

Progress report (March 2008) on the Broad-based innovation strategy

1. BACKGROUND

In the Communication “Putting knowledge into practice: A broad-based innovation strategy for Europe” of September 2006, the Commission outlined its innovation strategy for the years ahead. As a Community approach, it supports regional and national measures foreseen in the context of the Lisbon process. Whereas the previous Communication from the Commission on innovation from 2005, entitled “More Research and Innovation”, focused on investing in research and on supply-driven innovation, the broad-based innovation strategy broadens the approach and puts greater emphasis on demand-driven innovation.

Following this communication, the Competitiveness Council of December 2006 concluded that the following nine strategic priorities for innovation action at EU level should be pursued as a matter of priority: (1) Intellectual Property Rights; (2) Standardisation in support of innovation; (3) Public procurement in support of innovation; (4) Joint Technology Initiatives (JTIs); (5) Lead markets; (6) European Institute of Technology (EIT); (7) Clusters; (8) Innovation in services and (9) Risk capital markets.

2. STATE OF PLAY

To date, good progress has been made to implement the Council’s nine strategic priorities. Some of the main achievements include reaching agreement with the Council on four Joint Technology Initiatives, and on the European Institute of Innovation and Technology. Considerable progress has been made in the area of clusters, with the setting up of a European Cluster Observatory and the preparation of a European Cluster Memorandum.

The Commission has furthermore launched important initiatives on the basis of its Communications on the Lead market initiative, on Pre-commercial procurement and on “Removing obstacles to cross-border investments by venture capital funds”, and more recently on Standardisation in support of innovation. In parallel, the Commission has continued its work to improve researcher mobility, knowledge transfer and science/industry linkages, while at the same time encouraging Member States to continue university reforms and to re-orient state aid and Structural funds towards research and innovation.

THE EUROPEAN SCOREBOARD

The 2007 European Innovation Scoreboard shows that innovation policy must remain at the centre of the Lisbon strategy. The gap in overall innovation performance between the EU and the US continues to narrow, although at a slower pace. The Scoreboard also showed a continued process of convergence within the EU. Five EU Member States – Denmark, Finland, Germany, Sweden and the United Kingdom – continue to have a very strong performance as world innovation leaders alongside the US and Japan. Meanwhile, the large majority of other Member States are catching up with the leaders. Three of the newer Member States – Estonia, the Czech Republic and Lithuania – are on track to reach the EU average innovation performance within a decade.

The convergence and the continued improvement in overall innovation performance across the EU are encouraging and offer further evidence that the Lisbon process and the broad-based innovation strategy are working. However, further efforts are needed at Community and Member States level to sustain these positive trends, to further reduce the innovation gap with the United States and Japan – in particular for applications – and to improve innovation efficiencies in the EU.

3. NEXT STEPS

In 2008, alongside the implementation of on-going initiatives, the Commission plans to continue its work in particular to design a European approach to clusters, to further improve framework conditions for innovation in services and to develop a comprehensive industrial property rights strategy for Europe.

The need to improve European innovation performance and the changing environment call for continued implementation of the broad-based innovation strategy, and for a deepening of the approach. Reactions from the Council, the European Parliament, industry and other stakeholders as well as the Commission's own analysis demonstrate that there is consensus in favour of continuing the progressive shift in emphasis from technology push to demand- and user-driven innovation.

The lead market initiative is an example of such a demand-driven innovation policy. In the next few years, the implementation of this initiative will be at the heart of the deepening and implementation of the broad-based innovation strategy. Furthermore, the Commission plans to pay particular attention to the globalisation and regional aspects of innovation, to the needs of high-growth innovative SMEs, as well as to ways to promote user-centred innovation and design.

The Commission will also pursue its activities in favour of intensified university-industry partnerships, notably through a Recommendation and Code of Practice on the management of intellectual property in knowledge transfer activities by public research organisations.

For a detailed account of achievements so far and planned actions, see the annex *State of play - nine strategic priorities for innovation action at EU level*.

ANNEX: State of play - nine strategic priorities for innovation action at EU level

(1) Intellectual Property Rights: The Commission adopted a Communication on enhancing the European patent system, where it repeated that "patents are a driving force for promoting innovation, growth and competitiveness" and that "Europe has not yet been able to create a single and affordable Community-wide patent", and a Communication on knowledge transfer between research institutions and industry in April 2007. An IPR Expert Group submitted in June 2007 a report on potential barriers for efficient use of IPR systems by SMEs.¹ A Communication on a comprehensive industrial property rights strategy is scheduled for adoption in 2008, as is a Recommendation and Code of Practice on the management of intellectual property in knowledge transfer activities by public research organisations.

(2) Standardisation in support of innovation: The Commission Communication "Towards an increased contribution from standardisation to innovation in Europe" was adopted in March 2008. It identified key elements for focusing EU standardisation policy on innovation such as commitment to market-led standardisation and to the voluntary use of standards, inclusion of new knowledge in standards and access to standardisation of all interested stakeholders, in particular small and medium enterprises, but also consumers and researchers. A review of the European ICT standardisation policy is ongoing.

(3) Public procurement in support of innovation: A guide on dealing with innovative solutions in procurement² was published by the Commission in February 2007. The guide builds on concrete examples to identify how public authorities can facilitate competitive market demand for innovation. A Communication on pre-commercial procurement was adopted in December 2007. This Communication presents an approach to procure research and development that is compliant with the legal framework and that aims at optimising the cost benefits for the procurers while addressing the mid- to long term challenges of the public sector and strengthening the industrial innovation capacity in the EU.

(4) Joint Technology Initiatives (JTIs): Five Commission proposals have been presented to the Council: innovative medicines and embedded computing systems (in May 2007), aeronautics (CleanSky) and nano-electronics (in June 2007), and fuel cells and hydrogen (in October 2007). Following the adoption of Regulations by the Council in December 2007, taking account positive opinions from the European Parliament, the first four JTIs are being launched in early 2008. The proposal on fuel cells and hydrogen is currently under discussion in the Council and Parliament.

(5) Lead markets: The Commission has adopted a Communication in December 2007, with action plans for the following markets: eHealth, sustainable construction, protective textiles, bio-based products, recycling and renewable energies. The initiative now enters an implementation phase. It is expected that the EU Member States focus some of their activities in support of these markets.

(6) European Institute of Innovation and Technology (EIT): In the context of a co-decision procedure, the regulation establishing the European Institute of Innovation and Technology (EIT) has been adopted by the European Parliament at its second reading and the

¹ http://www.proinno-europe.eu/NWEV/uploaded_documents/IPR_Expert_group_report_final_23_07_07.pdf

² http://www.proinno-europe.eu/doc/procurement_manuscript.pdf

legal act signed by both co-legislators on 11 March 2008. The European Commission has established an ad-hoc Identification Committee to propose potential members for the EIT Governing Board. A consultation is currently open on the selection criteria for the members of the Governing Board. The first triennial work programme is expected by mid-2009, the designation of the first KICs (Knowledge and Innovation Communities) by the end of 2009.

(7) Clusters: In preparation of a Communication to be adopted in 2008, the Commission has established a European Cluster Alliance and a High Level Group of experts on clusters. The High Level Group has prepared a European Cluster Memorandum for signature by regional governments and innovation agencies. To facilitate the preparation of this Memorandum, an ENTR paper on clusters³ was published in October 2007, analysing the scope for trans-national cooperation between Member States and presenting recent statistical findings in this area. Furthermore a European Cluster Observatory⁴ was established in June 2007 to support regional and national governments in building their cluster policies. A high level Slovenian Presidency conference was held in Stockholm in January 2008 to discuss the outline of a future European policy in support of clusters. A Communication on clusters is planned for adoption in 2008.

(8) Innovation in services: A Commission Staff Working Document on innovation in services was published in July 2007. As a concrete step to foster innovation in services, a call for proposals was published in May 2007 to establish a European Innovation Platform for knowledge-intensive services, with a view to fostering high-growth ventures. This action was started in February 2008 for a duration of 3 years. The Commission is currently analysing the need for further policy initiatives in this area.

(9) Risk capital markets: The Commission adopted in December 2007 a Communication on “Removing obstacles to cross-border investments by venture capital funds”, building on the results of an expert group and further policy deliberations between Commission services. The Commission will establish in early 2008 another Expert Group to identify and make recommendations on good practices in using risk capital in regional finance. The Commission implements the risk capital instruments of the CIP in cooperation with the European Investment Fund (EIF), favouring the emergence of a professional venture capital industry. The Commission is furthermore looking into the options for improving further the conditions for early-stage venture capital in the EU.

³ <http://www.europe-innova.org/index.jsp?type=page&cid=8702&lg=en>

⁴ <http://www.clusterobservatory.eu/>