



INNOVATION POLICY

Innovation plays an increasing role in our economy. It provides benefits for citizens as both consumers and workers. It is essential to creating better jobs, building a greener society and improving our quality of life, but also to maintaining EU competitiveness in the global market. Innovation policy is the interface between research and technological development policy and industrial policy and aims to create a conducive framework for bringing ideas to market.

LEGAL BASIS

The legal basis for the EU's general industrial policy is Article 173 of the Treaty on the Functioning of the European Union (TFEU), which states that 'the Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist'.

The legal basis for EU policy on research and technological development (RTD) is provided by Articles 179 to 190 of the TFEU. The main instrument of the Union's RTD policy is the multiannual Framework Programme, which sets objectives, priorities and the financial package of support for a period of several years. The RTD Framework Programmes are adopted by the European Parliament and the Council, acting in accordance with the ordinary legislative procedures and after consulting the European Economic and Social Committee.

OBJECTIVES

The importance of innovation policy is widely recognised. It is also strongly linked to other EU policies, such as those on employment, competitiveness, environment, industry and energy. The role of innovation is to turn research results into new and better services and products in order to remain competitive in the global marketplace and improve the quality of life of Europe's citizens.

Europe spends 0.8% of GDP less than the US and 1.5% less than Japan every year on research and development (R&D). In addition, some brain drain effect occurs as our best researchers and innovators move to countries where conditions are more favourable. Although the EU market is the largest in the world, it remains fragmented and is not sufficiently innovation-friendly.

With a view to changing these trends, the EU has developed the concept of an 'Innovation Union', which aims to:

- Make Europe a world-class science performer;



- Remove obstacles to innovation — like expensive patenting, market fragmentation, slow standard-setting and skills shortages — which currently prevent ideas getting quickly to market;
- Revolutionise the way the public and private sectors work together, notably through the implementation of Innovation Partnerships between the EU institutions, national and regional authorities and business.

The Innovation Union is a crucial investment in our future. For example, achieving our target of investing 3% of EU GDP in R&D by 2020 could create 3.7 million jobs and increase annual GDP by EUR 795 billion by 2025.

ACHIEVEMENTS

A. Innovation Union

The Innovation Union is one of the seven flagship initiatives of the Europe 2020 strategy for a smart, sustainable and inclusive economy. Launched by the European Commission in October 2010, it aims to improve conditions and access to finance for research and innovation in Europe so that innovative ideas can be turned into products and services that create growth and jobs. The Innovation Union aims to create a genuine single European market for innovation, which would attract innovative companies and businesses. To achieve this, various measures have been proposed in the fields of patent protection, standardisation, public procurement and smart regulation. The Innovation Union also aims to stimulate private sector investment and proposes, among other things, to increase European venture capital investments.

Several instruments have been introduced to measure and monitor the situation across the EU and the progress being made:

- A comprehensive [Innovation Union Scoreboard](#) based on 25 indicators and a European knowledge market for patents and licensing. The European Innovation Scoreboard (EIS) is a Commission instrument developed under the Lisbon Strategy to provide a comparative assessment of the innovation performance of EU Member States;
- A [Regional Innovation Scoreboard](#) (RIS), which classifies the EU's regions into four innovation performance groups, similarly to the Innovation Union Scoreboard. There are 41 regions in the first group of 'innovation leaders', 58 regions in the second group of 'innovation followers', 39 regions are 'moderate innovators' and 52 regions are in the fourth group of 'modest innovators'. This provides a more accurate mapping of innovation at local level;
- The Innobarometer, an annual opinion poll conducted among businesses and the general public on attitudes and activities relating to innovation policy. The Innobarometer survey provides policy-relevant information which is not available from other sources.

Innovation is made possible by research and education. The EU would require at least one million more researchers in the next decade to reach the target of investing 3% of its GDP in R&D by 2020. The Innovation Union has proposed measures



to complete the European Research Area. This means more coherence between European and national research policies, and removing obstacles to researchers' mobility. In education, the Commission supports projects to develop new curricula addressing innovation skills gaps.

Furthermore, various measures have been proposed in the fields of patent protection, standardisation, public procurement and smart regulation in order to attract innovative companies and businesses. In 2011, the Commission drew up a strategy to strengthen European standardisation ([COM\(2011\)0315](#)), in which it highlights the need to improve the method for setting standards and the use of standards in Europe in order to leverage European and international standards in the interests of the long-term competitiveness of European industry. In addition, European Innovation Partnerships (EIPs) have been designed to bring together public and private stakeholders at EU, national and regional levels in order to tackle major challenges in society and to help create jobs and growth by combining supply- and demand-side measures.

B. Horizon 2020

As a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness, Horizon 2020 is the financial instrument which provides for the implementation of the Innovation Union. Although it is the EU's 8th Framework Programme (2014-2020) for research, Horizon 2020 is the first programme to integrate research and innovation. It enacts many of the specific Innovation Union commitments, notably by focusing on real challenges facing society, simplifying access, involving SMEs, strengthening financial instruments, supporting public procurement of innovation, facilitating collaboration, and supporting research on public-sector and social innovation. In November 2013, Parliament adopted the multiannual financial framework (MFF), allocating Horizon 2020 a budget of EUR 77 billion (at 2013 prices). However, the adoption of the European Fund for Strategic Investments (EFSI) in June 2015 meant that this amount was decreased to EUR 74.8 billion.

It should be noted that an interim evaluation of Horizon 2020 is a mandatory requirement of the Regulation establishing Horizon 2020. This interim evaluation was performed in 2018 and contributed to improving the implementation of Horizon 2020. In fact, the results were used to lay the foundations of the structure and content of the Horizon Europe Programme, for which a proposal was published in June 2018 ([COM\(2018\)0435](#)).

C. Cohesion policy

Cohesion policy also focuses on research and innovation. In more developed regions at least 80% of resources from the European Regional Development Fund (ERDF) at national level are allocated to innovation, with the priorities being a low-carbon economy and competitive SMEs.

D. Financial instruments

The Innovation Union also aims to stimulate private-sector investment and proposes, among other things, to increase European venture capital investments, which currently stand at a quarter of the level in the United States. In order to improve access to loans for R&D projects and launch demonstration projects, the Commission, in cooperation



with the European Investment Bank Group (EIB and EIF), has launched a joint initiative under Horizon 2020. ‘InnovFin – EU Finance for Innovators’ consists of a series of integrated and complementary financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation in order to support investments from the smallest to the largest enterprises.

In addition, in November 2014 the Commission proposed its ‘Investment Plan for Europe’ for unlocking public and private investments in the ‘real economy’ to the sum of at least EUR 315 billion over a three-year fiscal period. EFSI is one of the three pillars of the ‘Investment Plan for Europe’ and aims to overcome current market failures by addressing market gaps and mobilising private investment. It helps to finance strategic investments in key areas such as infrastructure, research and innovation, education, renewable energy and energy efficiency, as well as risk financing for SMEs.

Furthermore, a programme for the Competitiveness of Enterprises and SMEs (COSME) has also been introduced, to focus on financial instruments and provide support for the internationalisation of SMEs.

E. Innovation Council

In June 2015, Carlos Moedas, the Commissioner responsible for research, science and innovation, announced the idea of a European Innovation Council (EIC). In January 2017, the Commission created a fifteen-member High Level Group (HLG) of Innovators that will help shape the design of a possible European Innovation Council in the framework of the Commission’s proposals for the successor programme to Horizon 2020.

ROLE OF THE EUROPEAN PARLIAMENT

Parliament has adopted numerous resolutions which have further strengthened the EU’s innovation policy. Some of the most recent are:

- Resolution of 22 May 2008 on ‘The mid-term review of industrial policy: a contribution to the EU’s Growth and Jobs Strategy’^[1]. This resolution urged the Commission and the Member States to increase their efforts to reduce the administrative burden for enterprises. It also highlighted the importance of a transparent and simplified intellectual property rights policy;
- Resolution of 16 June 2010 on the EU 2020 strategy^[2]. This resolution, while strongly supporting an industrial policy aimed at creating the best environment to maintain and develop a strong, competitive and diversified industrial base in Europe, also stressed that the Europe 2020 strategy should disclose the costs and benefits of converting to a sustainable, energy-efficient economy;
- Resolution of 11 November 2010 on European Innovation Partnerships within the Innovation Union flagship initiative^[3];

[1]OJ C 279 E, 19.11.2009, p. 65.

[2]OJ C 236 E, 12.8.2011, p. 57.

[3]OJ C 74 E, 13.3.2012, p. 11.



- Resolution of 9 March 2011 on an Industrial Policy for the Globalised Era^[4]. This resolution underlined the importance of a more comprehensive vision for European industry in 2020 as long-term regulatory predictability and stability are considered essential to attracting investment;
- Resolution of 12 May 2011 on Innovation Union: transforming Europe for a post-crisis world^[5];
- Resolution of 27 September 2011 on the Green Paper: From challenges to opportunities: towards a common strategic framework for EU research and innovation funding^[6];
- Resolution of 26 October 2011 on the Agenda for New Skills and Jobs. This resolution underlined the importance of developing closer cooperation between research institutes and industry and encouraging and providing support for industrial companies to invest in research and development^[7];
- Resolution of 21 November 2013 on the proposal for a regulation of the European Parliament and of the Council establishing Horizon 2020 — The Framework Programme for Research and Innovation (2014-2020)^[8];
- Resolution of 6 July 2016 on synergies for innovation: the European Structural and Investment Funds, Horizon 2020 and other European innovation funds and EU programmes^[9].

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[4]OJ C 199 E, 7.7.2012, p. 131.

[5]OJ C 377 E, 7.12.2012, p. 108.

[6]OJ C 56 E, 26.2.2013, p. 1.

[7]OJ C 131 E, 8.5.2013, p. 87.

[8]OJ C 436, 24.11.2016, p. 284.

[9]OJ C 101, 16.3.2018, p. 111.

