

A European Commission approach to Innovation



By Robert-Jan Smits

Europe is strong on innovation, more than many of us sometimes realise. We have the largest internal market in the world. We are home to many of the world's leading innovative companies. We are in pole position in many fields of knowledge and key technologies such as health, environmental technologies and transport. According to the Innovation Union scoreboard, since 2008 the EU has managed to close almost half of its innovation performance gap with the US and Japan.

But we are in a global race. The international competition is unrelenting. The gap between Europe and South Korea is widening and China is quickly catching up. While we are home to some of the

most innovation-savvy firms in the world, Europe's overall innovation performance is dragged down by marked differences both within and between Member States and the regions.

Commission's role

So what is the European Commission's role and what are we doing?

In essence, I see our role as three-fold:

- First, to ensure the right framework conditions exist to enable innovators to reap the benefits of the single market;
- Second, to use our analytical capability to support Member States' own policies for growth enhancing investment in Research and Innovation (R&I);
- Third, to use the funding levers at our disposal where there is a clear market failure and where the Union can add real value to the efforts of Member States. We do this largely through working in partnership with the Member States and the private sector.

Innovation Union

With regard to the first priority -getting the framework conditions right- the Commission has just completed a stocktake of the Innovation Union flagship initiative under the Europe 2020 jobs and growth strategy. There is some good news to report, for example:

- The agreement on a European unitary patent will bring down costs for patent-holders wishing to protect their invention across 25 Member States in a one-stop shop;
- The European Venture Capital Passport will help create a genuine internal market for VC funds;
- And faster and modern standard-setting procedures will enable greater interoperability and

foster innovation in fast-moving global markets.

But much more remains to be done. The Commission is currently reviewing the Innovation Union flagship in the context of the mid-term review of Europe 2020. We look forward to hearing industry's views on where more can and should be done at EU level. A stakeholders' consultation on Europe 2020 is running until the end of October to collect views on Europe's future growth and jobs strategy.

Supporting Member States' research and innovation policies

Turning now to the Commission's analytical and monitoring role: recently Commissioner Geoghegan-Quinn and Vice-President Rehn issued a joint Communication highlighting the importance of R&I investments and reforms for economic recovery. It is a wake-up call to governments and business across the EU: either we get it right now or we pay the price for years to come. The Communication highlighted three areas:

- Improving the quality of strategy development and the policy-making process, bringing together both research and innovation activities, underpinned by a stable multi-annual budget that strategically focuses resources;
- Improving the quality of R&I programmes, including through reductions of administrative burdens and more competitive allocating of funding;
- Improving the quality of public institutions performing R&I, including through new partnerships with industry.

It also emphasised the key point that public funding generates the knowledge base and talent that innovative companies need and it also leverages business investment in R&I. Cutting it, even if due to difficult budgetary conditions, may also have a considerable impact on a country's long term growth potential. Such public expenditure is not a cost, but an investment in the future – a reality that is now recognised in Eurostat's method for calculating public spending.

Evidence continues to show that much of recent productivity gains come from innovation, and those countries that invested more in R&I before and during the crisis have been the most resilient.

Horizon 2020

Finally, let me turn to the new EU R&I funding programme.

The first thing to say is that at a time when the overall EU budget has been cut, there is one major exception to the rule: research and innovation.

We managed to secure a budget of some €80 billion for the new EU programme for R&I, Horizon 2020, for the period 2014-20. In real terms this is an increase of 30% over the previous programme. A further €83 billion is expected to be invested in R&I and SMEs through the European Structural and Investment Funds.

Horizon 2020, is much more focused than before in getting ideas from the lab to market, on generating genuine economic and social impact. In concrete terms, this means more funding for prototyping, demonstrators, piloting with users, and on providing equity and loans to help give start-ups and high-growth innovative firms the kick-start they need.

It also means we are giving industry a bigger say in how the programmes are implemented, for example through public-private partnerships in key strategic sectors such as aerospace, rail transport, pharma, electronics, new energy technologies and the bio-based economy.

We also aim to provide substantial support to SMEs – recognising they are a key engine for innovation and new jobs. Indeed, a target has been set to allocate at least 20% of the budgets from the Leadership in Enabling and Industrial Technologies and from the Societal Challenges parts of Horizon 2020 to SMEs.

The Commission have also made great efforts to slash red tape and simplify the complex administrative procedures which acted as a deterrent in the past to business participation.

Political consensus now exists across Europe on the vital role that innovation will play in building Europe's future and the Brits are major players on the European scene.

It is too early to say much about allocation of funding following the first calls for proposals launched under Horizon 2020, but if past performance is anything to go by the UK should do very well. It received a total EU contribution of around €6.9 billion under the previous research funding programme putting it in second place among Member States (and first in the years 2012 and 2013). This reflects the UK strengths in scientific excellence, research and training, information and communication technologies, nanotechnologies, new materials and production technologies.

By using our combined resources effectively at Union, Member State, regional or local levels, I believe we can look to the future with confidence.

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