



## EU Competitiveness and Innovation Programme

**SUMMARY** *The Competitiveness and Innovation Framework Programme (CIP) seeks to help European enterprises, especially small and medium-sized ones (SMEs), to become more competitive and innovative. It does so by improving access to finance and support services at regional level, and by encouraging better use of information and communications technologies (ICT). In addition, CIP fosters energy efficiency and renewable energy. With an overall budget of €3.6 billion from 2007 to 2013, the programme aims to act as a catalyst for further investment.*

*CIP has received generally positive evaluations, but stakeholders recommend that funds be streamlined and access simplified. In response, the Commission has proposed to repackage support for innovation and "intelligent energy" within Horizon 2020 (the next research framework programme), and to establish a new programme for SME competitiveness (COSME) from 2014 to 2020. The European Parliament has signalled that it favours increased funding in advance of starting negotiations with the Council on these proposals.*

*Analysts tend to view competitiveness and innovation as more complex than is commonly acknowledged, but many agree on the need for appropriately targeted support.*

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### Context

**Innovation** is increasingly seen as a key to economic recovery and a solution to environmental and social problems. It lies at the heart of the [Europe 2020](#) strategy for a "smart, sustainable and inclusive economy". Investment in innovation is expected to create jobs and improve productivity. While policy-makers are nearly unanimous in favour of innovation, scholars take a more nuanced view. Many agree on its crucial role but some [question](#) the evidence for increased public spending on innovation, while others [warn](#) that innovation may displace workers in the short term.

**Competitiveness** is another [strategic goal](#) for EU policy. It is also central in the academic literature, even if the very idea of "competitiveness" has longstanding [critics](#), while [others](#) have suggested that its loose usage leaves it prone to "waves of fashionable topics".

The European Commission monitors indicators of innovation and competitiveness. The [Innovation Union Scoreboard](#) highlights variations among Member States, suggesting that the EU's overall performance lags behind the USA, Japan and South Korea. The EU's competitors tend to invest more in ICT, viewed as a driver of productivity growth.



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### Contested definitions

The European Commission defines **competitiveness** as "high and rising standards of living of a nation with the lowest possible level of involuntary unemployment, on a sustainable basis". Academic critics define it as a "discourse" that justifies policies by presenting them as inevitable or universally beneficial.

For the Commission, **innovation** is "the successful production, assimilation and exploitation of novelty in the economic and social spheres". For scholars, it is a complex phenomenon whose effects are not as straightforward as the "panacea" portrayed by policymakers.

According to the 2011 [European Competitiveness Report](#), a more resource-efficient, low-carbon industry can improve the EU's future competitiveness. SMEs are to play a central role in the transition to a knowledge economy – yet they face regulatory burdens and difficult access to finance.

The Competitiveness and Innovation Framework Programme (CIP) was launched in 2007, merging smaller predecessor schemes. CIP's overall budget is €3.6 billion from 2007 to 2013. In contrast to expenditure-oriented programmes such as the Structural Funds or the Seventh Framework Programme for research and technological development (FP7), CIP seeks to achieve its broad and ambitious goals through less direct means. These include support to policy-making at various levels, acting as a catalyst for further public and private investment in innovation, piloting innovative approaches such as venture capital funds, and facilitating the exchange of best practice. Participants gain opportunities to find international partners.

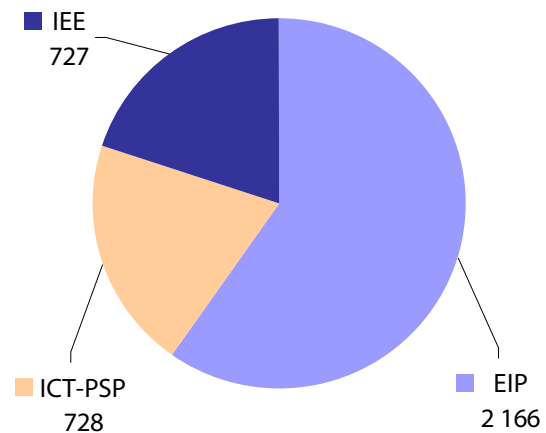
Five Commission directorates-general manage parts of CIP, with overall coordination by DG Enterprise and Industry. The Executive Agency for Competitiveness and Innovation, the European Investment Bank and the European Investment Fund are

involved in implementation and contract management.

### Three sub-programmes

CIP consists of three sub-programmes. Committees with representatives from Member States and other participating countries assist the Commission in implementing each sub-programme. Further input comes from a [strategic advisory board](#) made up of 20 industry representatives, including SME associations. Each sub-programme is implemented on the basis of annual work programmes.

Figure 1 - CIP budget in € million, 2007-2013



Data source: [European Commission](#).

The **Entrepreneurship and Innovation Programme (EIP)**, with a budget of €2.17 billion:

- facilitates SME access to loans and equity finance
- delivers business services through regional centres in the Enterprise Europe Network
- supports policy-making to encourage entrepreneurship and innovation, and
- supports eco-innovation.

Through nearly 600 member organisations in all Member States and 24 other countries, the [Enterprise Europe Network](#) helps SMEs expand into new markets, source or license new technologies, and access EU funding. It connects businesses with potential partners

**EIP 2012 work programme**

	€ million
Access to finance to start and grow SMEs, innovation investment	182.6
Facilitation of SME cooperation	63.3
Eco-innovation	39
Innovation in enterprises	33.8
Entrepreneurship and innovation culture	11.2
Enterprise and innovation-related economic and administrative reform	6.3
<b>Total</b>	<b>336.2</b>

Source: [European Commission](#)

through a database and “matchmaking” events. In addition, it collects feedback from SMEs on difficulties they face in complying with EU legislation. Over half of SMEs which used the network confirmed that they had accessed new markets or developed new products. The Enterprise Europe Network was established in 2008, building on predecessors dating back to 1987.

The **Information Communication Technologies Policy Support Programme (ICT-PSP)**, with a budget of €728 million aims to:

- develop a single European information space and bolster the internal market for ICT-based products and services
- encourage adoption of and investment in ICT
- develop an inclusive information society and improve services in areas of public interest, and
- enhance quality of life.

ICT-PSP addresses priorities in the [Digital Agenda for Europe](#), one of seven “flagship” initiatives in the Europe 2020 strategy. Funding focuses on pilot ICT services that bring together public and private partners in areas such as healthcare, digital libraries and energy efficiency.

The **Intelligent Energy Europe**

**Programme (IEE)**, with a budget of €727 million, seeks to:

- foster energy efficiency
- promote new and renewable energy sources and energy diversification
- promote energy efficiency and new energy sources in transport, and
- remove barriers by raising awareness and spreading know-how.

Launched in 2003, IEE aims to help the EU meet its climate change and energy targets. In the transport sector, it promotes cycling, alternative fuels and energy-efficient vehicles.

### Examples of projects supported

CIP's three sub-programmes encompass instruments and activities such as:

- financial instruments to ease SME access to capital
- annual calls for proposals for "intelligent energy" and ICT projects
- projects to pilot and spread eco-innovation, sustainable energy or ICT
- analytical studies on sustainable energy, ICT, competitiveness and innovation policy, and
- networking activities to exchange best practices among private and public-sector partners, and improve innovation policies.

CIP financial instruments include the High growth and innovative SME facility ([GIF](#)) which invests in venture capital funds, and the SME guarantee facility ([SMEG](#)) which offers loan guarantees to encourage banks to lend to SMEs. Both are managed by the [European Investment Fund](#).

For [example](#), medical implant producer Biotech GmbH received a CIP-guaranteed loan of €546 000 from UniCredit Hungary to expand its factory and create an R&D centre. In another case, Lasertechnik, a specialist in repair welding for tools and mould construction, borrowed €30 000 from an Austrian financial intermediary to purchase

a new machine for serial welding. These SMEs are among 155 000 companies that benefited from CIP financial instruments such as guarantee schemes, risk-sharing facilities and equity participation between 2007 and 2011. Without such help, they faced difficulties financing their growth.

The IEE project "Identification and mobilisation of solar potentials via local strategies" ([POLIS](#)) promotes solar energy in six cities (Paris, Lisbon, Munich, Vitoria, Lyon and Malmo) by bringing together architects, urban planners and energy policy-makers. The project seeks to integrate solar criteria into urban plans and tender procedures for rehabilitation. For example, POLIS urges town planners to consider that south-facing buildings require less heating in winter, while shading devices can reduce the temperature in summer.

In another case, IEE funded a capacity-building project entitled "Chambers promoting intelligent energy for SMEs" ([CHANGE](#)). Evaluators found instances of duplication and called for the project not to "confuse enterprises by needlessly proliferating" business support services but instead to integrate new services into existing ones.

The Commission also supports national efforts to introduce entrepreneurship education into secondary schools, by training teachers and exchanging best practices. In 2011, 45 countries participated in the exchange (including EU pre-accession and Southern Mediterranean countries).

ICT-PSP co-funds large-scale pilot projects such as "Secure identity across borders linked" ([STORK](#)). This project aims to enable cross-border use of electronic identification, which would allow citizens and businesses to access eGovernment services in any Member State. For example, the STORK platform could help Europeans start a company, receive a tax refund or obtain university papers, without being present physically. Another ICT-PSP project,

"European patients – smart open services" ([epSOS](#)), aims to build infrastructure for cross-border interoperability among electronic health-record systems in Europe. It tackles linguistic, administrative and technical barriers. The secure sharing of patient data would facilitate medical treatment for travellers. Launched in 2008, epSOS encompasses 20 Member States, Norway, Switzerland and Turkey.

## Evaluation and stakeholder views

A December 2011 [evaluation report](#) done for the Commission by an external consultancy praised CIP for pioneering work on innovation. The report approved of CIP's tripartite structure, and noted that the programme was largely on course to meet its goals. In an improvement over predecessors, CIP concentrated on areas where it could add value, and widened the definition of innovation to include business processes and the service sector. Some of CIP's small-budget items were deemed particularly effective. For example, the [Action programme for reducing administrative burdens](#) and its follow-on measures achieved savings for enterprises estimated at over €40 billion.

On the other hand, the report recommended minimising overlap within CIP and externally with Structural Funds and FP7. Evaluators further suggested a closer focus on long-term impact (rather than simply on outputs delivered), and greater use of benchmarks. Responsibility for analysing results needed to be better allocated.

A structural problem, identified in the 2010 [interim evaluation](#), remained the scarcity of channels to share lessons learned between the different areas of CIP. Moreover, the interim report recommended that the Commission simplify administrative arrangements and tailor them to target groups. Interim evaluators also criticised [implementation reports](#) of CIP sub-programmes for lacking a coherent "storyline".

An expert group on synergies between FP7, CIP and Structural Funds [concluded](#) in June 2011 that EIP had clear priorities but CIP as a whole was fragmented into too many small actions. The expert group further highlighted ICT funding as an area in need of closer coordination between CIP and other EU programmes. On the other hand, a March 2012 [performance report](#) drafted by the Commission insisted that CIP's growth-enhancing measures helped address the economic crisis.

**Stakeholders** are often familiar with sub-programmes but are confused about CIP as a whole. Many find CIP difficult to access and manage, suggesting a need for more coherent and targeted communication. Between November 2010 and February 2011, the Commission [consulted](#) stakeholders on CIP's future. Respondents said that the successor programme should focus on improving the business environment, especially for SMEs. Respondents further called for the successor programme to be simplified, with robust monitoring and evaluation. Stakeholders disagreed on the extent to which it should be integrated with [Horizon 2020](#), the next (8th) framework programme for research and innovation. The Association of European Chambers of Commerce and Industry [asked](#) the Commission to strengthen statistics regarding CIP's impact on SMEs, which are not always aware that the assistance they receive comes from the EU. The association further called on the Commission to improve the format of public consultations to enable stakeholders to participate more rigorously.

## Future prospects

In a February 2011 [green paper](#), the Commission launched a public debate on a common strategic framework for EU research and innovation funding. The Commission noted that future programmes should clarify objectives, maintain flexibility and reduce complexity, to avoid leaving an

impression of catering to too many objectives and spreading funding too thinly. Other goals included earlier involvement of end users, and closer coordination with Member States to avoid overlap. The Commission pointed to CIP as an example for other programmes to follow in reducing the administrative burden and speeding up procedures.

Under the Commission's [proposals](#) for the 2014-2020 Multiannual Financial Framework, EIP's innovation initiatives are set to continue under Horizon 2020. So too are IEE objectives on energy efficiency and renewables. Competitiveness and growth related activities are to form [COSME](#), a new programme for the competitiveness of enterprises and SMEs [proposed](#) in November 2011, with a planned budget of €2.5 billion. The new programme is to assist SMEs (particularly in tourism), individual entrepreneurs and national institutions in charge of policy reform. COSME is intended to simplify management yet ensure continuity with EIP initiatives such as the Enterprise Europe Network.

The Commission [proposal](#) for Horizon 2020 aims to reduce red tape and has an €80 billion budget – above the current FP7's €55 billion but short of the doubling [suggested](#) by the EP. Within this budget, €619 million is earmarked for innovation in SMEs, and €5.8 billion for "secure, clean and efficient energy".

The Horizon 2020 proposal raised [concerns](#) among Member States wishing to contain expenditure. Others such as Belgium [view](#) the proposed budget as a lower limit but question complementarity between Horizon 2020, Cohesion instruments and COSME (especially regarding innovation), and warn of the risk of losing effective CIP instruments. Specifically, Austria and others [favour](#) continuing IEE outside Horizon 2020.

Stakeholders [argued](#) for greater efforts to facilitate business transfer across Member States, and [questioned](#) the rationale for

COSME's special focus on tourism. A group of NGOs voiced [concerns](#) about the strategic framework's focus on competitiveness and alleged a pro-industry bias. Instead, the NGOs argued for funding "socially-driven" innovation.

[Analysts](#) warn that to be effective, innovation measures need to be accompanied by reform to ease regulatory and labour market restrictions in the service sector.

## European Parliament

The European Parliament has power of consent over the multiannual financial framework which sets limits for broad headings in the EU's yearly budgets, adopted jointly by Parliament and Council. Moreover, the EP co-decides with the Council on spending instruments such as Horizon 2020 and COSME.

Parliament's committee on Industry, Research and Energy is scheduled to vote on both in October 2012.

While negotiating on the EU's 2012 budget, Parliament [voted](#) to increase overall appropriations for IEE and EIP, in the hope of improving SME access. Moreover, Parliament backed EIP as an "indispensable tool of recovery from the crisis".

In response to the Commission's green paper, the EP [called](#) for new approaches to assist regions and Member States that under-perform on research and innovation. Parliament further urged the Commission to establish a simple and accessible system to accelerate innovation, following a holistic approach. Earlier in 2011, the EP

[recommended](#), as an anti-crisis measure, that the CIP guarantee instrument be strengthened. Parliament also pointed to the need to encourage female entrepreneurs.

In a December 2011 [debate](#), MEPs demonstrated cross-party support for IEE and concern about its continuation in future. Budget Commissioner Janusz Lewandowski responded that the Commission remained committed to IEE objectives but needed to balance them with other goals such as energy security and solidarity.

## Further reading

European Commission, [CIP: Implementation, evaluation, performance and consultation reports, 2007-2012](#).

Anita Talberg, EP Library briefing on [The future of IEE](#), 9/12/2011.

EP DG Internal Policies – Policy Department A, [Innovation and Industrial Policy](#), February 2011.

Ben Rosamond, [Imagining the European Economy: 'Competitiveness' and the Social Construction of 'Europe' as an Economic Space](#), *New Political Economy* 7(2): 157-177, 2002.

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