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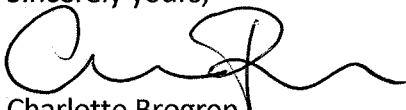
Director General

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Public consultation on the Future "EU2020" Strategy

Please find enclosed comments from VINNOVA.

Sincerely yours,



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Comments from VINNOVA

– Public consultation on the Future “EU 2020” Strategy

Summary

As the “EU 2020” becomes the EU reform strategy for the coming decade, VINNOVA would like to urge the Commission to maintain its strong focus on investing in research for creating ecologically and socially sustainable growth, and for developing a globally competitive Europe. But spending on research must be followed by increased activities in the innovation area in order to get return on national and European research investments. For future European competitiveness and growth we need to see research results transformed through innovations into products and services. In this context, VINNOVA would like to stress the importance of developing a Community policy for putting ideas into practice. For Europe to be an important global player, we must build stronger interfaces between industry and research, become more effective at disseminating new technologies and commercializing research results.

Comments on the Commission Working Document

VINNOVA welcomes and supports the COM invitation to further discuss the “EU 2020” Strategy, which will be the successor of the current Lisbon Strategy. VINNOVA believes the Lisbon agenda’s strong focus on jobs, growth and European competitiveness has been very important and instrumental in increasing investments in research and innovation, and hence building a stronger knowledge base for the future.

VINNOVA agrees with the initial problem description as it is presented in the COM working document: We are in the midst of the most serious economic crisis to hit

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Europe for half a century, with unemployment figures skyrocketing and many companies struggling for their survival. Public policy must focus all of its efforts on supporting a positive turn-around.

At the same time, Europe currently faces a number of urgent Grand Challenges. These challenges comprise climate change, an ageing population, security, health, energy, transport, environment, and societal integration including marginalization and sustainable work. Finding the proper solutions to these challenges is not only necessary for the future well-being of the European citizens, but it is also an engine of future growth and employment as new innovations are in great demand.¹

What became of the 2010 Lisbon strategy?

Before moving on to the "EU 2020" strategy, it may be worthwhile to stop and consider the goals of the previous Lisbon 2010 agenda. In a recently published report by a COM expert group, the Lisbon agenda and progress made in relation to the 3% target are discussed²:

As 2010 approaches, it is clear that the Lisbon process has failed in terms of Europe achieving the 3% R&D intensity target. None of the Member States have as yet achieved the 1% target of public sector financing of R&D (the closest are Sweden and Finland), and the private sector target of the remaining 2% of GDP has proven particularly intractable in most EU Member States.(p. 16)

A point of criticism against the 3% target and its possible successors is that the EU Commission should refrain from setting goals for actors that are not under their direct influence, i.e. the business sector. COM and MS policy instruments and regulations can be effective incentives for the private sector's investments in RTDI. However, as the financial crisis has shown, policy makers have a limited influence on the *rate* of investments. Nonetheless, the MS and COM should not underestimate their power to influence the *direction* of private sector investments, and the reasons are manifold. Firstly, the public share of total RDTI investments in many MS is still substantial. Hence, public investments have a major influence on

¹ Lund Declaration. From the Swedish Presidency Conference "New Worlds, New Solutions", Lund, July 6-8, 2009.

² A Knowledge-intensive Future for Europe - Expert group on the 3% objective: progress made and post-2010 policy scenarios (2009)

the existing knowledge base and the paths of future investments. Secondly, regulations might also be used to direct private investments, for instance to reach environmental objectives. Thirdly, the total level of public procurement in the EU is currently 16% of GDP.³ As public actors also are major market players, a strategic use of this purchasing power could be used as a driver for preferred innovation and development patterns.

Investments in knowledge are crucial for Europe's future competitiveness and prosperity. We should continue to strive to increase these investments and monitor Europe's progress in this area. At the same time, the ability to *innovate* is a vital prerequisite for transforming research into competitiveness. The Lisbon strategy set targets for research expenditure but not for increasing innovative capacity and performance. We argue that, on its own, that is, without complementing goals for innovation, targets for research expenditure become meaningless. Therefore, we argue that, targets for research expenditure should be complemented with goals more clearly focused on innovation capacity and performance.

Policy suggestions

- Continue to focus on knowledge, and investments in knowledge, as the main driver for future European growth
- Carefully analyze how new targets should be formulated, and consider excluding input goals for non-public actors, as well as complementing research expenditure targets with goals for innovation capacity and performance

Research excellence – Excellent relevance

From VINNOVA's perspective, one of the most central passages of the consultation is Chapter 1, *Creating value by basing growth on knowledge*. In this chapter, it is pointed out that the future drivers of sustainable growth will be education, research, innovation and creativity. VINNOVA agrees with this general statement, and as concerns *research*, we share the view that an effective and well-financed European Research Area is one of the cornerstones of a new knowledge-based European economy. However, it is crucial that the ERA is set up to include actors

³ http://ec.europa.eu/internal_market/publicprocurement/index_en.htm

from both private and public sectors, working together towards the goal of building a stronger knowledge society. Only by building strong public-private-partnerships can the ERA be a powerful driver of the necessary transition towards a greener economy, and thereby increase Europe's future competitiveness.

Our point of departure is that integration of gender and diversity perspectives in research and innovation policy will ensure sustainable growth and that normative thinking is an obstacle to innovative thinking. Less normative thinking about gender and ethnicity will lead to new ideas, new business opportunities and the identification of new markets.

VINNOVA would like to stress the need to broaden the *innovation* concept to include eco-innovation, open innovation, service innovation, business model innovation, design-oriented innovation and social innovation. Nonetheless, we believe it is important to recognize that a competitive edge in the global competition and a high-value added generally requires innovation based on research regardless of field of application and mode of innovation. Europe spends a great deal on research, but we must become better at getting return on that investment. Creating a climate which promotes the inquisitiveness and risk-taking of individual researchers is one necessary condition for Europe to be able to handle future challenges. However, while this condition is necessary, it is far from sufficient. Europe must also make sure the individual researcher's excellent ideas and ground-breaking theories can be adequately financed, transformed into products, services and contribute to solving the Grand Challenges facing our society. For this to happen, European institutions must allow for original ideas and concepts to flow easily between the different key actors, such as universities, large firms, SMEs, research institutes and public organizations. In this context, the importance of reforming the European education system and modernizing our universities must be stressed. In the future, universities must aim at creating environments based on the concept of the *knowledge triangle* (higher education, research and innovation). In these environments, innovation and entrepreneurship should be encouraged, and mobility between the academic and business world should be promoted. Inspiration for policy design in this area could for instance be extracted from the *EIT* and the "Open knowledge institution" concept introduced in the recently published ERAB report⁴. The possibility of using structural funds in the

⁴ Preparing Europe for a New Renaissance: A Strategic View of the European Research Area. First report of the European Area Research Board – 2009.

knowledge triangle context should also be considered. Moreover, VINNOVA believes work organizations promoting learning, innovation, quality of work and competitiveness are vital to the goals of EU 2020⁵.

Policy suggestions

- Continue to build the European Research Area, and make special efforts to stimulate public-private-partnerships in this process
- Support - and set targets for - the creation of innovations, products and services from European research investments
- Promote the Knowledge Triangle by reforming European Universities and building strong education, research and innovation milieus through for instance EIT

Addressing Grand Challenges

Having Grand Challenges form the basis for Europe's future research and innovation policy has a number of advantages. Firstly, the visionary character of these challenges may help all parties involved look beyond existing structures and break free from current lock-ins. Secondly, addressing Grand Challenges could help to increase the tolerance for risk, which in turn, would increase the number of large impact programs and high-yielding projects. Thirdly, The Grand Challenge concept strengthens and changes the rationale for innovation support measures since these challenges cannot be solved without concerted actions from the public and private sector. This is different from the traditional competitiveness argument, where public actions are viewed as a potential way to improve the function of the market. As Grand Challenges are turned into opportunities and motivation for change, the creation of effective public-private partnerships, including innovative SMEs, will be instrumental for achieving impact. Fourthly, when better defined, the Grand Challenges could serve as a basis for future prioritization. Moreover, because of the global nature of many of these problems, proposed solutions must also take into account the international dimension. It should also be clear that the

⁵ Sustainable work – a challenge in times of economic crises. Conference in connection with the Swedish EU Presidency 27-28 October 2009 Stockholm.

Grand Challenges imply a pivotal role for social innovations, and more generally speaking, a broad perspective on the innovation concept.

One essential European comparative advantage for turning Grand Challenges into business opportunities is the *Single market*. However, in order to fully exploit its potential we believe it is important to widen the scope of the discussion and find ways to move beyond existing national system lock-ins or path dependencies.

Important efforts to achieve this include the introduction of research funding mechanisms by which the COM, the member states and businesses join forces to develop European solutions, such as the Joint Technology Initiatives, Joint Programming, and the European Technology Platforms. The Lead Market Initiative is another example of an attempt to align different interests in order to stimulate transnational solutions and achieve critical mass based on the existence of the single market. A third is the introduction of a community patent. A fourth, mentioned in the current review of existing innovation policy measures, is standardization, where VINNOVA supports the Commission's work to stimulate concerted efforts from European actors in international standards negotiations.⁶ This is of special importance since several of the Grand Challenges, such as the technological solutions required to reach a carbon-free society have a systemic character.⁷

The EU Strategic Energy Technology Plan and its European Industrial Initiatives are other important efforts to promote development and innovation to meet the Grand Challenges of climate and security of energy supply. In this context, VINNOVA believes it is important to identify key enabling technologies, relevant to Europe's future competitiveness, and to help bring them to industrial deployment.⁸

⁶ COM (2009:442) Reviewing Community innovation policy in a changing world

⁷ See also European Commission (2009) *The World in 2025 – Rising Asia and socio-ecological transition*.

⁸ COM (2009) 512/3, Preparing for our future: Developing a common strategy for key enabling technologies in the EU

The EU 2020 Strategy could be used as a way to break free from existing lock-ins, align COM and MS policies and to release the full potential of the *single market*.⁹

Policy suggestions

- Use Grand Challenges as the rationale for target settings and RDTI prioritization as part of the EU2020 strategy
- Allocate specific resources for research and innovation tackling Grand Challenges¹⁰
- Stimulate a rapid movement from vision to action in order to seize business opportunities

Setting EU2020 in a global context

An effective forward-looking research and innovation policy must take into account the globalized world we are living in. VINNOVA finds that the global perspective should have been more clearly emphasized in the communication from the Commission. Regions outside of Europe are increasingly attracting and generating knowledge and innovation by increasing their global competitiveness for knowledge resources. How can Europe not only meet, but benefit from, the global competition of new and rapidly growing producers and users of knowledge and

⁹ This point was highlighted by a number of high level business and public actor representatives participating in a workshop arranged by VINNOVA in association with the Swedish presidency in Berlin on March 17, 2009. The objective of the workshop was to prepare the Presidency conference "New worlds-New Solutions" and give input to the Lund Declaration. Summary reports from the four preparatory workshops arranged by VINNOVA, the Swedish Research Council, Swedish Council for Working Life and Social Research (FAS) and Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning (FORMAS) are available at http://www.se2009.eu/en/meetings_news/2009/7/7/new_worlds_new_solutions_research_and_innovation_as_a_basis_for_developing_europe_in_a_global_context.

¹⁰ A similar suggestion was recently put forward by ERAB expert group: *Preparing Europe for a New Renaissance: A Strategic View of the European Research Area*. First report of the European Area Research Board – 2009.

innovation outside its borders? Countries such as China, India, Brazil, among others, benefit from a combination of rapidly increasing human capital, R&D expenditures and dynamic markets. Customers and users of European innovation are increasingly found outside of Europe. Furthermore, science, technology and innovation with countries outside Europe is vital for tackling global challenges such as pollution, climate change, prevention of pandemics, etc. One important question in this context becomes how to promote needs- and user-driven innovation when the needs and users to an increasing degree are found outside of Europe. How should and could public actors support European companies, especially SMEs, in their efforts to target emerging markets. Since every BRIC country is larger than most European countries, decentralized actions from every member state runs the risk of small impact and visibility. Consequently, the rationale for common European solutions in this field might be strong and should be further investigated. Another is how to increase the attractiveness of European companies and knowledge institutions in order to attract top talents from emerging regions.

Policy suggestions

- Strengthen linkages with emerging markets and new knowledge and innovation hubs outside Europe
 - Design specific long-term strategies and policy instruments for interaction and science, technology and innovation cooperation with non-EU countries
 - Promote European innovative firms' ability to establish themselves successfully in emerging markets
 - Investigate the possibility of joint action to support exchange with the BRIC countries
- Design community framework and policies that increase Europe's attractiveness for top talents from emerging countries
- Promote mobility and brain circulation of researchers and students ('New skills for new jobs'¹¹) between Europe and knowledge and innovation hubs outside Europe

¹¹ COM 6479/09

- Strengthen research and innovation cooperation with countries and regions outside Europe with a focus to jointly addressing global challenges (climate change, pandemics, etc.)

Support for SMEs – Securing Future Employment

The strength of the European economy has during the past century mostly been dependent on large and established firms. Many, if not most of these firms operate multi-nationally, moving their activities where knowledge, technology and market conditions are most favorable. This implies a new competitive landscape for Europe. In this setting, SMEs are becoming increasingly important as change agents in the economy, as important channels for commercialization of research and as sources of new growth companies. Two groups of challenges are especially important when it comes to stimulate the growth of innovative SMEs:¹²

1. Improve measures to support innovation in SMEs in order to:
 - stimulate growth
 - foster internationalization
 - make SMEs more attractive for private capital markets
 - make SMEs' innovation processes more effective

2. Improve the efficiency and effectiveness in providing public innovation support in order to:
 - improve inter- and intra organizational learning platforms for multilevel governance and policy support across Europe
 - increase the leverage of public support with smarter, more efficient and effective innovation support
 - ease the access for SMEs to public support schemes
 - increase policy initiatives that stimulate the demand of innovation

¹² These challenges have been identified by the consortia behind the recently launched INNO Partnering Forum, which has received funding from the COM under the PRO INNO Europe scheme. The consortium is coordinated by VINNOVA (Sweden) and includes the following organizations: Enterprise Ireland, TEKES (Finland), FFG (Austria), SenterNovem (The Netherlands) and the Technology Strategy Board (UK).

However, the solutions addressing these challenges must be firmly based on a European Added Value perspective. This is especially important when it comes to public support to SMEs, since assessment of growth potential and competencies of SMEs applying for support often requires local knowledge and proximity. These are also important features when it comes to the monitoring of on-going projects, which is best served by a trust-based approach focusing on results instead of the accountant perspective of the current financial regulations. Another negative feature of current Community Programs, especially problematic from the point of view of SMEs, is the prolonged selection processes. As a contrast, multilateral collaborations, such as EUREKA and EUROSTARS, are often brought forward as examples of regulations more adapted to the reality of targeted group of SMEs.

Policy suggestions

- Develop MS and COM measures to support innovation in SMEs
- Improve the efficiency in providing public innovation support to SMEs

Who should be doing what, where and when? – Improving Governance Structures

At a seminar organized by VINNOVA during the Swedish Presidency of the European Union, the question of the ERA governance was discussed¹³. The complexity of research and innovation policies and instruments in Europe appear to have been increasing steadily in recent years, below are a few examples relating to innovation that were mentioned during the seminar:

- At the moment, six different directorates have varying degrees of responsibility for innovation
- More than a dozen policy commissions are at work
- Europe currently runs 29 nanotech programs among its member states

Although progress has been made, both in defining and identifying the roles of the COM directorates in different initiatives, and coordinating with member states when necessary, much remains to be done.

¹³ Research and Innovation Policies – Exploiting Synergies for Sustainable Growth in Europe Brussels, July 14, 2009, VINNOVA Seminar report

As always when discussing EU initiatives, *European added value* should be the overarching guiding principle. Hence, before introducing new EU-level instruments and programs, the rationale for conducting them at the supranational level must be assessed. As the Public consultation of the effectiveness of innovation support in Europe shows, both businesses and institutional actors state that there is no lack of innovation support measures. What is lacking is coherence and critical mass.¹⁴ Therefore, a future EU 2020 Strategy should focus on measures in which the transnational or Pan-European rationale is clear and where impact and scale effects are evident. It should also work to identify the most effective policies and instruments and initiate a process to phase out the ones that are less effective in order to decrease the complexity of the policy landscape and to make room in the budget for measures with the most potential in supporting innovation for Europe.

It is also important to remember that while many of the Grand Challenges are global, the most effective solutions may often be local. For instance, climate mitigation will differ substantially between Spain and Sweden. Yet in other cases, such as the development of new transport systems, infrastructures and smart grids, which contain scale effects and are cross-national by nature, European and/or global solutions may well be a necessity.

Policy suggestions

- Carefully analyze the problem at hand before finding the most appropriate public policy measure level
- Revise and streamline current set of heterogeneous innovation policies in the COM and the MS

¹⁴ COM SEC (2009) 1197. Final Making public support for innovation in the EU more effective: Lessons learned from a public consultation for action at Community level.