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European Commission,
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Minister Tora Aasland
Ministry of Education and Research
P.O. Box 8119 Dep.
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EU RESEARCH AND INNOVATION FUNDING: THE CONSULTATION ON THE GREEN PAPER BY THE COMMISSION – COMMENTS FROM CONFEDERATION OF NORWEGIAN ENTERPRISE

Dear Commissioner and Minister,

We refer to the invitation from the Commission, dated February 9 this year, and the request from the Norwegian Ministry of Education and Research, dated February 10, to submit comments on the Green Paper “From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding”. Please, find the comments from The Confederation of Norwegian Enterprise (NHO) below.

Confederation of Norwegian Enterprise (NHO) is Norway’s largest business organization, with 20 000 member companies. NHO is member of Business Europe. Business Europe will send a more detailed letter answering most of the questions in the Green Paper. We refer to this letter, which we support. Through the EEA Agreement, Norway participates fully in the current framework programme for research and the Competitiveness and Innovation Framework Programme (CIP). We are therefore highly interested in the future development of these activities, which have great importance to Norwegian business.

In overall, NHO supports the perspective and the broad outline of the Green Paper. We believe, like EU and Business Europe, that Europe has to increase its spending on research and development, and that a common strategy for research and innovation funding is needed. It is reasonable to set a target year for when Europe’s R&D effort will reach 3 % of GDP, although 2020 seems to be very ambitious. A realization of the EU’s vision cannot be achieved without increases in the budgets of the Framework Programme as well as in the national R&D budgets of the EEA countries.

A Common Strategic Framework for Research and Innovation (CSFRI) covering and expanding on actions currently governed by The seventh framework programme for research (FP7), Competitiveness Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT), including the Knowledge and Innovation Communities (KICs) and the Joint Technology Initiatives (JTIs), would certainly contribute to improving the overall efficiency and effectiveness of the EU research and innovation system, achieving the coherence between various actions, and facilitating beneficiaries’ access to support of the various phases of research and innovation.

Please, find our more detailed comments below, related to some of the questions in the Green Paper and other issues we would like to draw your attention upon.

ERA Vision

It is important to realize the vision of a European Research Area in order to enhance the competitiveness of European industry. European research is too fragmented due to the fact that 90 % of the public spending of research, development and innovation (RDI) comes from national and regional sources. More joint efforts across national borders are needed. The member states within the EEA have to open up their national RDI programs for recipients from other EEA member states. It can be more challenging for RDI performers to operate in a framework with lesser nationally protected “RDI program markets”. On the other hand, reciprocal opening of national programs will give European RDI performers more available sources for funding. A more common competitive “RDI program market” in Europe will raise the quality and relevance of RDI projects supported, and stimulate the RDI networks.

Question 4: How should EU research and innovation funding best be used to pool Member States resources? How should Joint Programming Initiatives between groups of Member States be supported?

Question 8: How should EU research and innovation funding related to regional and national funding? How should this funding complement funds from the future Cohesion policy designed to help the less developed regions of the EU, and the rural development programmes?

Regarding questions 4 and 8, it might be a good idea to have a progressive support scale, i.e. more money is given, the more pooling there is. Nearly all EU initiatives should set aside a proportion of its funds to Joint Programming Initiatives. The joint programming demand should be made more generic in the EU programs.

Simplification

Question 6: How could the Commission ensure the balance between a unique set of rules allowing for radical simplification and the necessity to keep a certain degree of flexibility and diversity to achieve objectives of different instruments, and respond to the needs of different beneficiaries, in particular SMEs?

The aspects of a Common Strategic Framework for Research and Innovation (CSFRI) will most likely have a positive impact on private sector participation if the rules for participation are streamlined and significantly simplified. Streamlining per se will have a positive impact only if the joint rules reduce the administrative burden of participating in EU programmes. The complexity and rigidity of rules applicable to current financial instruments make it less attractive for business to participate in EU-funded projects. The transaction costs of participation in EU programmes have grown completely out of proportion, with marginal costs of controls and administrative compliance often exceeding the marginal benefits. NHO therefore supports the call for an overhaul of the administrative rules in the preparations for

EU support to research, development and innovation after 2013. But simplification measures that can be achieved without the involvement of Council and Parliament must be implemented immediately. The Commission's communication on simplification of the administrative framework from 2010 should serve as the basis for continued simplification. The Commission's proposals of January 24, 2011 are positive steps. In particular, there must be a shift from a control-based system to a trust-based system, with a potential shift from financial audits to more process- and result-based audits, without discouraging ambitious and risky research ventures.

We believe that all types of beneficiaries will profit from streamlined rules as far as these are drastically simplified. Derogations from the general framework must however be provided for to small and medium sized enterprises (SMEs) and in particular microenterprises. Streamlining of rules will be more beneficial for organisations participating in several projects, whereas an SME participating in only one project will not notice the effects of the streamlining and would benefit more from flexible and purpose-suited rules.

Public Procurement

Question 19: Should new approaches to supporting research and innovation be introduced, in particular through public procurement, including through rules on pre-commercial procurement, and/or inducement prizes?

One of the main policy challenges for research, development and innovation is to exploit the huge, largely untapped potential of the public sector purchasing power to drive innovation and stimulate private R&D, while at the same time providing public sector bodies with innovative solutions to perform their public tasks and to better address societal challenges. In 2007, total public procurement of goods and services in the EU amounted to 2,1 trillion euro or 16,9 % of GDP. In Norway the public procurement was 386 billion Norwegian kroner in 2009 (16 % of GDP). Devoting only a tiny fraction on procuring innovative solutions instead of standard off-the-shelf products would make a major difference.

Thus, we believe more can be done both at national level and at a European level in order to use public procurement to enhance innovation. That will be beneficial both for the public sector and industry. An idea for a EU scheme might be to support common innovative procurement from public bodies in different EU/EEA countries, for example if Norwegian, Swedish and Danish hospitals collaborated regarding a procurement of new, innovative health technology, this could be supported by EU.

Soft measures should also be taken, including guidance, sharing of best practice and enhanced dialogue between the public and private sector. However, technical specifications must not be too prescriptive, recalling that innovation and research results cannot be dictated. Instead, functional specifications are more appropriate, as these are technology-neutral and leave more room for innovative solutions.

What is particularly important for the promotion of the procurement of innovative products and services is that in future procurement must be guided more firmly than hitherto not by the criterion of the lowest price but of the economically most favourable bid, whereby economic efficiency must be consistently determined by taking the whole

life cycle into consideration. It is precisely this procedure which leads to opportunities for innovative products being enhanced.

CIP aspects must be maintained in the new programme

Question 14: How should EU funding best take account of the broad nature of innovation, including non technological innovation, eco-innovation and social innovation?

NHO supports the proposal to create a Common Strategic Framework in order to improve the process of commercialization from research to market uptake, while at the same time taking account of non-technological innovation. As pointed out in the Innovation Union Flagship Initiative, Europe's number one challenge is to make better use of its research and commercialize more innovations. The Competitiveness Innovation Framework Programme (CIP) was established with this in mind and has many aims worth supporting. In creating a new Strategic Framework, it is important to ensure the continuation of some of the main activities under the CIP.

However, we have to learn from the shortcomings of the CIP program, which so far has not delivered to all of the objectives as expected. NHO's experience is that Norwegian banks and venture funds request stronger financial incentives and simplified administrative procedures if they are to become national intermediaries. This is necessary if they are to distribute loans and make investments in SMEs in Norway, which they have hardly done yet, with the exception of one small bank giving micro-credits. On the other hand, the direct funding provided by the sector-specific subprograms should be integrated in a financially much stronger Common Strategic Framework, while maintaining the particular financing mechanisms for the demonstration- and verification-phase, as tried out successfully by the market replication program on Eco-innovation. This kind of future-oriented support mechanism is necessary in order to commercialize capital intensive and close-to-market innovation projects.

As far as we know the eco-innovation scheme has been quite successful and in high demand, although so far no Norwegian companies have succeeded in getting support from this scheme. Supporting pilots and market replication projects in this field can provide an important incitement for stimulating the use of new technologies and bringing them to the market. It covers a need in the innovation system. We recommend that the scheme be continued. It might be a good idea to extend the scheme to cover other fields.

The Enterprise Europe Network has developed into a useful tool for business. Given the complicated nature of EU funding and Internal Market rules, the network has been essential in providing practical guidance to business. The network should be continued and further developed. It could play a central role in establishing a one stop shop for support. However, its visibility needs to be increased.

Finally, there is a combined need to simplify administrative procedures, and build on the positive experiences of support and guidance activities carried out by Enterprise Europe Network. A large part of Europe's small and medium sized enterprises represents an innovative impulse for growth. SMEs contribution to smarter growth should not be hampered by exceedingly slow or complicated administrative processes. Radical

simplification and better guidance will be necessary to attract more SMEs to participate in a future program.

European Industrial PhD

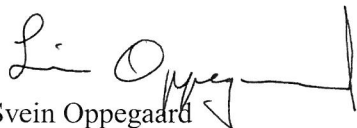
Question 23: How should the role of Marie Curie Actions be strengthened in promoting researcher mobility and developing attractive careers?

The Marie Curie actions should be continued to foster mobility and temporary exchanges between academia and industry in the future CSFRI as they are useful tools to give young researchers – particularly those without previous research experience in business – the opportunity to receive international industrial research training in companies.

We appreciate that EU will establish a pilot scheme for “European Industrial Doctorates” with one academic institution and one research-performing enterprise, established in two different Member states or associated countries. This pilot must be made permanent. A recent evaluation of the Danish industrial PhD scheme shows very positive results from participating companies. The fairly new Norwegian industrial PhD scheme seems also very promising.

Yours sincerely,

| CONFEDERATION OF NORWEGIAN ENTERPRISE



Svein Oppegård
Executive Director for Labour Market and Social Affairs

Copy:

Business Europe
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