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From: General Secretariat of the Council

To: Delegations

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Subject: Europe 2020 Flagship Initiative: "Innovation Union": Accelerating the  
transformation of Europe through innovation in a fast changing world  
- Council conclusions

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Delegations will find attached the Council conclusions on Europe 2020 Flagship Initiative: "Innovation Union": Accelerating the transformation of Europe through innovation in a fast changing world, as adopted by the Council ("Competitiveness") at its meeting on 25-26 November 2010.

**Council Conclusions on Europe 2020 flagship initiative Innovation Union:  
Accelerating the transformation of Europe through innovation in a fast changing world**

**I. KEY MESSAGES**

By putting research and innovation at the centre of the Europe 2020 strategy for jobs and growth, the European Council has recognised the need for urgent action in the field of innovation. To make the Innovation Union a reality, the Council identifies the following priorities for action:

1. Taking a strategic and integrated approach to innovation in Europe

To succeed in turning Europe into an Innovation Union and securing long-term competitiveness and growth, the EU and its Member States should adopt a **strategic and integrated approach to innovation** whereby all relevant supply and demand policies and instruments are designed to contribute to innovation, in the short, medium and long term. Such an approach should optimise synergies between and within different EU and national/regional policies and ensure greater involvement of all stakeholders in the innovation process and support the full use of Europe's intellectual capital. Europe should promote a broad concept of innovation, aiming at competitiveness-while also addressing societal challenges.

## 2. Creating the right conditions for a globally competitive innovation environment in Europe

In the context of fierce global competition, Europe should unlock and foster its potential for innovation and creativity by creating an environment that is conducive to innovation and in which ideas can be turned into commercial successes more easily, enabling SMEs to innovate and to grow, and creating more high-technology companies.

It is therefore urgent to create the right **framework conditions** by strengthening the entire "knowledge triangle" to stimulate investment in Research, Development and Innovation (RDI) in Europe and to facilitate commercialisation and knowledge transfer by:

- taking action to ease access to finance for RDI purposes by companies, especially SMEs, notably by making better use of funds and financial instruments, including those of the EIB, to lever private funding, by creating an effective single market for venture capital funds, and by conducting a review of relevant State aid frameworks in line with the Innovation Union objectives;
- **simplifying and streamlining** urgently European programmes and procedures in RDI;
- taking adequate measures to achieve a well functioning, unified **European Research Area** in which researchers, scientific knowledge and technology can circulate freely;
- systematically applying the "**think small first**" principle;
- setting up a fully functioning Digital Single Market for the benefit of European businesses, in particular SMEs and innovative start-ups, and European consumers;
- making a strategic use of **public** (including pre-commercial) **procurement** for innovative products and services;
- taking urgent steps to accelerate and modernise the EU's **standardisation** procedures to establish interoperability and foster innovation in fast-moving global markets;

### 3. Maximising the impact and efficiency of resources

At times of significant public budget constraints, it is crucial for the EU to safeguard its sources of future growth and jobs, notably by:

- **prioritising investment** in education, training, research (from fundamental to applied), development and innovation, and key technologies, including key enabling technologies;
- putting in place strong policies for human resources in science, technology and innovation;
- maximising value for money by **tackling fragmentation and by increasing the efficiency of public spending on RDI** at EU, national and regional level;
- encouraging to mobilise available **Structural Funds** for RDI, which should remain an important priority for the next programming period, without prejudging the future Multiannual Financial Framework;
- facilitating the co-operation between European **networks and clusters**;
- considering scientific and research **cooperation** with third countries as a matter of common concern.

The Council therefore welcomes the objectives of the proposed **European Innovation Partnerships** (EIPs) and supports the development of a proposal with a view to launching a pilot Partnership on active and healthy ageing. The Council will take the necessary political decisions on EIPs before they are launched. It notes the Commission's intention to seek the Council's endorsement in making a success of the implementation of the pilot.

4. Improving governance and monitoring progress

**Improved governance at all levels and horizontal co-ordination, as well as steering and regular monitoring at the highest political level** are required to ensure the success of Innovation Union, in particular of European Innovation Partnerships.

Referring to the (June) European Council regarding the Europe 2020 Strategy, the Council looks forward to the Commission's work in developing an innovation indicator, in close collaboration with the Member States and international partners.

## II. TURNING INNOVATION UNION INTO A SUCCESS

### THE COUNCIL OF THE EUROPEAN UNION

#### RECALLING

- The Council's earlier orientations on the European Research Area and on innovation, notably its conclusions of 2 December 2008 on the definition of a 2020 vision for the European Research Area<sup>1</sup>, and the introduction of five specific ERA initiatives<sup>2</sup>, and the conclusions of 26 May 2010 on creating an innovative Europe<sup>3</sup>;
  - The conclusions of the European Council of 17 June 2010 which finalised the European Union's new strategy for jobs and smart, sustainable and inclusive growth (Europe 2020 Strategy) and which agreed as one of the headline targets for the strategy "improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP", while asking the Commission to work out an indicator reflecting R&D and innovation intensity"<sup>4</sup>;
1. BEING AWARE of the need for Europe to emerge from the crisis and of the urgency to respond quickly, strongly and efficiently to the challenges faced by the EU, while keeping in mind a sound public-finance approach, and of the need, even in times of important budgetary constraints for the EU and its Member States, to prioritise efficient investments where appropriate in education, training, R&D, innovation and key technologies such as information and communication technologies, which are all areas on which Europe's future growth performance and global competitiveness will depend;

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<sup>1</sup> Official Journal C 25, 31.1.2009, p. 1-4.

<sup>2</sup> Council conclusions of 30 May 2008 on "the Launch of the "Ljubljana Process" - towards full realisation of ERA" (doc. 10231/08).

<sup>3</sup> Doc. 10266/10 of 28 May 2010.

<sup>4</sup> Doc. EUCO 13/1/10 of 17 June 2010.

UNDERLINES:

- a. that the “Innovation Union Flagship” is an integrated strategy of crucial importance to meet the agreed Europe 2020 Strategy<sup>5</sup> objectives, since it puts forward a strategic approach, bringing together all relevant decision-making levels and policies, in order to support the transition of the EU economy towards an energy and resource efficient and competitive knowledge economy that ensures high levels of smart, sustainable and inclusive growth and jobs, is able to face increasing global competition, and addresses societal challenges;
  - b. that taking decisive action, both immediate and over the medium- to longer-term, by the EU and Member States is needed;
2. WELCOMES in this context the Commission communication "Europe 2020 Flagship Initiative Innovation Union" and CALLS for strong and explicit synergies between the Innovation Union flagship and other relevant flagship initiatives<sup>6</sup>, as well as with other EU policies such as the Single Market Act and the Small Business Act;
3. STRESSES the need for:
- A broad concept of innovation, including technological and non-technological, demand- and user-driven innovation, business model and eco-innovation, innovation in services and design, public sector innovation, open and social innovation in support of creativity and entrepreneurship and for the benefit of smart, sustainable and inclusive growth;

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<sup>5</sup> Conclusions of the European Council of 17 June 2010 (doc. EUCO 13/1/10).

<sup>6</sup> I.e. the "Digital Agenda", "Industrial Policy", "Youth on the move", "Resource Efficient Europe", "the Agenda for new skills and new jobs" and "Platform against poverty" flagships.

- Ambitious and integrated RDI policies, at both EU, Member State and regional level, based inter alia on strong synergies between education and RDI policies and between stakeholders for a better functioning of the knowledge triangle, as well as the need for specific actions to accelerate investments in RDI and to increase the number of highly qualified human resources, including researchers. This will require greater efficiency, joint and coordinated efforts, close cooperation and effective implementation, using all existing instruments, in all relevant fields and at all levels;
  - A greater involvement in the innovation process of Member States and regions as well as all stakeholders: large companies, middle capitalisation companies (mid caps) and small and medium-sized enterprises (SMEs), all sectors from low-tech to high-tech, including services and the public sector, financial institutions, universities and research organisations, as well as citizens.
  - Streamlining and simplifying instruments and procedures and, where appropriate, effectively coordinating relevant programmes and procedures, as well as removing unnecessary administrative burdens at EU, national and regional level;
4. UNDERLINES the importance of research and competition and of regional, cohesion and trade policies for innovation, as well as the importance of ensuring complementarity with national and regional innovation strategies of Member States. Closer links are needed between R&D, innovation, societal needs and the market, to promote innovation and the rapid development and commercialisation of research results and of key technologies, including key enabling technologies. Specific needs of high-technology and long-term projects should also be taken into account in this context. The potential of standards as a tool to facilitate and disseminate innovation should also be recognised;



5. RECOGNISES the value of SMEs for the European economy and UNDERLINES the importance of SMEs when pursuing the objective of an innovative European Union and; STRESSES the need for governments to set framework conditions that are conducive to a business environment supporting innovation in SMEs; CALLS for direct involvement of SMEs and for the “think small first” principle to be applied in the different initiatives, as well as the implementation of the Small Business Act and consideration of more specific actions in relation to knowledge transfer and exploitation by SMEs, supporting innovative SMEs and the participation of SMEs, of fast-growing and of young, innovative enterprises in clusters;
6. UNDERLINES that eco-innovation should constitute one of the key components of the overall European innovation policy agenda, as it plays a key role in achieving objectives related to the environment and climate, energy, resource and material use and biodiversity;
7. UNDERLINES that the gender dimension and assuring equal opportunities for men and women should be part of the European innovation strategy, in order to foster the commitment and creativity of women in support of research, innovation and competitiveness;

## Getting good ideas to market more quickly

8. CONSIDERS access to finance for all forms of innovation, notably for SMEs, as a top priority for action. This is an essential factor in supporting start-up creation and growth of innovative enterprises and to facilitate the commercialisation of products and services of such enterprises. In this field, European action can be decisive in ensuring the development of a more integrated seed and risk capital market, better conditions of access to finance, business angels, private capital investment, and the development of effective and efficient support instruments at European and national level (e.g. venture capital funds through EIB/EIF funding, risk-capital and guarantee tools including the Risk Sharing Financing Facility, RSFF), which attract and leverage private investment. In this respect, INVITES the Commission to conduct a review of the relevant State-aid frameworks in line with the Innovation Union objectives; INVITES the Commission to also explore options for setting up an "IPR valorisation tool" at European level, in particular to ease SMEs' access to the knowledge market, and report back to the Council;
9. CALLS for the removal of obstacles to the functioning of the Single Market for innovation which would significantly reduce time to market and facilitate the introduction, commercialisation and diffusion of new goods and services by well-suited demand-side policies such as stimulating and faster setting of interoperable standards, a more strategic use of public and pre-commercial procurement for innovative products and services, smart regulation, and more accessible and effective management and protection of intellectual property;
10. RECOGNISES the contribution of key technologies, including space technology, to the overall competitiveness and innovation potential of the European economy, as well as the importance of sustainable and operational space and other infrastructures serving as platforms for the development of innovative applications and services for the benefit of European citizens;

## Strengthening the knowledge base

11. STRESSES the importance of quickly taking all measures necessary, in line with the "ERA vision 2020", for a well functioning and coherent European Research Area in which researchers, scientific knowledge and technology circulate freely, in which RDI investments are less fragmented and the intellectual capital across Europe can be fully exploited; this work should build upon the on-going work on the ERA initiatives <sup>7</sup>;
12. STRESSES that scientific excellence and basic and applied research, supported by world-class infrastructures, life-long learning, training and higher education, in particular in science and engineering, as well as incentives for commercialisation of results, are preconditions for an efficient innovation system;
13. CALLS for relevant future EU funding programmes, notably the Framework Programme for Research and Technological Development, Competitiveness and Innovation Framework Programme (CIP) and Structural Funds to focus more on the priorities of the Europe 2020 Strategy, aiming at a high socio-economic impact and addressing societal challenges and key technologies as well as facilitating collaborative research and industry-driven research; the funding instruments of these programmes should be streamlined and access to such funding radically simplified through a better balance between control-based and trust-based systems. More synergies between the research and innovation dimensions in the programmes should be considered. The role of the European Research Council (ERC) in promoting excellence should be strengthened. LOOKS FORWARD to the strategic research agenda of the European Institute of Innovation and Technology (EIT);

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<sup>7</sup> Joint programming in research; European researchers' partnership; legal framework for European Research infrastructures; intellectual property management; and a wide opening of the ERA to the world.

14. More effective education and training programmes geared towards training or upskilling creative people, researchers and entrepreneurs are needed to generate jobs for the European knowledge-based economy. Larger numbers of talented people should be attracted to and encouraged to remain within the European Research Area. Researchers' mobility should be facilitated. Links between universities and research organisations and industry, including public-private mobility, are to be further consolidated;
15. UNDERLINES the need to stimulate a culture of creativity, science and entrepreneurship among citizens in general and among young people in particular, in order to support research, innovation and help them to become active innovators;
16. RECOGNIZES the multidisciplinary nature of innovation and the fact that, in addition to manufacturing and services industries, the cultural and creative sectors represents an important source of technological and non-technological innovation, and that this potential must be fully unlocked;
17. RECOGNIZES the added value of social innovation and public-sector innovation to improve social services and workplace practices and to engage a wider and more inclusive community in innovation. The added value of regions and local entities should be acknowledged in their role as public and social innovators, since this is often a bottom-up, user-driven process that regional and local authorities can anticipate, stimulate and foster directly;

### **Making innovation systems more efficient at all levels**

18. STRESSES the need to ensure coherence and coordination between different EU policies in order to provide more efficient EU action and stresses as well the importance of better cooperation between EU and national, regional and local policies and programmes with a view to mobilising resources in an efficient way. Fragmentation, duplication, complexity and lack of critical mass for achieving real breakthroughs need to be tackled urgently, notably by more efficient and less bureaucratic governance at all levels;

19. UNDERLINES the value of policy features identified in Annex I of the Commission communication: they are an interesting orientation tool complementing the present approaches for reviewing research policies, for the purpose of reviewing the national and regional research and innovation systems in line with the Integrated Guidelines, and for supporting the exchange of best practice and peer review among Member States, in order to achieve appropriate policy mixes that take into account different national circumstances;
20. UNDERLINES the strong support from Structural Funds to research and innovation and ENCOURAGES a better use of funds and an improved RDI impact. Without prejudging the future Multiannual Financial Framework, research and innovation should remain an important priority for the next programming period and there should be a greater impact of expenditure in this area; NOTES with interest in this respect the concept of "smart specialisation", with each region building on its own strengths, to guide priority-setting in national and regional innovation strategies, as well as cross-border cooperation where appropriate;
21. UNDERLINES the role of competitive clusters as key drivers of innovation and growth, notably for SMEs and fast growing innovative enterprises, with the help of regional innovation systems, and STRESSES the importance for Member States of developing actions in support of the development of competitive clusters and of EU-level actions (including those of the EIT) to facilitate cross-border world-class clusters;

### **European Innovation Partnerships**

22. WELCOMES the objectives of and the ongoing work regarding European Innovation Partnerships (EIPs) as an approach that is meant to foster synergies and mobilise expertise and resources across the EU, and acting across the entire research and innovation chain, by combining supply and demand policies, and by ensuring consistency between EU policies through a better coordination of initiatives and actions in a coherent framework that creates the critical speed and mass to get innovations with a societal benefit quicker to the market; LOOKS FORWARD to further elaboration of the concept of EIPs;

23. EMPHASIZES that EIPs should provide genuine European added value, address societal challenges, avoid duplications, and be based on flexible, simple and transparent governance associating Member States and relevant stakeholders on a voluntary basis;
24. ENCOURAGES the Commission to develop a proposal with a view to launching a pilot EIP on active and healthy ageing, to assess the concept, notably based on a mapping exercise of activities and stakeholders in this area and CALLS for an evaluation of the pilot in due course;
25. INVITES the Commission to work further in developing the practical aspects of the EIPs, including the issues of funding, the identification and selection criteria, the legal aspects and the governance of the Partnerships, as well as the modalities for better coordinating instruments, and on the basis of the pilot, in close cooperation with the Council and Member States so that the Council can return to this issue as soon as possible. The Council will take the necessary political decisions on EIPs before they are launched. It notes the Commission's intention to seek the Council's endorsement in making a success of the implementation of the pilot.

### **Projecting the EU on the world stage**

26. UNDERLINES that the globalisation of markets and knowledge implies that the EU and Member States should consider scientific and technological cooperation with third countries as an issue of common concern and should consider coordinated approaches, wherever appropriate. The external dimension must be duly taken into account in the design of EU research and innovation policies, with the aim of ensuring open and competitive markets in a spirit of reciprocity and mutual benefit, and attracting investments, researchers and creative and innovative talent. The EU will use its trade and external relations instruments to address unfair trade practices that damage European industry. Experts from the Member States and the Commission should, in collaboration with international partners, benchmark innovation policies outside the EU and report regularly to the Council. Special attention should be given to the management and protection of IPR in view of their importance for innovation;

## **Improving governance**

27. CALLS for improved governance and horizontal coordination, taking into account the role of other sectoral policies in innovation; and for further improvements in mutual learning between Member States and regions;
28. UNDERLINES the leading role of the Competitiveness Council in the timely adoption and updating of the roadmap for the Innovation Union, the monitoring, at national and European level, of its implementation and the review of progress of the Innovation Union, and in drawing suitably integrated conclusions from this review, including for stepping up efforts where necessary, and report to the European Council;
29. STRESSES the need to ensure a balanced participation of stakeholders from the relevant sectors within bodies that are in charge of monitoring the implementation of the Innovation Union flagship initiative;
30. RECOGNIZES the need for better innovation indicators which assess the impact of the implementation of Innovation Union as part of Europe 2020 governance and the need for a scoreboard that monitors progress taking account of relative starting positions in Member States and national circumstances; RECOGNISES that the low share of fast growing innovative companies constitutes a major weakness in this respect; LOOKS FORWARD to the Commission's work in developing an innovation indicator in close collaboration with Member States and international partners, with a view to complementing the 3% R&D target.

### III. ROADMAP FOR ACTIONS

THE COUNCIL OF THE EUROPEAN UNION

TAKES NOTE of the actions proposed by the Commission in the Innovation Union flagship initiative and acknowledges the need to prioritise efforts on the most urgent and important actions to build an Innovation Union equipped to face the challenges of the 21st century:

1. INVITES the Commission to start the implementation of the Innovation Union initiative with the following actions:
  - a) to present a communication setting out ways for future programmes in line with paragraph 13 of the present conclusions (early 2011);
  - b) to present a communication accompanied by a legislative proposal on standardisation, to launch a wide debate on how to improve EU standard setting, as well as a multi-annual programme to anticipate new standardisation needs and integration of standardisation aspects into R&D projects (early 2011) ;
  - c) to present an eco-innovation plan (early 2011);
  - d) to start preparatory work and organise a broad public consultation (in 2011) with a view to taking measures to achieve the European Research Area;
  - e) to conduct a review of the relevant State-aid frameworks in line with the Innovation Union objectives (in 2011);
  - f) to provide guidance and to test the feasibility of a support mechanism to help authorities to promote innovative public procurements, including on a cross-border basis, while facilitating SME access;



- g) to propose the selection criteria and governance mechanisms for the European Innovation Partnerships (end 2010), and on the basis of the first results of the pilot, notably concerning governance, to identify further candidate Partnerships (end 2011), in close cooperation with the Council, Member States and stakeholders;
- h) to make proposals to achieve a genuine European Venture Capital market;
- i) to advise Member States on possible improvement of the performance of their national innovation systems and with the implementation of smart specialisation strategies;
- j) to start the necessary work, in line with paragraph 30 of the present conclusions, in close collaboration with Member States and international partners, for the development of an innovation indicator, in order to have it available by 2012 and to monitor overall progress on innovation performance in all its dimensions using the research and innovation scoreboard.

2. INVITES Member States:

- a) to improve, where necessary, the performance of national systems, making full use, if appropriate, of the self-assessment tool, and to develop strategies to meet their national R&D targets;
- b) to improve the use of existing Structural Funds for research and innovation projects;
- c) to increase and improve the use of innovative public (precommercial) procurement and to use procurement budgets for pre-commercial procurement and public procurement of innovative products and services on a voluntary basis (by 2011)

3. INVITES the Commission, Member States and relevant stakeholders:

- a) to consider putting in place financial instruments to increase and improve access to finance for innovative SMEs and projects and fast growing, innovative companies, and to close market gaps as well as to ensure that venture capital funds can function and invest freely in any Member State;
  - b) to launch a pilot European Innovation Partnership on active and healthy ageing in line with paragraph 24 of the present conclusions (early 2011);
  - c) to convene the first annual “innovation convention” (second half of 2011) and to set up awareness raising campaigns, at European, national, regional and local level in order to stimulate an innovation mindset;
  - d) to analyse the feasibility of a more integrated European knowledge market for Intellectual Property Rights and licensing (end of 2011).
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