

# EU innovation policy

**Innovation is an important driver in enabling the European Union to create greater competitiveness, increased growth and more job opportunities and consequently to compete on a global scale. The EU has an enormous innovation potential, due in part to its cultural diversity and internal market. Innovative products and services enjoy access to a large sales market.**

**Innovation policy affects a number of different policy areas and should be implemented across these areas at regional, national and European level. Coordinated action is required in order to prevent policy fragmentation and disconnection and consequently sub-optimal results for the various instruments. In the autumn, the Commission will publish the long-awaited European Innovation Plan. The Belgian presidency will contribute to this by guiding discussions between Member States about this important topic which is also high on the agenda of the European Autumn Summit.**

## Context & road map for EU innovation policy

In 2000 the Lisbon Strategy aspired to make the EU into the most dynamic, most competitive economy in the world by 2010. Innovation was identified as one of its main pillars. In 2005 the focus of the Lisbon Strategy was redirected in order to achieve the objectives relating to 'job opportunities and growth'. The emphasis was placed on an ambitious innovation policy, with greater attention to SMEs which are responsible for a significant percentage of the European economy.

The 'Aho Report' of 2006 demonstrated that the innovation potential of the EU is not being fully exploited and that the business climate should be made more innovation-friendly. The resulting 'broad-based innovation strategy' developed supporting measures at regional and national level and ten priorities were identified in a staged plan of action at both national and European level, including improvements to education systems, creation of a European Institute of Innovation & Technology, stimulating the employment market for researchers, facilitating knowledge transfer between universities and industry, and adapting legislation relating to state support for research and innovation. A new strategy for the protection of intellectual property rights and a strategy focusing on the development of innovation-friendly 'lead markets' were also developed.

In 2009, the 'European Year for Creativity and Innovation', the Commission published an evaluation of its 2006 strategy. A public consultation on the effectiveness of EU innovation policy was conducted and will be used as input to the new EU Innovation Plan which will be presented by the European Commission (Commissioner for Research & Innovation Geoghegan-Quinn and Commissioner for Industry Tajani) in autumn 2010.

A number of trends, such as the economic and financial crisis, climate change, energy supply and demographic change, will test the innovation and research policy. The new EU Innovation Plan must set out the conditions for sustainable development and will form a key part of the European reform agenda.

## Evaluation of the current EU Innovation Policy

The evaluation of the innovation policy demonstrated that despite achieving most of the proposed actions, there are still significant obstacles to innovation in the EU. These obstacles can be overcome by taking coordinated action at both EU and national level.

### Innovation framework

The EU has created a stimulus for innovation through new legislation and standardisation. Standardisation policy has been transformed into an open, market-driven standardisation process, access to the internal market has been simplified and a favourable environment for SMEs has been created through the implementation of the 'Small Business Act'.

A number of initiatives have been introduced, such as the 'Lead Market Initiative' which identifies the markets where innovation is both necessary and possible. 'Lifelong learning' has also been adopted as a policy priority and has enhanced collaboration in the form of clusters of public-private partnerships. These clusters enable innovators to collaborate and exchange information at different levels.

Efforts to improve innovation policy have also been made at national level on the basis of the cohesion policy. Furthermore, implementation of the Services Directive in the Member States will create a more favourable environment for business.

Finally, the European Institute of Innovation and Technology will focus on creating innovation by bringing together education, research and business. Current and future issues can therefore be addressed in an effective, innovative way.

### Innovation for the climate and environment

A suite of new legislation and action plans at EU level have stimulated innovation in industry and business in order to meet the new EU2020 requirements and objectives. Some examples are the new legislation for vehicle emissions, the Emission Trading Scheme (ETS) directive which encourages innovation in renewable energy production, and the 'Sustainable consumption and production and sustainable industry policy action plan' which provides for the creation of a harmonised, integrated legal framework in order to stimulate innovation which can lead to energy-efficient, environmentally friendly products and processes.

### Financial support

Further development and implementation of the various EU innovation support instruments is planned.

The 7th Framework Programme (FP7 - 2007-2013) has a budget of EUR 54 billion to support research and innovation. FP7 has also established greater cooperation with the European Investment Bank (EIB) and created a 'risk-sharing financing facility' to fund high-risk research projects.

Furthermore, the structural funds from the cohesion policy will be available for regional development and the funds from the rural development policy will be available for the development of new products, processes and technologies in the agriculture and food sector.

Public tendering will be encouraged as it can stimulate demand for innovation and create important positive side-effects.

Finally, the European venture capital sector is important for funding innovation; however, the seed funding market is experiencing structural difficulties, private investors are scarce and low returns remain a problem.

### **The European innovation plan**

In conjunction with the development of the European Research Area and consideration of the future of the Lisbon Strategy after 2010, in December 2008 the European Council called for the launch of a European Innovation Plan which meets all the conditions for sustainable development and supports the most important technologies of the future.

As expected, in September the Commission will present this long-awaited plan which signs up to the recently accepted EU2020 strategy for smart, sustainable, inclusive growth. The EU2020 strategy identifies knowledge and innovation as one of the core areas for action through the flagship 'Innovation Union' initiative and by establishing the 3% target for research, development and innovation.

The European Innovation Plan focuses on redirecting innovation policy towards current social issues (climate, health, demographic change). It has a broad implementation framework which includes the technological and non-technological, public, private and tertiary sectors. The focus will lie on partnership and coordination, not only between supply and demand, but also between the different levels (EU, national, regional and international) and between different policy areas (research, innovation, education, industry, environment, energy, transport, health and ICT). Attention will also be paid to the European research area, completion of the internal market for research and innovation and the creation of European Innovation Partnerships and new funding instruments.

The European Council has decided to discuss the topic 'Research, Development and Innovation' at the 2010 Autumn Summit and to pay par-

ticular attention to the question of how Europe's innovation potential can be stimulated in the face of the current challenges.

The Competitiveness Council meeting on 11-12 October 2010 will be charged with preparing for the European Council discussions and providing the necessary input.

### **Calendar of events**

#### **2 July 2010**

'Innovation and Enterprise: The role of socio-economic players'  
(European Economic and Social Committee)

#### **15-16 July 2010**

Informal Industry-Research Council (organisation: Industry = Walloon region – Research = Brussels Metropolitan Region)

#### **14 September 2010**

Seminar 'From knowledge to competitiveness' – instruments (intellectual property, standardisation and public works contracts) for promoting innovation and competitiveness in the economy (organisation: FPS Economy)

#### **5 October 2010**

Seminar on innovation with Belgian and European economic and social committees

#### **11-12 October 2010**

Competitiveness Council

#### **October**

European Council – Research and Innovation

#### **29 October 2010**

Europe INNOVA conference (Liège)

#### **25-26 November**

Competitiveness Council

#### **10 December 2010**

Competitiveness Council