

Opinion of the European Economic and Social Committee on the ‘Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: reviewing Community innovation policy in a changing world’

COM(2009) 442 final

(2010/C 354/19)

Rapporteur: **Mr MALOSSE**

On 2 September 2009 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Reviewing Community innovation policy in a changing world

COM(2009) 442 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 2 March 2010.

At its 461st plenary session, held on 17 and 18 March 2010 (meeting of 17 March 2010), the European Economic and Social Committee adopted the following opinion by 108 votes to one with two abstentions.

1. What is innovation?

1.1 According to the definition quoted in the Communication, ‘Innovation is the ability to take new ideas and translate them into commercial outcomes by using new processes, products or services in a way that is better and faster than the competition ⁽¹⁾.’

1.1.1 More than ability, innovation is an action or process that transforms new or existing ideas into results.

1.1.2 Innovation is often the fruit of a joint venture (association of companies, social partners, researchers); it may also apply to the internal operation of a company, particularly as a result of ideas put forward by the employees. Faced with global competition, European companies will have to find better ways of involving employees in shaping their company's results and encouraging employee creativity.

1.1.3 Innovation may also involve areas that do not have a direct effect on the market, such as human development, health, social issues, the environment, services of general interest, citizenship and development aid.

1.2 In fact, innovation is really more of a goal for society, making the most of human creativity to promote economically sustainable and more harmonious development.

1.2.1 Innovation must produce solutions to this century's challenges: sustainable energy and climate change, demographic

change, globalisation, making regions attractive, job creation, and social cohesion and justice.

1.3 Innovation is not an end in itself; it helps to meet society's goals – which we can sum up in the terms ‘progress’ and ‘sustainability’ – but then we have to agree on how to define and measure these terms.

The EESC believes it would be a good idea for the Union to be a pioneer in this field by defining and using new economic and societal indicators able to measure growth and its development over time ⁽²⁾.

2. What has the European Union done in this domain?

The communication naturally paints a very flattering picture of the actions undertaken by the Union as regards improving framework conditions, supporting a broader adoption of innovative products and services on the market, creating synergies and the financial aspect. It should be stressed that it bases its case mainly on technological innovations.

Use of the term ‘Community policy’ with reference to innovation is somewhat grandiose, since – as demonstrated in the communication's review of the situation – it is more of a coordinated collection of measures and actions. Indeed, the EU does not have any legal competence in this field (complementary competence).

⁽¹⁾ ‘Creating a National Innovation Framework’, *Science Progress*, Richard Nedis & Ethan Byler, April 2009.

⁽²⁾ In line with the recommendations of the Commission's report on measuring economic performance and social progress (www.stiglitz-sen-fitoussi.fr), these indicators should go beyond simply measuring GDP and take account of intricate and differentiated measurements of disposable income, education, the environment and wealth distribution.

2.1 Improving framework conditions

2.1.1 Some measures adopted by the EU, such as the revision of the rules on State aid encouraging eco-investments and investment in R&D, and the merging of the Euro Info Centres and the Innovation Relay Centres in the context of the Enterprise Europe Network, have had a real, positive impact. The launch of the European Small Business Act raised a great many hopes that have so far not been translated into enough practical and visible achievements for SMEs⁽³⁾. We could also mention the communication on 'New skills for new jobs', which is a step in the right direction, but to date merely a communication with no means of implementation.

2.1.2 By contrast, the absence of a decision on the Community patent is a blatant acknowledgement of the European Council's inability to adopt the appropriate measures that would have a direct effect on innovation, as witnessed by the continuing decrease in the number of patents registered in Europe compared with the rest of the world and also the significantly higher costs for Europeans. As a result, the EU does not provide adequate protection and this penalises companies, particularly SMEs.

2.1.3 The Commission's policies and instruments have hitherto been mainly focused on the essential stages upstream of innovation and on the major public or private research bodies. This should be complemented through additional measures and instruments, for example, standardisation processes which should focus systematically and more strongly on innovation processes.

2.1.4 Generally speaking, administrations – particularly at local level – can be sources of innovation in all areas.

2.1.4.1 As regards public procurement, buyers too frequently give preference to the lowest bids, to the detriment of the quality of the offers. However, innovation can be encouraged by steering public contracts in a certain direction, thus improving the quality of services for the public⁽⁴⁾.

2.2 Implementing innovation policies

2.2.1 The Communication stresses the increase in funding options from the European budget under the 2007-2013 financial perspectives.

2.2.1.1 But for those who deplore the slowness and complexity of the procedures, this increase is difficult to see, especially as regards the 7th Research and Development Framework Programme (RDFP7). The same is true of the European Structural Funds where, in addition to a cumbersome bureaucracy, the lack of visibility resulting from aid being

spread too thinly and the additionality principle prevent them from being used as real levers for innovation.

2.2.1.2 The forthcoming revision of the financial regulation must simplify, focus and rationalise the rules on participation, eligibility and reporting.

2.2.2 The same can be said of the financial instruments used by the European Investment Bank (EIB) which generally acts through intermediaries who apply their own conditions. The EIB and the Commission have made tremendous efforts to promote funding for innovative SMEs, but the effects are not visible. The European finance market is still fragmented and not supportive of non-technological innovative SMEs. It is necessary to encourage the banking sector at national level to take more risks in financing SMEs.

2.2.3 The new Competitiveness and Innovation Framework Programme (CIP) was intended to bring together existing but disparate measures and programmes. In fact, the activities remain compartmentalised within sub-programmes and the link-up between them has not been demonstrated. Moreover, the CIP has been given a budget of EUR 3.6 billion over seven years, which is relatively little, given what is at stake for the EU.

2.2.4 The European programmes are finding it hard to meet their own objectives, particularly in terms of private sector participation and SMEs in particular. Most of the funds available are allocated to public institutions, to the detriment of the private sector. Good management of public funds granted for research and innovation and the real impact of these investments on the European economy are overarching concerns for the EESC.

2.2.5 Coordination between Community and national programmes is not effective. For example, there is no joint Member State/EU programming which would make it possible to avoid confusion between additionality and complementarity.

2.3 Creating synergies

2.3.1 The national reform programmes conducted under the Lisbon strategy provide a reference framework for Member States as regards innovation. Nevertheless, the very broad range of approaches and the extremely limited involvement of the social partners and other civil society players in their design and implementation reduce their impact and effectiveness.

2.3.2 'The European Research Area' has been set up to encourage coherence within the system and synergies with the Member States. The EESC believes that it is really worth making this a priority in the future, with much greater commitment.

⁽³⁾ OJ C 182, 4.8.2009, p. 30.

⁽⁴⁾ A preliminary step was taken as part of the lead market initiative (bringing buyers together to encourage the award of public procurement contracts to innovative companies), but the results will need to be examined in detail (scheme just launched in September 2009).

2.3.2.1 For example, the European Institute of Innovation and Technology (EIT) in its current form cannot fulfil its original role of getting the research sector, companies and academics to talk to one another. With its relatively low budget (EUR 2.8 billion for 2008 to 2013 ⁽⁵⁾), the EIT is still a virtual instrument difficult to access for companies not familiar with European programmes.

2.3.3 According to the latest innovation scoreboard ⁽⁶⁾, the countries topping the list in this field in Europe have the following points in common: major expenditure on education, life-long learning, major expenditure on R&D and instruments for supporting innovation. To this we could add best practice in social and civil dialogue.

We still need to secure better synergies so that these best practices spread across Europe and we can more openly encourage greater convergence between the EU and Member States on common, coordinated policy decisions to promote these key factors for success.

2.3.4 This synergy must also be extended to civil society players and public/private partnerships.

By way of an example, 'clusters' nowadays make it possible for universities and research institutes to work together with companies effectively within structures supported by public and private investment. This experience with 'clusters' has been positive at national level but, without a Community support policy, the EU cannot take advantage of the benefits. The EU should be taking initiatives to develop clusters across Europe, placing them on an international footing and ensuring they are more professionally governed, thereby optimising their operation and funding.

2.3.5 Synergies between the priorities set by the various European programmes supporting innovation should be encouraged in terms of the challenges for society. In fact, the same priorities can be seen in various community programmes, but there are no linkages between them.

3. What the EESC is advocating

The EESC supports the creation of an ambitious European strategy for innovation which proposes a broader, more integrated approach.

3.1 Basic principles

- Innovation must be understood in a broad sense, for products and services brought to the market, for the non-

commercial sector and for innovation of a societal and social nature.

- The Lisbon Treaty broadens the scope of Community policies in areas that favour innovation: trade policy, energy, space, tourism, culture, health, etc.
- Innovation is in essence interdisciplinary and cross-cutting, and the strategy and means for implementing it should be too.
- Innovation must be compatible with the Union's principles and values. An innovation may, in fact, be technologically 'good' but undesirable for the environment or for cohesion within society.
- People need to be familiarised with new technologies by making them a subject of public debate (GMOs, nuclear energy, etc.).
- The development of key technologies ⁽⁷⁾ (nanotechnologies, micro- and nano-electronics, photonics, advanced materials, biotechnologies, information technology, simulation sciences) must be targeted and implemented in a way that takes its interdisciplinary nature into account. However, European research programmes should contain a component for promoting an interdisciplinary approach and it should be possible for the application of key technologies to be put to good use in traditional sectors.
- Priorities should be defined in terms of society's goals (health, environment, energy, etc.)
- European innovation strategy should be based on synergies and partnerships with private sector and civil society players.
- SMEs must be at the heart of the future European innovation plan. All framework measures, programmes and provisions promoting innovation in SMEs must be encouraged.

3.2 Proposals

3.2.1 As part of the work of its study group, the EESC held a public hearing at the Institute for Prospective Technological Studies in Seville on 14 January 2009. A number of practical proposals emerged from this hearing which brought together representatives from the institute and local players supporting innovation.

⁽⁵⁾ By way of comparison, MIT's annual operating budget is USD 2,4 billion.

⁽⁶⁾ European Innovation Scoreboard – Pro Inno Europe.

⁽⁷⁾ See Commission Communication entitled *Preparing for our future: Developing a common strategy for key enabling technologies in the EU*, COM(2009) 512 final.

3.2.2 Good analysis tools and indicators are needed to provide the basis for every policy. The EU currently has several analysis tools available: the 'European innovation scoreboard', 'Inno policy trendchart', 'European Cluster Observatory', 'Innobaromètre', 'Sectoral Innovation watch' and 'EU industrial R&D investments scoreboard'. For the sake of consistency the EESC recommends setting up a single 'European Innovation Observatory' which would incorporate all the existing tools, but render them more consistent and raise their profile further. Moreover, an assessment is only meaningful if the results are measured against the objectives: the future European plan should have clear targets with quantitative indicators. This observatory should be able to work transparently and independently with clear targets and indicators to produce objective policy assessments.

3.2.3 Basic research is the essential seedbed for future innovation. The EESC therefore supports an increase in relevant European research budgets, particularly for the next EU Research and Development Framework Programme (RDFP), provided its priorities are targeted (in line with the challenges facing society) and it generates leverage effects with national programmes and the private sector.

3.2.3.1 Moreover, the EESC suggests looking at new approaches to boosting SME participation in Community programmes, such as the concept of responsible partnership. It would be based on a joint charter that would simplify administrative procedures (audits, reporting, etc.).

3.2.4 Developing partnerships between research and educational establishments, especially universities and economic and social players, is also a good way to develop positive synergies to boost innovation not only within companies, but also in the world of education ⁽⁸⁾.

3.2.4.1 The EIT should serve as a 'head' of the network for existing structures in order to encourage the spread of new technologies to all sectors. In the long term, the EIT should make it possible to finance investments in infrastructures on a European scale within which research, education and innovation policies would come together.

3.2.4.2 Furthermore, programmes facilitating researchers' mobility between Member States and also between the private and public sectors should be encouraged; the example of the Danish industrial doctorate which allows a company's engineers to prepare for a university doctorate, inter alia by taking courses in another Member State ⁽⁹⁾, is an instance of good practice worth testing at European level.

3.2.5 The EESC believes that instruments to decompartmentalise activities which support innovation between the EU

and the Member States should become priority features of the future programme. In this respect it would be essential to strengthen the local networks that form a bridge between the European and local levels by exchanging ideas and experience with projects. The EESC advocates setting up European partnership platforms open to civil society players. The 'Enterprise Europe Network', a grassroots operator for companies, could provide a base for this platform.

3.2.6 Improved access to funding is essential, particularly for developing innovative SMEs and start-ups. The role of the EIB should be strengthened, mainly by extending the mechanism for funding with risk sharing, and a European risk capital market should be set up.

3.2.6.1 Moreover, the EESC recommends specific measures under the Small Business Act (SBA) such as promoting a 'second stock market' in Europe and tax breaks for individuals investing in innovation, as well as encouraging profit-sharing for employees.

3.2.7 In a number of countries it has been noticed that young people no longer have such a feeling for business or innovation as in the past. Creativity and initiative should be encouraged at school and university.

3.2.7.1 Along the same lines as the 'ambassadors for entrepreneurship amongst women' initiative, the EESC proposes creating a network of 'ambassadors for young entrepreneurs' with the support of the European institutions.

3.2.8 A better use of the Structural Funds is necessary if we are to encourage innovation in those countries affected by cohesion policy. This would essentially involve targeting measures more precisely, and avoiding the mandatory additionality principle which creates delays and lacks visibility. The EESC emphasises the potential for societal innovation through civil society players, which has been completely overlooked to date by structural and education programmes.

3.2.9 EU competition policy (State aid, cooperation between companies) should also be adapted to provide greater support to turn innovation to better advantage and encourage technology transfer. Special attention should be focused on specific sectors, such as house-building and transport infrastructures because of their role in climate change.

3.2.10 Under the Treaty of Lisbon, the EU is increasing its powers in external trade and cooperation matters. It should seize the opportunity to devise a European policy for scientific and technical trade that is coordinated with national policies. Particular attention should be given to trade and cooperation with the EU's neighbouring countries.

⁽⁸⁾ OJ C 228, 22.9.2009, p. 9.

⁽⁹⁾ Funded by Marie Curie European grants.

4. Conclusions

4.1 The success of this strategy will depend more on the Commission's and Member States' real political will to ensure its implementation, on the quality of partnerships, particularly with civil society, and on the establishment of dialogue with the people, rather than the funding earmarked for it. The EESC therefore calls on the European Council and the Commission to put forward an action plan for growth and employment in Europe (EU 2020).

4.2 The future European innovation plan should be backed by a proper action plan with a schedule for implementation and progress monitoring. In this respect, the legal form of the plan (recommendations, 'act' or any other form) is less important. It is the content and the precise, quantified commitments – complete with dates for its implementation – that will determine its effectiveness.

4.3 The goal of this 'strategy' must be to put into practice a proper 'Community' policy for relaunching the European economy.

Brussels, 17 March 2010.

The President
of the European Economic and Social Committee
Mario SEPI
