the relevant EU research and innovation funding (currently FP 7, innovation part of CIP and EIT) should be integrated in such a common framework to support common strategic objectives and goals, without necessarily integrate them into one programme.
- UEAPME supports the proposals for simplification, support measures and increased accessibility of new programmes as put forward by the Commission itself and the European Parliament.
- UEAPME supports the proposal to cover the full innovation cycle by EU funding, but reminds the Commission that an innovation cycle does not start with research, but with an idea, followed by a feasibility study and it may involve research, but not necessarily.
- The different steps within an innovation cycle should be covered with different, but coherent programmes and different types of support measures (grants, innovation support services / advice and financial instruments). Successful implementation of one step should allow easier access to the next step.
- European / cross border projects should be supported by European programmes. Leveraging different national sources by European money makes European projects extremely complicate and burdensome for beneficiaries, who will have to deal with different administrations, rules and even languages (See also the experiences made with the Euro Stars Programme).

3.2. Tackling societal challenges (Questions 9 to 13)

Experiences with the current funding programmes, especially the collaboration programme have shown deficits as regards flexibility. UEAPME recommends:

- the involvement of business representatives in the elaboration of research programmes;
- the use of a certain amount (i.e. 20%) of the programme for bottom-up activities;
- the use of a certain amount (i.e. 30%) for market application and demonstration projects to foster innovation;
- to keep the 15% target for SME participation.

3.3. Strengthening competitiveness (Questions 14 to 20)

Strengthening competitiveness is for Crafts and SMEs the most important pillar for a Common Strategic Framework. Therefore, UEAPME asks for an integrated innovation and research programme designated to SMEs to support cross border innovation and research projects, which is based on a broad notion of innovation.

In order to exploit the innovation potential and also the competitiveness of SMEs, especially the smallest enterprises, they need effective support structures provided by Crafts and SME associations and chambers or public bodies. Therefore, the CSF should also support projects aiming to improve the capacity for innovation targeted to a larger number of enterprises, even if their success could not be assessed by concrete results like number of licences, patents, innovative products or processes.

Based on the experiences with the SME specific programme of FP 7 and CIP, but also with Euro Stars, UEAPME recommends for such a SME Innovation and Research Programme:

- to support cross border innovation and research projects for SMEs,
- to support projects elaborated by SME representative organisations and dedicated to the increase of the innovative capacities of these enterprises;
- a bottom-up approach to allow innovation processes driven by ideas and market needs;
- to cover at least all research and technology related elements of an innovation cycle: feasibility study, access to technology, research on behalf of SMEs and demonstration / market application and needed support measures for participants;
- a management structures for the programme(s) which ensures that the project partners coming from different countries have to deal only with one funding partner to avoid unnecessary administrative burden for the beneficiaries which we see currently by “Euro Star” models of project management (see above);
- to double the funding of the SME specific programme;

Next to such an SME Innovation and Research Programme, which focuses mainly on the technology part on innovation and provides support in form of grants, SMEs need financial instruments (in form of guarantees, loan at preferential rates, repayable loan or mezzanine instruments) to finance necessary investments in a later stage of an innovation cycle.

These financial instruments dedicated to innovation should respect the diversity of SMEs and their approach towards innovation and should:

- be based on the experiences made with the Risk Sharing Finance Facility of FP 7 and part of the financial instruments from the CIP used for the innovation objective;
- be supported by European means, and be complementary to the Structural Funds and / or national means used to finance RD and innovation;
- provide financial instruments which are able to carry risks and losses in order to avoid insolvency cases where an innovation project does not succeed;
- provide preferential access for SMEs / SME projects which have successfully implemented a market application or demonstration project supported by EU means;

3.4. Strengthening Europe's science base (Questions 21 to 27)

Experiences with FP 7 show a too strong bias towards fundamental research and a further decrease of applied research. Both may decrease the potential for innovation in Europe (see chapter 2 on experiences with FP 7). This is also a result of the strong influence by the European Research Council and its definition of excellence, which does not show commitments towards applied research and market application of research results.

In order to improve the impact of research excellence on innovation, UEAPME recommends:

- a new definition of excellence, which includes also the economic relevance of research and
- a better involvement of business representatives in the elaboration of research programmes.

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