EU - BUILDING AN INNOVATION UNION

Innovation Union Flagship Initiative

IRMA Workshop: Dynamics of EU industrial structure and the growth of innovative firms

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EUROPEAN COMMISSION

Why Innovation Union?

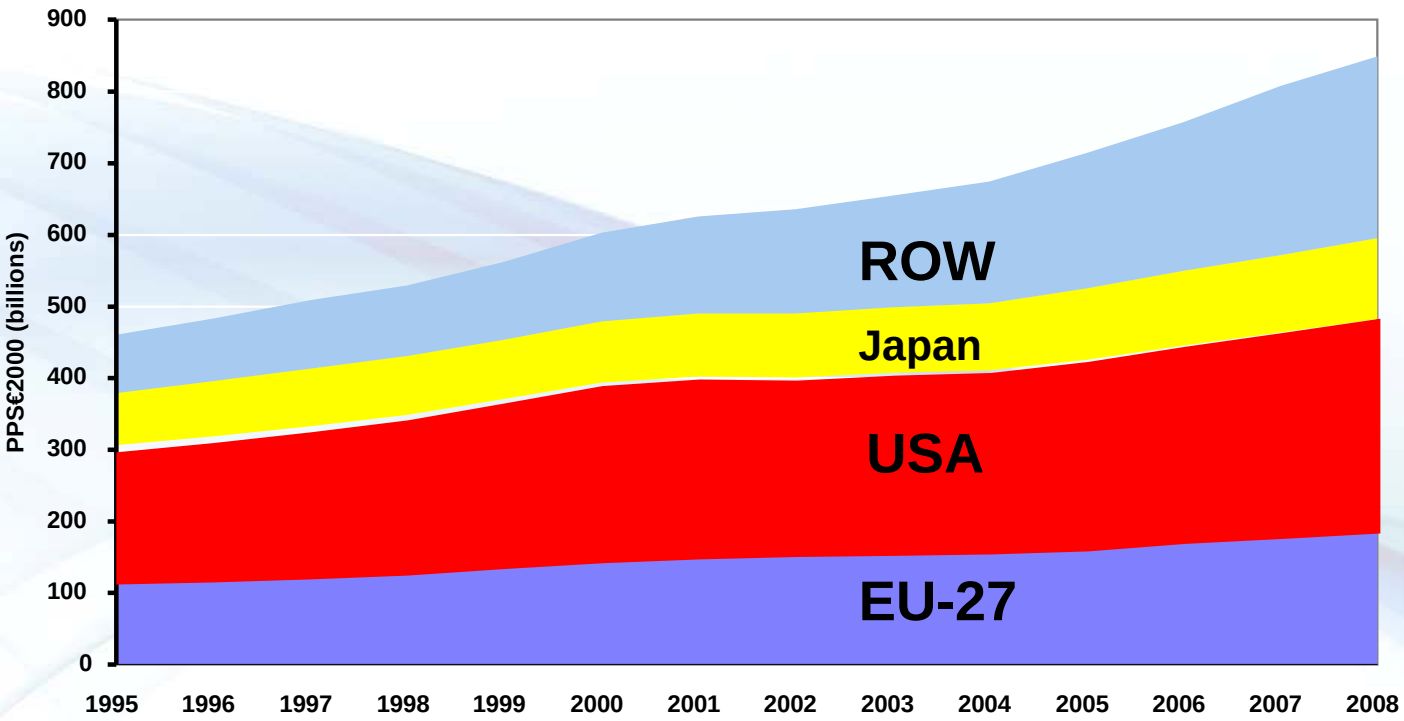
A cornerstone of **Europe 2020** strategy

Three aspects:

- **Globalisation** of knowledge production and innovation capacities
- Impact of the **crisis** on public and private finance, survival of innovative SMEs
- **Major challenges** to address with reduced means

→ ***Innovation emergency!***

Globalisation of knowledge



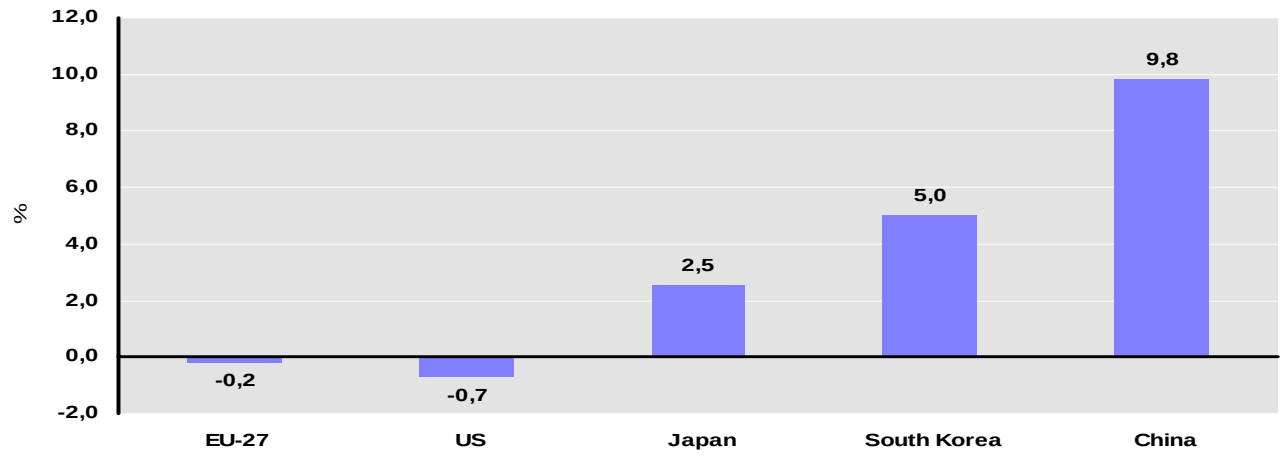
Declining EU share of knowledge production

Evolution of World R&D expenditure in real terms, PPS€ at 2000 prices and exchange rates, 1995-2008

Stagnating business R&D

Average annual growth as % of GDP, EU-27, US, Japan, South Korea & China, 2000-2007

Figure Private Expenditure on R&D as % of GDP [(1)] - average annual growth (%) in the major economies, 2000-2007 [(2)]



Globalisation of knowledge

→Develop **world-class excellence**

→**Attract investment** through better support and framework conditions

→Establish **strategic cooperation with world partners**

Economic and financial crisis

EU lost **six million jobs, €1000 Bn annual GDP** due to crisis

→ **Invest in future growth**
EU target of **3% of GDP for R&D** in 2020 could create a net **3.7 million jobs** and close to **€800 Bn annual GDP** by 2025

→ **Make the most of available resources**
through leverage effects, integration and cooperation

Societal challenges

- Climate change
- Health and ageing
- Use of natural resources
- Energy security
- Clean transport
- Land use
- ….

- Powerful **drivers of change** in economy and society
- Major **global market opportunities**
- Requiring **EU-scale approaches**
- From **research to market**

New needs → new ideas → new markets

What is Innovation Union?

Strategic approach

- **Partnership** with Member States
- Whole cycle of innovation: from **blue sky to market**

Tackling weaknesses

- **Under-investment**
- **Fragmentation**
- **Framework conditions**

Building on strengths

- Focus on **societal challenges**
- **Broad concept** of innovation
- Involving **all actors**

→ A distinctive European approach to innovation

Innovation Union highlights

- European Innovation Partnerships
- European Research Area framework
- Streamlined EU programmes
- New financial instruments
- Reform of standardisation system
- Public procurement of innovation
- Social innovation pilot
- Stronger monitoring

Key measures of Innovation Union

Strengthening the knowledge base & reducing fragmentation

- Education and skills
- European research area
- EU financing instruments

Getting good ideas to market

- Access to finance
- Single innovation market
- Openness and creative potential

Social and territorial cohesion

European Innovation Partnerships

International cooperation

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Education and skills

Key issues

- Europe needs at least **one million more researchers**
- **Universities** need reform and closer links with business to train top talents for innovation jobs

Key measures

- **Member States** invited to establish **national strategies** on **training and careers** of researchers (2011)
- Independent **ranking system** to benchmark universities (2011)

European Research Area

Key issues

- **Fragmentation and overlaps** between national research and innovation systems
- **Huge complexity** of support system with myriad of funding schemes with different rules and timetables

Key measure

- **European Research Area framework** (2012) to remove cross-border obstacles by 2014
- Including coherence of overall support system

EU funding instruments

Key issues

- **Too many instruments** pursuing different objectives
- **Complexity of access**, particularly for SMEs

Key measure

- **Focus, streamlining and radical simplification** of funding schemes by 2014

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Access to finance

Key issues

- **Few European SMEs grow** into major companies
- **Lack of finance** is a major cause
- **Crisis** made situation worse

Key measure

- **New generation of financial instruments** with European Investment Bank (2014)
  - high leverage (15+)
  - addressing market gaps from venture capital to major innovation projects.

Single innovation market

Key issues

- Lack of **EU Patent:** Council called to agree by end 2010
- Slow **standard setting**
- **Public procurement** (17% of GDP) not geared to innovative products and services

Key measures

- **Reform standardisation system** (2011)
- Member States invited to set **procurement budgets for innovation**, with EC technical/ financial support (2011)

  Target at least €10 Bn

Openness and creative potential

Key issues

- Growing importance of **open innovation**
- **Dormant knowledge and intellectual property**

Key measures

- **Open access** to become default principle for publications from EU Research Framework Programme
- Develop **European knowledge market** (2011) based on national experiences (e.g. patent pools)

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Key issues

- Avoid an « **innovation divide** »
- Make best use of **€ 86 Bn Structural Funds** earmarked for research and innovation until 2013

Key measures

- Member States and regions invited to use Structural Funds within **smart specialisation strategies** (2011)
- **Social innovation** pilot programme (2011)

European Innovation Partnerships

Key issues

- Major **societal challenges** require **joint responses** across policies and across EU
- Numerous **sub-critical, uncoordinated initiatives:**
  - between EU / Member States / Regions
  - R&D / Market-side actions (public procurement, standards, regulation)

European Innovation Partnerships are:

Frameworks bringing together main actors and actions

- At EU and national levels
- From research to market
- Around common objectives and targets

European Innovation Partnerships

2010

- **Council, Parliament** to discuss the concept
- **Member States** and **stakeholders** invited to join
- Preparation of **pilot on active and healthy ageing**
  Aim: two additional healthy life years by 2020

2011

- **Others to follow** pending discussions and building on experience with pilot
- **Topics considered**: smart cities, mobility, water, raw materials, agriculture

International cooperation

Key issues

- Third countries see **27+1 small/medium parties, not one major partner**
- Europe's **openness is not always reciprocated**
- **Global challenges** require a global response

Key measures

- **Joint EU / national priorities** for cooperation with third countries (2012)
- Agree **international infrastructures** with world partners (2012)

Making it happen!

A priority for EU Institutions

- **European Council** dedicated meeting
- **European Parliament** invited to hold annual debate
- **Council** invited to meet as « **Innovation Council** »

Accelerating national reforms

- **Self assessments of R&I systems** under Europe 2020

Tracking progress

- EU target of **3% of GDP** on R&D and **national targets**
- New indicator on **fast-growing innovative firms**
- New **Scoreboard** of 25 indicators

Innovation Union website

http://ec.europa.eu/research/innovation-union/

Innovation Union Facebook page

http://www.facebook.com/Innovation.Union

Innovation unlimited blog

http://blogs.ec.europa.eu/innovationunlimited