

EUROPEAN UNION



Committee of the Regions

ECOS-048

Brussels, 6 December 2005

OPINION

of the Committee of the Regions

of 16 November 2005

on 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 – 2005/0050 (COD)

THE COMMITTEE OF THE REGIONS,

HAVING REGARD 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 – 2005/0050 (COD);

HAVING REGARD TO the decision of the European Commission of 6 April 2005 to consult it on the subject, under Article 265 and Article 156 of the Treaty establishing the European Community;

HAVING REGARD TO the decision of its President of 19 May 2005 to instruct its Commission for Economic and Social Policy to draw up an opinion on this subject;

HAVING REGARD TO its Draft Opinion CdR 150/2005 rev. 2 adopted on 23 September 2005 by its Commission for Economic and Social Policy (Rapporteur: **Mr Harry Dijkstra**, Member of the Executive Council of the province of Flevoland (NL/ALDE);

WHEREAS it has recently issued opinions on most of the programmes and relevant topics covered in the proposed Competitiveness and Innovation Framework Programme, and whereas there would be little point in repeating views expressed in the past which are still valid;

Adopted the following opinion at its 62nd plenary session, held on 16/17 November 2005 (meeting of 16 November 2005).

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The CIFP is welcome

1. The Committee of the Regions is pleased to note that, with its Proposal for a Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013) (CIFP), the European Commission is acting on its wish for improved coordination between various sorts of EU sectoral policy, for greater consideration to be given to SMEs and for enhanced competitiveness.

The CIFP in the various levels of European government

2. The Commission considers that its proposal does justice to the principles of subsidiarity and proportionality. The Committee broadly concurs with the Commission's argument in the light of current practice. It considers, however, that, particularly with regard to implementation, the

devolved levels of government are not assigned their proper role as participants in good European governance.

3. The Committee regards the CIFP as an improvement on the existing situation. It remains a top-down approach, however, which does not necessarily lead to the best results.
4. Through its framework policy the Union must encourage government and the business community to rediscover their own strengths in a changing international context, and in the process act as an instigator, the creator of conditions, supplementing a top-down approach with one that works from the bottom up, rather than imposing detailed top-down programmes with local and regional authorities merely filling in the blanks.
5. The economy is rapidly becoming internationalised. The Committee therefore considers that a properly funded European policy framework for competitiveness and innovation remains essential, despite changes in the division of responsibilities between EU, Member States and the devolved levels of government.
6. Partly as a result of the leverage effect, the financial contribution of the EU generates substantial European added value. The Committee believes that a sufficient budget is required for CIFP activities throughout Europe. Policy and financial commitment is required of all European levels of government in order to achieve the objectives of the Lisbon strategy.
7. The question the Committee would like to raise in this connection is this: is the Lisbon strategy not still based too much on linear thinking? Would it not now make more sense to think in terms of breaking trends, using Europe's specific strengths as the starting point?
8. Europe's strength is diversity, not standardisation. Custom-made solutions are also needed when promoting competitiveness via innovation. Their administrative practices make the devolved levels of government best placed to promote competitiveness through innovation in their area. An integrated approach can best be achieved close to the grass roots. Synergies are greatest here and cooperative arrangements can be quickly established.
9. The devolved levels of government therefore have to play a full and central role in implementing this pan-European policy in the framework of European partnership.
10. The Committee therefore calls on all the branches of European government to promote innovation within their own organisations, and in the process to be on the lookout for ways of stimulating innovative behaviour by third parties. There is no doubt that the credibility of innovation policy, and thus its effectiveness, are enhanced when government itself sets a good example.

CIFP - simplification and coherence

11. The CIFP simplifies the existing situation. However, one management committee and one work programme would be preferable to three in the interests of policy coherence and efficiency. Clearly, the existence of different work programmes with the same purpose means that good coordination will be essential if optimum benefits are to be obtained.
12. In its proposal the Commission outlines the policy relationship between the individual components of the CIFP, and between the CIFP and the various relevant European programmes. This gives a coherent overview of policy. It would be a good thing for the annual work programme to make it clear how this link between the CIFP and other European programmes, particularly the Seventh framework programme for research, technological development and demonstration activities (FP7-RTD), can be used in practice to establish integrated national, regional and local action programmes which create optimum synergies.
13. The CIFP offers a framework programme with many opportunities for action. Only when the annual work programmes are drawn up, however, will it become clear what actions are planned, when, to whom they are available and in what form, what criteria the Commission will apply, and thus in general what opportunities exist in practice.

The Committee wishes to be briefed on the process of drawing up the work programmes, like the European Parliament, so that, where appropriate, it can make its views known in good time. Regional governments should also have access to the draft programmes, so that they can express their opinions and suggestions and build on their role to pave the way for competitiveness.

14. European programmes are often considered difficult of access. The Committee therefore calls on the Commission to use short, clear procedures, with clear criteria and a minimum administrative burden, from application through to audit, and obviously with optimum use made of ICT.
15. In the light of the above, the Committee asks the Commission to seriously consider delegating at least implementation and management tasks to the devolved levels of government, which are willing and able to perform them.

Entrepreneurship and innovation

16. The Committee is pleased to note that the Commission gives consideration to the whole range of SMEs, including very small, traditional and family businesses. This also applies to the role of local and regional financial funds and intermediaries. However, the policies of both the relevant European institutions and the supervising and managing authorities often impede the provision of risk capital. Here too renewal of policy and rules is needed.

17. The CIFP places heavy emphasis on cooperation, including transnational cooperation, for which partners from three countries are required. The Committee recommends making provision for twinning in view of the effectiveness of intensive one-to-one cooperation.
18. In order to help SMEs cross the notorious cooperation threshold, it would be worthwhile encouraging small-scale, firm-level joint ventures at local and regional level, possibly as a precursor to further-reaching cooperation.
19. The Committee is pleased that young people are made a specific target group for the Entrepreneurship programme. But from a social point of view, it would be equally desirable to target older people and minorities in connection with entrepreneurship.

ICT policy

20. In the ICT programme, the Committee recommends adopting an approach which takes in the whole "chain", as is done in the case of environmental technology, to provide market incentives for accelerated implementation of the necessary broadband ICT applications, broadband infrastructure and similar technologies.
21. Government, like the services sector, makes less use of ICT than it should. The Committee considers that the devolved levels of government should make an effort to set an example. Where they have insufficient capacity or resources, they should be supported by other national or European-level authorities in identifying creative solutions and making maximum use of their own opportunities on their own responsibility.

Intelligent Energy-Europe

22. In the introductory chapter of the Explanatory Memorandum of its proposal the Commission mentions LIFE as one of the existing instruments to be incorporated into the CIFP. LIFE is not, however, mentioned again in the proposal. Or at least not in an obvious way. The role of the CIFP with regard to LIFE should be clarified.
23. Although this is not mentioned in the CIFP, the Committee assumes that the recently launched Sustainable Energy-Europe campaign, which runs until 2008, and the Intelligent Energy-Europe programme are to be coordinated.

State aid

24. The Committee welcomes that on 21 September 2005 the European Commission has launched a public consultation on the rules on state aid for innovation (COM(2005) 436) but regrets the tight deadline for replies.

The Committee wants to state the following on this matter:

- The Committee expresses, in line with the objective of simplification, its support to the integration of innovation in current rulings as opposed to creating new ruling.
- It supports the objective to target innovation-related state aid towards small and medium-sized enterprises.
- It pleads for retention of the current allowed cumulation of aid for innovation and regional aid.
- The Committee wonders, with regard to innovative start-ups, why only "exemptions of [50%] on social contributions and other local/regional taxes (i.e. not linked to profits)" are envisaged.
- It welcomes that "State aid to SME's and/or to activities far away from the market may qualify for lighter procedural rules, and could be exempted from notification" (recital 24).

The Committee questions however the focus given by the Commission to "market failure". The Commission admits indeed that innovation related-activities are specific in that they are often distant from the market: "Experience shows that it is very difficult to know in advance which innovative products and services will become successful in the market." (recital 18)

Final comment

25. The Committee believes that with this opinion it can contribute to an improved policy to boost competitiveness through innovation and promote discussion on the financial perspective; it believes that adjusting the CIFP in the way proposed will contribute to a more balanced distribution of responsibilities and tasks in European government.

Brussels, 16 November 2005.

The President
of the
Committee of the Regions

The Secretary-General
of the
Committee of the Regions

Peter Straub

Gerhard Stahl
