Community innovation policy in a changing world

2009/2227(INI) - 28/04/2010

The Committee on Industry, Research and Energy adopted the own-initiative report drafted by Hermann WINKLER (EPP, DE) on Community innovation policy in a changing world.

The report states that innovation is the key to successfully meeting the EU's current grand societal and environmental challenges and realising its strategic political goals in areas including enterprise, competitiveness, climate change, employment, etc. However, Members note that the European Union will not meet its energy and climate goals for 2020 and propose that the future innovation strategy be closely linked to the EU2020 Strategy.

A broad approach to innovation: Members support the fact that a 'European Innovation Act' is currently being prepared by the Commission, in order to work towards a more coherent innovation strategy. Members also believe that opportunities exist for closer links between research and innovation in Europe. In this regard, they call on the Commission and the Member States to adopt an integrated approach to science and innovation. They advise the Commission that future EU innovation policy must be broad in scope, fundamentally embracing innovation in every form – not only technological innovation (affecting products and processes) but also administrative, organisational, social and work-related innovation, including innovative new business models and innovations in service provision, while taking account of the other two sides of the knowledge triangle (research and education).

They stress that innovation means first and foremost novelties that address consumers' and market needs. The Commission is therefore asked to ensure better recognition of the primacy of consumers' demands as a driving force for innovation. It is also asked to set ambitious innovation benchmarks focusing on grand societal challenges and to cut the current fragmentation of different European initiatives. Members join the Commission in calling on the Member States to reach agreement on the importance of using key enabling technologies in the EU. They stress in that regard that (i) key enabling technologies, such as microelectronics and nanoelectronics, photonics, biotechnology and nanotechnology, (ii) new materials, and (iii) new and future technologies can offer considerable potential for innovation and can contribute to the transition to a knowledge-based, low carbon economy.

The report stresses that innovation must be centred on the individual and welcomes efforts to step up the dialogue between **universities and the business world**, which is substantially helping to promote research and innovation. The Commission and the Member States are called upon to combine the roll-out of next generation digital networks and smart grids with innovation activities in order to fully reap their benefits. Sufficient funding needs to be provided, including from the Structural Funds. The report welcomes the creation of **special innovation and enterprise belts** around universities, research institutes and scientific and technological parks and calls for consideration to be given to the possibilities of creating a **uniform simplified funding and operational framework** for the new innovation belts. It also stresses the central role played by SMEs both as partners in value chains and as independent providers of innovative products.

Increasing and focusing EU financial support for innovation:Membersconsider that the provision of adequate financial resources is vital to the development of innovation and that the EU budget for innovation should therefore be substantially increased. It calls for this to be reflected in the upcoming revision of the current financial framework and in the planning process in connection with the 2014-2020 Financial Perspective. It points out in that regard that the rules for eligibility for R&D funding regarding preindustrial and/or experimental R&D should be reviewed at the same time and calls on the Member States to increase their R&D funding in order to achieve the goal set in Barcelona in 2002 of spending 3%

of GDP on R&D by 2010. It emphasises the **importance of research and innovation funding in times of economic crisis**, as this will enhance job creation in the long run.

Members stress the importance of keeping transparency and equal opportunities in accessing funds on the basis of open calls for research proposals and they call on the Commission and the Member States to use structural funds to incentivise large scale innovation. They emphasise in that regard the need to capitalise on the synergies between the Framework Programmes for Research and Innovation and the Structural Funds. They regret that opportunities for existing synergies in funding are still not well known and call on regions and Member States to step up efforts to improve communication in that regard.

Members welcome the creation of the European Institute of Innovation and Technology (**EIT**) that has been established to stimulate and deliver world-leading innovation by bringing together higher education, research and business around a common goal. They stress the major contribution which can be made by the EIT in providing incentives for innovation programmes and the important role it can play in that respect. They urge the Commission to draw up the budget of the EIT in such a way as to ensure that the funding allocated, together with funds from other sources, can achieve the critical mass necessary in order to meet and fully investigate the essential challenges facing EU societies.

The report emphasises that Europe should be at the cutting edge in the development of internet technologies and ICT low-carbon applications and proposes that the EU ICT research budget be doubled in the next Financial Perspective.

Improving programme governance structures: the report underlines that innovation policy should be coordinated with other EU and national policies. It regrets that efforts to simplify EU research and innovation instruments have not been successful, and that procedures are still far too complex and time-consuming, which particularly hampers participation by SMEs in these programmes. It considers that, in the interests of user-friendliness and transparency, it is necessary to prevent overlap and duplication of effort between support programmes, resulting from poor coordination of the various operational levels. In this regard, it calls on the Commission to

- investigate whether the EU aid instruments for SMEs could in future be combined under the umbrella of one Directorate-General such as DG Enterprise. It considers that this would make them easier to project and would offer potential beneficiaries a one-stop shop;
- ensure that the EU regulatory framework supports innovation and that there is effective cooperation among the relevant internal services and directorates-general with the help of a structure such as the envisaged task force in order to give coherent and comprehensive consideration to innovation issues. It insists that this should lead to less fragmented EU instruments in the field of innovation policy;
- develop **new innovation indicators** which are better suited to increasingly knowledge-based service economies, and to adapt the existing ones.

Encouraging private-sector financing: Members emphasise that, alongside public funding, more stimulus must be provided for financing from the private sector. They emphasise the importance of the better harmonisation of access to EU funds for all participants in order to improve participation by SMEs in the governance structures and activities of Joint Technology Initiatives. They call on the Commission to put forward practical measures to improve innovative companies' access to financing. Members emphasise the need to create conditions whereby **risk capital will be more readily available**. In addition, they call on the relevant Member-State and EU bodies to develop proven SME financing tools such as microcredits, venture capital for people seeking to invest in innovative enterprises, business angels, loans and guarantees and to create tax, financial, business and administrative incentives for investment.

Improving the framework conditions for businesses, especially SMEs: the report calls on the Commission to **adjust the existing EU rules on state aid** so as to support investment in urgently needed

new technologies and to secure the Union’s long-term competitiveness and a global level playing field. It welcomes the fact that the Community framework for State aid for research and development and innovation is to be reviewed in 2010. It calls on the Commission to **eliminate red** tape by re-engineering Framework Programme processes and by creating a users' board. Members call on the relevant EU bodies to improve – especially for SMEs – the framework conditions for **protection of intellectual property**, especially patents, their cost as well as their quality being a key factor in innovation. They recommend the promotion of modern IP policies that foster innovation, such as patent pooling, common patent platforms, and full rights licences.

The report calls for investment in **training** and further training for skilled staff not to be cut, as this investment is crucially important given the impact of innovation capacity on EU competitiveness. It emphasises the need to make conditions as attractive as possible to researchers and their skilled workers, also in relation to their mobility, so that the EU can hold its own in global competition.

Lastly, Members regret the lack of a true internal market for innovations in the EU, and they call on the Commission and the Member States to coordinate their efforts in this area.