

Truffle 100²⁰⁰⁹

interview of Commissioner Reding

Bernard-Louis Roques : **Although the EU weighs more than the US in economic terms, the European IT, and particularly the software industry, is lagging way behind its US counterpart, and shows no tangible sign of catching up. It seems that there is little room for the IT and software industry in the bailout and recovery plans that are being implemented by the member countries. Many are of the opinion that the emphasis is on the traditional industries such as Automotive, and the banking sector.**

As the European IT Commissioner, what is your action plan to curb the trend and emphasize IT in public spending?



Viviane Reding

Indeed, to keep abreast of the global race and to stay world class in high-tech sectors, Europe needs to raise its game in ICT ; it needs to increase the intensity and synergies of its investment in ICT research and innovation. This is why last March I proposed a renewed **strategy for ICT research and innovation in Europe**. The objective is to enable Europe to lead ICT progress and to make the best use of ICT innovations. It aims at:

- channelling more resources into ICT research and innovation in Europe. This includes: a more strategic use of pre-commercial public procurement, a better use of cohesion funds, and incentives to increase private research expenditures,
- reducing the fragmentation of the ICT research and innovation effort in Europe through better policy coordination, new public-private partnerships to pool together substantial public and private research efforts, and tighter collaboration in planning new research infrastructures,
- facilitating the take-off of new EU-wide markets for innovative ICT products and services. This means platforms for closer collaboration between users and producers, pilot actions to test innovations at a scalable level and support interoperability.

Moreover we are committed to supporting **large scale research projects** that develop modern pan-European ICT-based service infrastructures and address key societal

challenges like ICT for chronic and serious disease management and treatment, ICT for energy-efficiency and the development of an EU-wide electronic identity management infrastructure.

Let me also give you another concrete example: **public-private partnerships** for R&D launched this year in the context of the European Economic Recovery Plan. Here software and ICT in general play an important role. These partnerships cover:

Factories of the Future: a partnership on more agile manufacturing and energy efficiency as well as optimised design and better process life cycle management.

Energy-Efficient Buildings: to improve energy efficiency in buildings through, for example, better monitoring and control of energy consumption, and smarter and optimised interconnections with the power grids.

Green Cars: for developing fully electrical vehicles, e.g. for battery management and power supply, for control mechanisms etc. ■

Bernard-Louis Roques : **The Truffle 100 is composed chiefly of SMEs, that are creating value and qualified jobs. Year after year they invest massively in R&D. R&D Programs are considered to be one of the key drivers for growth.**

What actions do you intend to take to increase European spending in R&D? Can you give a few figures?

Viviane Reding

Europe is behind our main competitors in R&D spending. To step up investments, actions are needed both on the public and the private side: On our side, annual commitments to ICT R&D under **FP7 will increase** from € 1.1 billion in 2010 to € 1.7 billion in 2013. Member States have been invited to match this budget increase also in their national programmes.

Last year we have issued a **Communication**

on the pre-commercial procurements and we encourage the national authorities to engage in procuring ICT R&D. Pre-commercial procurement of ICT to modernise public services is today heavily underutilised in Europe. It represents less than € 1 billion in the EU against more than € 10 billion in the US.

We have also established **Joint Technology Initiatives** under FP7 to speed up innovation, thanks to shared technology development

strategies and pooling of resources in the field of embedded computing systems and nanoelectronics. In the near term, it is our intention to establish a public private partnership in the field of Future Internet. An essential characteristic of such a partnership should be to develop open, standardised, cross-sector service platforms, leveraging the Internet infrastructure for building networked applications. ■

Bernard-Louis Roques : **Unlike their US counterparts, the vast majority of SMEs find it too difficult and complicated to access the European R&D programs. They often have very little resources to dedicate and are reluctant to get involved in the process because they think the administrative work is too important and the process is too lengthy, while the chances of getting through are low.**

What set of actions could you take so as to redirect more of the R&D to the small vendors who need it the most and who create the most jobs?

Viviane Reding

Today, ICT in FP7 supports per year more than 2000 European highly innovative SMEs that invest in research and development. The analysis shows that SMEs are very successful

in exploiting Community support to improve their competitive position, bring new products to the market and enlarge their market share. SMEs' participation in the European

ICT R&D programme has increased during the current Commission from 13% to 15%. In addition, under FP7, **the funding of SMEs' has increased from 50% to 75% of their**



incurred costs. This is a major step forward for SMEs as it lightens the burden of finding the matching financing.

Moreover, **administrative burdens have been substantially reduced.** For example the collective financial responsibility of the beneficiaries has been abolished, and a participants' guarantee fund has been introduced. This reduces the submission of financial guarantees by beneficiaries, and reduces the number and extent of documents required from beneficiaries for ex-ante financial checking. Also the number of audit certificates required by participants has been reduced.

In addition, several electronic tools have been set up in the Commission services (electronic

submission of proposals, unique registration facility for legal entities, etc.) to **speed up the evaluation of proposals**, the negotiation process, and grant payments.

Finally, guidelines on financial issues, certification of methodology, and audit strategies have been published, all of which **enhance legal certainty.**

In the near future, additional steps will be proposed regarding the definition of flat rates and lump sums for major budget items like personnel costs. Moreover, in 2010, the European Commission plans to issue a Communication on possibilities for **simplifying the implementation of the EU R&D Framework Programmes.** ■



Bernard-Louis Roques : **There are several obvious reasons why US software vendors grow faster and become bigger than the European vendors: market size, general acceptance of innovation, and the Small Business Act. Year after year the Truffle 100 reveals that the vendors view the SBA as the 1st set of public measures that could stimulate the software industry. Some member country politicians argue that they can't implement a national SBA because it would violate European regulation.**

What are your views on the matter, and what solutions would you propose to stop this vicious circle?

Viviane Reding

The US Small Business Act provide for a share of the federal public procurement to be reserved for small businesses. Such a preferential regime would raise concerns as to its compatibility not only with the procurement directives (breach of the principle of equal treatment) but also with the EC Treaty. Moreover it might result in an arbitrary decision that would not fit with the needs in all sectors of the economy.

The European Small Business Act, which was approved by the European Council in December 2008, takes a different approach. It is an overall strategy to promote entrepreneurship, to irreversibly anchor the "Think Small first" principle in policy making from regulation to public service, and to promote SMEs' growth, e. g.

through innovation, better access to markets, internationalisation, etc.

The Commission invites Member States to pursue their efforts to facilitate SMEs' access to public procurement markets. The established Code of Best Practices can be a tool to further simplify the procurement procedures, e.g. by making use of e-procurement, dividing contracts into lots or adapting the requirements to SME needs.

However, a key factor for the growth of innovative SMEs in ICT is **the existence of a single EU-wide market for innovative ICT-based products and services.** For example, if an SME develops today a new ICT for Health system, it will have to go through 27 certification procedures to be able to sell it across the

EU. It would need only one certification to sell it in China or the USA. This explains to a large extent, the confinement of many of our SMEs to local and national markets and their incapacity to grow or to access capital.

One way of addressing this issue is through **large scale pilot projects involving national authorities** for health, inclusion or transport and that work on testing and making interoperable innovative solutions across Europe. This is what we support today in the ICT part of the Competitiveness and Innovation Programme. It has around 120 M€ per year. First results are promising and we see an increasing willingness and engagement of national authorities to work together on opening their markets. ■

Bernard-Louis Roques : **The European vendors are too small also because they are undercapitalized. They need more Venture Capital and an access to Stock Markets. What are your plans to bolster Venture Capital and access to Capital Markets?**

Viviane Reding

The Commission has developed specific "financial instruments" under the CIP (Competitiveness and Innovation Programme) to support equity investment. The 2007-13 CIP has several schemes and a budget of over € 1 billion to facilitate access to loans and equity finance for SMEs where market gaps have been identified. About 50% of this amount is dedicated to finance high growth companies. The GIF window ("High Growth and Innovative SME Facility") under the financial instruments, aims to improve access to finance for the start-up and growth of SMEs, and investment in innovation activities.

These EU instruments target companies in different phases of their lifecycle: seed, start up, expansion and business transfer; and support investments in technological development,

innovation, technology transfer, and the cross border expansion of business activities. They are managed by the European Investment Fund in cooperation with venture capital funds.

Concerning venture capital, the Commission has worked with the Member States towards the mutual recognition of national regulatory frameworks for venture capital. The goal has been to move towards a truly pan-European venture capital market by working with experts to remove cross-border obstacles hampering venture capital investments including double taxation of venture capital funds and investors.

Regarding stock markets, the Commission is seeking to facilitate cross-border listings in stock exchanges to remove obstacles to

the use of competing clearing and settlement systems, and to apply common rules to trading.

Here as well the achievement of a single market for ICT innovations is essential to improve the attractiveness of European SMEs to investors. The growth capacity of companies depends on their potential market size. The EU ICT market is the largest world wide but is highly fragmented. The support that we offer today to large scale pilots in the ICT part of the CIP as well as our work on the regulatory framework for electronic communications and for services aim at opening up the markets for innovations. First results are promising and we see an increasing willingness and engagement of national authorities to work together on opening their markets. ■