

# Position Paper

## UEAPME's<sup>1</sup> first orientations for a new and more innovation focused framework programme for Research and Development (FP 8)

### 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 justify public support.

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

### 2. Experiences with the current Framework Programme – FP 7

The experiences of SMEs and their intermediaries with the current programme 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 FP6. 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)

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<sup>1</sup> 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](#).

On the weak side:

- While FP 7 has not been able to reach the 15 % participation 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 are quite confusing for many SMEs and even their advisers and 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 in FP 7 further increased the already high share of fundamental research in FP 6 at the expenses of applied research, even 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.

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 new framework programme for R&D

#### a. Some strategic orientations

- A new framework programme has to support the goals of the EU 2020 Strategy and its flagship initiatives. This means that politically, research must not be seen as an aim on its own, but must serve societal challenges and competitiveness.
- Therefore, the next programme has to be better balanced between applied and fundamental research and needs a stronger focus on innovation and market application.
- R&D is not a goal as such for SMEs, but an instrument for innovation. Very rarely research is done by SMEs themselves, but by research institutes on their behalf and to their benefit.

- From an SME point of view, the focus must be put on innovation and support programmes have to deal with the whole innovation chain (i.e. project development, feasibility studies, access to technology, R&D, IPR protection, demonstration, implementation, commercialisation), even different kind of support and support at different levels may be appropriate.
- Therefore, we do not see the need to support all steps in an innovation process by one single programme. UEAPME would recommend to put the focus of the next framework programme on R&D and related activities like feasibility studies, transfer of knowledge and technology, IPR protection and demonstration projects.
- As regards the instruments a future framework programme should provide grants rather than other financial means and should leave financial support in form of loans, mezzanine capital, venture capital or guarantees to other programmes, which give support at a later stage in an innovation process and are closer to market.
- Furthermore, it has to be recognised that European Programmes due to their financial limitations can only represent a small part of the overall support for R&D and Innovation in Europe and have to focus on areas with a clear European added value, without excluding the participation of SMEs or concentrating only on large scale projects.

#### **b. A new framework programme must include specific measures for Crafts and SMEs**

- The former craft-programme (FP 6) and even more the current SME specific programme (research to the benefit of SMEs) contributed significantly to cross-border R&D and innovation activities in the SME sector. Without such a European Programme, SMEs would depend on national or regional support measures, which normally do not support cross border activities.
- Furthermore, due to their size and to the nature of innovation processes, SMEs need flexible support for relative small projects as regards participants, volume and duration.
- Therefore, UEAPME sees a strong need for an SME-specific programme also in the new framework programme, which is based on the following principles: European added value (cross border cooperation), bottom-up approach as regards the content and as small (participants, volume and duration) as justifiable (programme management / cost – benefit).
- In addition, even if there is only a specific group of SMEs that are able to participate in large projects such as the current thematic programmes, these highly innovative and dynamic companies make an important contribution to the aims of such programmes, which justify the efforts to facilitate SME participation in these programmes.
- Therefore, UEAPME asks to keep the 15% target for SME participation in such type of measures in a future programme.

### c. Further improvements as regards administration and procedures

Even if it has to be admitted that the current framework programme works better than FP 6, there is significant room for improving the administration and the procedures for a future programme in order to facilitate participation. This has been proved by both the European Commission's own mid-term review of FP 7 and by the current debate in the European Parliament about simplifying the participation in the R&D programme.

UEAPME sees possibilities for further improvements in the following areas:

- more coherence between the framework programme and related programmes such as CIP and Structural Funds;
- better support for participants, especially for smaller entities;
- use of lump-sums and flat rates instead of real costs;
- projects could be based on results rather than input;
- companies which have implemented successfully a FP project should be qualified / get easier access to other programmes covering the innovation chain.

As regards the management of a European R&D programme for SMEs, UEAPME would like to put forward the following considerations:

- UEAPME recalls that only a European Programme will be able to provide incentives for cross-border activities to SMEs.
- The experiences SMEs made with Euro Stars have shown that this way of joint implementation can create serious time lags or a total failure of a project, if one supporter steps out, and it only works properly if well developed support services are available in all participating countries.
- Both arguments lead to the conclusion that also smaller scaled SME projects have to be decided and managed at European level, in order to make cross-border project possible and to minimise the administrative burdens for beneficiaries.

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**For further information on this position paper, please contact:**

Gerhard Huemer  
 Director Economic and Fiscal Policy  
 g.huemer@ueapme.com