Basic information

2009/2227(INI) INI - Own-initiative procedure	Procedure completed
Community innovation policy in a changing world **Subject** 3.50.04 Innovation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, Research and Energy	WINKLER Hermann (PPE)	12/10/2009
	Shadow rapporteur MERKIES Judith A. (S&D) TAKKULA Hannu (ALDE) BÜTIKOFER Reinhard (Verts /ALE) SZYMAŃSKI Konrad (ECR)	

Committee for opinion	Rapporteur for opinion	Appointed
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	REPO Mitro (S&D)	15/02/2010
REGI Regional Development	The committee decided not to give an opinion.	

European Commission

Commission DG	Commissioner
Internal Market, Industry, Entrepreneurship and SMEs	TAJANI Antonio

Key events

Date	Event	Reference	Summary
		COM(2009)0442	Summary

02/09/2009	Non-legislative basic document published		
17/12/2009	Committee referral announced in Parliament		
28/04/2010	Vote in committee		Summary
06/05/2010	Committee report tabled for plenary	A7-0143/2010	
15/06/2010	Decision by Parliament	T7-0209/2010	Summary
15/06/2010	Results of vote in Parliament		
15/06/2010	End of procedure in Parliament		

Technical information	
Procedure reference	2009/2227(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/7/01773

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE438.406	11/02/2010	
Amendments tabled in committee		PE439.266	05/03/2010	
Committee opinion	IMCO	PE439.078	18/03/2010	
Committee report tabled for plenary, single reading		A7-0143/2010	06/05/2010	
Text adopted by Parliament, single reading		T7-0209/2010	15/06/2010	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2009)0442	02/09/2009	Summary
Commission response to text adopted in plenary	SP(2010)6508	27/10/2010	

Community innovation policy in a changing world

2009/2227(INI) - 15/06/2010 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on the Commission’s communication entitled “Community innovation policy in a changing world”.

Members consider 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.

Moreover, research into emerging and future technologies (such as quantum technologies, ICT technologies inspired by biology and nanotechnologies) is a springboard for innovation through its impact on long-term competitiveness. It creates entirely new areas of economic activity, while encouraging new industries and high-technology SMEs.

A broad approach to innovation: Parliament calls on the Commission and the Member States to adopt an integrated approach to science and innovation. It advises 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).

Stressing that innovation means first and foremost novelties that address consumers" and market needs, Parliament asks the Commission, therefore, to ensure **better recognition of the primacy of consumers" demands as a driving force for innovation**. It points out that in order to counter the emergence of new forms of inequality in society, innovations should in future be measured not only in terms of their environmental and economic benefits but also by the yardstick of **social added value**. Parliament underlines the fact that strengthening entrepreneurs as the drivers of innovation in Europe is a necessary prerequisite for the effective functioning of a competitive internal market

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 resolution 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. Members welcome the creation of **special innovation and enterprise belts** around universities, research institutes and scientific and technological parks and call for consideration to be given to the possibilities of creating a **uniform simplified funding and operational framework** for the new innovation belts. They also stress 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: Parliament considers 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 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. Parliament stresses that, along with bigger budgets, it is essential to achieve a critical mass and recommends the use of public procurement for this purpose and emphasises in particular that funding should be directed to those areas where the leverage effect is greatest, such as key enabling technologies and flagship initiatives for emerging and future technologies in order to generate **added value** for Europe.

Members 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.

Parliament welcomes 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. It stresses 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. It urges 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 resolution 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 resolution underlines that innovation policy should be coordinated with other EU and national policies (such as industrial, environmental and consumer policy). Members regret 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 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;
- ensure that the EU regulatory framework supports innovation and that there is effective cooperation among the relevant internal services and directorates-general;
- develop **new innovation indicators** which are better suited to increasingly knowledge-based service economies.

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.

The resolution emphasises 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: Parliament 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.

Stressing that the three sides of the knowledge triangle – education, research and innovation – must not be separated, Members call 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.

Lastly, Parliament regrets 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, notably where prompt agreement on a Community patent and a single patent court system are concerned.

Community innovation policy in a changing world

2009/2227(INI) - 02/09/2009 - Non-legislative basic document

PURPOSE: Communication on Community innovation policy in a changing world.

CONTENT: in 2005, the re-launched Lisbon Partnership for growth and jobs has stressed innovation and entrepreneurship and called for decisive and more coherent action by the Community and the Member States. On this basis, an ambitious European innovation policy has been launched and the Small Business Act (SBA) has been agreed. Thanks to this partnership approach, progress can today be reported. Almost all Member States have improved their innovation performance. The innovation gap between the EU and its key competitors, the US and Japan, has narrowed. As new competitors are emerging and challenges are getting bigger, the EU must not only sustain the recent positive trend, but further improve it. The aim of this communication is to identify remaining gaps and propose policy orientations on how to fill them. Based on the analysis of achievements so far and the lessons, the Commission intends to explore the feasibility of proposing to the Member States before spring 2010 a European Innovation Act encompassing all the conditions for sustainable development and which would form an integral and crucial part of the future European reform agenda.

PROGRESS ACHIEVED:

(a) improving framework conditions: the EU has since 2005 worked to improve framework conditions for innovation:

- Member States and their regions were encouraged and helped (in particular through cohesion policy) to improve their innovation policies by implementing national and regional innovation strategies and developing evaluation;
- at Community level, access to the single market has been made easier, the availability of cost-effective inputs has been improved, competition policies fostered, and conditions for entrepreneurship and for the growth of new ventures strengthened ; -the removal of barriers to the proper functioning of the internal market for goods and the implementation of the Services Directive by Member States will remove a broad range of administrative and legal obstacles to doing business;
- it is also acknowledged across the EU that excellence in education, skills and training is a pre-requisite for innovation. Lifelong learning has become a policy priority, and reforms in education and training systems in Member States aim to increase investment in human capital, facilitate innovation and promote a more entrepreneurial culture;
- the modernisation of the EU's state aid rules has provided Member States with an effective public policy tool to support R&D and innovation;
- lastly, the European Union Office for Harmonisation in the Internal Market (Trademarks and Designs) has lowered the cost for European trademark registration applications twice in the last five years. The new rate (40 % lower than previously charged) has reduced the cost of obtaining trademark protection throughout the EU to an all-time low. The average time needed to complete the registration process has also been cut by 50 %.

b) helping to trigger more and quicker market uptake of innovative products and services: regulation and standardisation can provide the right incentives and stimulate markets for innovative products and services:

- new rules on car emissions aim to trigger substantial innovations in the European automotive industry;
- the Emission Trading Scheme (ETS) Directive will foster innovation in renewable energy production and encourage the construction of more environmentally friendly power plants, including new carbon capture and storage (CCS);
- the Strategic Energy Technology Plan helps to accelerate the development of low-carbon technologies essential to achieving the "20-20-20" objectives by 2020;
- the REACH and cosmetics legislation provide major incentives for innovation in alternative substances;
- the Action Plan on Sustainable Consumption and Production and Sustainable Industrial Policy sets out a harmonised, integrated legal framework to foster innovation towards more energy-efficient and environmentally friendly products;

- the revised Eco-Design Directive provides a legal basis for promoting the market introduction of more environmentally friendly products both in terms of energy efficiency and resource efficiency;
- the Lead Market Initiative (LMI), launched in 2008, has identified markets for innovative products and services where innovation is both needed and possible and where the use of the above-mentioned instruments influencing the capacity to quickly put new products on the market in a more focused way can make a real difference (bio-based products, eHealth, sustainable construction, protective textiles, recycling, and renewable energy).

(c) building synergies: the development of the European Research Area since 2000 has led to several initiatives to encourage a more coherent research and innovation system in Europe:

- recent policy initiatives aimed at creating an internal market for knowledge by supporting the mobility of researchers and the access to and the circulation, transfer and exploitation of knowledge and technologies ('5th freedom');
- collaboration on research and innovation has been reinforced. Five Joint Technology Initiatives (JTI) have been set up, each as an independent legal entity with substantial budget allocations from the Seventh Framework Programme. Furthermore, under the European Economic Recovery Plan, public-private partnerships for green cars, energy-efficient buildings and 'factories of the future' are being launched;
- the European Institute of Innovation and Technology has been created to stimulate and deliver world-leading innovation by bringing together higher education, research and business around a common goal;

(d) stepping up financial support for research and innovation : European research policies and programmes have been reinforced better to support innovation:

- the Seventh Research Framework Programme, with its substantially increased budget of EUR 54 billion for the period 2007-2013, supports commercially relevant research. The Commission is also facilitating private-sector research coordination through the European Technology Platforms. EU research in key areas such as ICT, health, security, space or marine sciences has increased;
- Cohesion Policy is providing a stable and strategically targeted source of innovation financing: some EUR 86 billion in over 380 of the 455 operational programmes of the Structural Funds for regional development has been earmarked to support research and innovation;
- under the EU rural development policy some EUR 337 million are provided to support the development of new products, processes and technologies in the agricultural, food and forestry sectors. Investments in broadband infrastructure and other innovation projects in rural areas will be further reinforced following the Health-Check of the CAP and as part of the EU Recovery Package;
- within the Competitiveness and Innovation Framework Programme (CIP), the EU has a specific programme dedicated to SMEs and innovation outside the Research Framework Programme with an annual average budget of EUR 225m for the period 2007-2013. A specific amount has been set aside for the take-up of environmental technologies.

2) CHALLENGES TO MEET: the Innovation Scoreboard shows clearly that Europe is already today the continent with some of the most innovative countries and regions of the world. Experience also shows that these countries are better prepared to make use of the exchange of best practices. The same holds true for companies: it is not necessarily the absolute amount of R&D spending that matters, it is the innovative climate within an undertaking that makes the difference in competitiveness terms. The challenge today is to replicate these success stories throughout the EU. It will be very important to ensure that the mindset of society remains favourable towards innovation. Innovation is mainly driven by entrepreneurs. This implies the need to foster a policy and regulatory framework that promotes globally competitive EU industries and rewards investment in research and innovation of both products and processes including innovative forms of work organisation. The social partners have an important role to play in this context. Innovation also needs investors willing to take risks and willing to go beyond short term profit expectations. Lastly, the competitiveness of European industries and their innovation capabilities will particularly depend on access to and mastering of key enabling technologies which are associated with high R&D intensity, rapid innovation cycles, high capital expenditure, and highly-skilled employment.

The Commission proposes two lines of action:

Removing critical bottlenecks in the framework conditions for entrepreneurs: despite improvements, the EU innovation system continues to suffer from shortcomings that negatively influence the market rewards and incentives for private investment in innovation which as a consequence remains lower than that of our main competitors. The Communication stresses that (i) the single market needs to be completed in a number of areas; (ii) the legal framework for the protection of intellectual property remains incomplete; (iii) the venture capital market is fragmented and the level of equity funding low; (iv) the standardisation process is not yet

sufficiently synchronised with research results and market needs; (v) the knowledge triangle between business, education and research needs to be further strengthened and the EU still lacks critical infrastructure to enable innovation; (vi) efforts to increase the capacity of the EU educational systems to contribute to an innovative and agile knowledge society must continue.

Enhancing the governance of the EU innovation system: while a number of initiatives have been undertaken by the Community, the needed synergies between policies and instruments at different levels have not yet been created across the EU.

The relatively slow take-off of the recently launched Lead Market Initiative is a good example of this. The coordination of policies to support innovation at regional, national and EU level has to improve significantly : a better governance system is needed, based on the principles of subsidiarity, but better exploiting the added value of setting common objectives, agreeing on common actions and sharing best practises among Member States. Cooperation with third countries and in particular best practice exchange with the US should also be substantially enhanced. The **level of funding to support innovation centrally at EU level has remained modest** both in relation to the EU budget and compared to many national budgets, representing an even smaller share than the 5% of public spending on research under the Research Framework

Programme. Even the total of EUR 67 million available in 2009 to stimulate market uptake for eco-innovation to address resource efficiency and climate change appear modest in view of the importance of these challenges. Lastly, the Communication calls for **clear structures and substantial simplification of participation rules** for all innovation funding, regardless of its origin, ensuring better participation by SMEs.