



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 29 November 2011

17071/11

COMPET 524

NOTE

From: Presidency

To: Council (Competitiveness)

Subject: Competitiveness Council of 5 and 6 December 2011:

Any other business (item 18d)

Results of the Conference on the Implementation of Lead Markets Initiative and the European Innovation Partnerships (Warsaw, 26-27 October 2011)

– Information from the Presidency

Delegations will find attached the note from the Presidency on the results of the Conference on the Implementation of Lead Markets Initiative and the European Innovation Partnerships (Warsaw, 26-27 October 2011).

**Policy seminar – Lead Market Initiative and European Innovation Partnerships
(26 – 27 October 2011, Warsaw, Poland)**

**Report of the Polish Presidency of the Council
of the European Union**

Introduction

The Polish Presidency “*Policy seminar – Lead Market Initiative and European Innovation Partnerships*” took place on 26 and 27 October 2011 in Warsaw. It was organized by the Polish Ministry of Economy with support of the Directorate – General of Enterprise and Industry of the European Commission. The seminar focused on the outcomes of the implementation of the Lead Market Initiative (demand-side policy) and the idea of running the new innovation related initiative - European Innovation Partnerships..

Objective and scope of the seminar

The seminar was organized to discuss the assessment of the evaluation of the Lead Market Initiative and examine the contribution that demand-side innovation policy make in developing the competitiveness of European economy. Taking into account that the European Commission introduced in the *Europe 2020* strategy the idea of creating European Innovation Partnerships which aim is to tackle the societal challenges through research and innovation (supply-side innovation) it was necessary, in the Polish Presidency opinion, to provide the opportunity for policy makers, Member States, industry and academia to give their opinion on the possible future of the innovation policy in Europe in the light of two those two initiatives. A successful innovation policy requires an appropriate balance between demand-side and supply-side measures. The coordination of the LMI lessons learnt together with the European Innovation Partnerships perspectives could play a significant role in delivering such balance in the European economy

Main findings of the seminar

(1) Connecting demand-side and supply-side innovation policy

- (a) There is a strong consensus over the fact that without effective and coordinated demand-side innovation policies that are also connected to supply-side it will be more difficult to enhance European competitiveness. The policy actions shouldn't be based only on the "technology – push" policy but also to emphasize the role of markets that are pulling the innovations, creating the demand for innovative products and services.
- (b) A platform, such as practitioners networks, for exchanging results from pilot and demonstration projects in the field of public procurement, standardization and regulatory activities should be set up, in order to allow making decisions on future actions and better coordinate existing initiatives.
- (c) Public procurement is a key instrument to help demand- and supply-side policies work together. Governments are the important procurers but also structuring markets through regulations. Moreover, regulations should not raise costs and slow innovation processes but enhance innovation for example through setting performance standards. There is a strong need to encourage stakeholders to innovate in the area of products and services and set up practices to develop innovative public procurement. Additionally, engagement of public procurers (demand-side policy) as the innovation accelerators could be used to answer "grand challenges" that are mentioned in the Innovation Union flagship.
- (d) Stakeholders welcomed coordination between demand-side innovation policy actions at EU-level, and hoped that this could be replicated at national level. Preferably this could be done under one initiative. It would also help to develop the EU internal market.

- (e) Using co-ordinated package of instruments would be more effective than using them separately. There is a need to find a way of adding demand-side policy instruments to future supply-side policies (e.x. research, energy, transport, health programmes).
- (f) The INNO-Policy *TrendChart report Demand-side Innovation Policies* was released by Technopolis Group on the occasion of the seminar. The document underlines the role of the demand-side innovation policy as an important tool aiming at increasing the demand for innovations. It is also recognized that the innovation policy mix should be composed of both – demand-side and supply-side measures.
- (g) During the seminar a foresight exercise was organized. Two foresight experts presented two scenarios of possible future of innovation policy in Europe in 2030 – the good one (*We are the champions*) and the bad one (*We are in trouble*):
- *We are the champions*: European industry adapted well to the changing societal needs and became more resource efficient, European Union developed “lead markets” and is now the leading economic partner in these sectors worldwide.
 - *We are in trouble*: tools to connect demand- and supply-side innovation policy not developed, European Union does not deal successfully with “grand challenges”, high vulnerability to another economic/financial crisis. At the same time recession and crisis can be also an opportunity for new solutions, rethinking existing strategies – this scenario can be perceived as and opportunity for reforms and needed changes.

After presentations the participants could vote which scenario is most credible. The voting results showed that 73,6% of participants think the bad scenario is most likely to happen. The results stresses the urgent need to take action with respect to ensuring the coherent and well coordinated innovation policy.

(2) Evaluation and future of the Lead Market Initiative

Evaluation

- (a) The LMI had an impact in 4 sectors (out of 6): e-health, bio-based products, sustainable construction, protective textiles but there should be new markets also considered.
- (b) Evaluation of LMI showed that the choice and mix of tools (public procurement, standards, regulation and complementary actions) to implement LMI was right though new instruments should be also considered (e.x. clusters).
- (c) The main recommendation for future actions is to keep and increase the coordination and coherence of action at EU and Member States level.
- (d) Though the LMI didn't have a dedicated budget to implement actions, important results have achieved under CIP/Framework Programme funding (153 mln € within 4 years). To ensure a success in future it is essential to mobilize relevant EC resources.
- (e) Three pilot public procurement projects initiated under LMI are perceived as very successful: LCB-Healthcare, ENPROTEX, SCI-Network. These pilot projects show examples of innovation procurement in action (new approaches, reducing barriers, showing lessons learnt and case studies).
- (f) There were some difficulties on the Member State level to implement LMI action plans as their role didn't appear to be clear and it was difficult to match it with national initiatives and priorities within LMI fields.
- (g) There was notable activity on the regional level – e.x. Rok-FOR (R&D strategies in bio-based products and sustainable construction), ERA-LEAD (regional funds in all LMI sectors), EUROPROC (support in SMEs in public procurement).

- (h) The greatest involvement from the industry was noticed in three sectors: bio-based products, e-health and protective textiles.

Next phase of LMI

- (i) During the seminar the European Commission presented “*Lead Market Initiative: From pilot to possible future actions*” discussion paper which purpose was to reflect on the outcome of the recent evaluation of LMI and to present some preliminary ideas for the discussion on how to design and implement the future demand-side policy
- (j) initiatives (option A: use demand-side innovation policy tools individually, option B: go for next phase of the LMI by using tailored packages).

The report indicated possible organizational structures for tailored packages:

- market navigators: strategic orientation of the use of the demand-side policy tools with supply-side instruments by linking them to other industrial sector policy initiatives
 - market accelerators (LMI 2.0): accelerating the internal market development in certain sectors and/or sub-sectors, by incentivizing the “first movers” and increasing the critical mass and user-driven nature of the actions by smart combination of policy tools,
 - demand-side practitioner support networks – to work on training, communication and best-practice-sharing tools that could leverage the use of the core policy toolbox.
- (k) During the seminar the discussion on the potential new lead markets was launched. The participants could propose ideas for new lead markets areas with the use of voting machine. The following proposals were put forward: space industry, security, urban design, sustainable transport (including infrastructure and hybrid cars), smart transport, shipping and maritime industries, nanotechnology, water management, forest fibre-based future, healthcare sector, tourism (services), eco-innovation, future internet and SMEs, cross-sectoral on emerging industries and services, clean-coal & organical chemical products, rare metal industry, pharmaceutical industry, gaming & entertainment industry.

Following areas received more than 50% positive votes:

- sustainable transport (including infrastructure and hybrid cars),
- smart transport,
- nanotechnologies,
- water management,
- healthcare sector,
- future internet and SMEs.

(l) Participants could also write down the ideas for new activities, which were:

- continue with those areas that have started well and shown impact,
- focus on societal challenges,
- ensure greater Member State involvement,
- endure better coordination inside the European Commission,
- enable more cross-sectoral co-operation,
- harmonize financial tools and improve market information systems,
- combine “market accelerators” and “market navigators” into “LMI-driven research programmes”,
- strengthen single market development,
- integrate clusters policies into demand-side policy measures,
- make sure that the current lead markets are well implemented before launching new ones,
- ensure both top-down and bottom-up processes,
- perceive foresight activities as supportive to other policy instruments,
- create better links with society and raise LMI/innovation awareness,
- link recycling LMI to EIP on raw materials
- when identifying new lead markets avoid too broad or too narrow concepts.
- provide visibility and better national coordination of actions under LMI in the future.

European Commission intends to prepare a public consultation on the future options how to organise the use of the demand-side innovation policy tools to contribute improving the European competitiveness. This consultation is planned to take place during first half of 2012 in order to pave the way for the Commission proposing possible further measures beginning of 2013.

(3) *European Innovation Partnerships – next steps*

- (a) Linking research and market needs is essential for European innovation policy and the new initiative– European Innovation Partnerships – could be an instrument to connect demand- and supply-side innovation policy.
- (b) LMI and EIPs should be developed as complementary policy instruments – LMI as a bottom-up, strategic attitude, EIPs as a top-down, operational attitude). Moreover, next phase of LMI could implement critical components of EIPs.
- (c) EIPs could build on existing, separate tools and actions (such as LMI instruments), and can also interlink activities, providing synergies between relevant initiatives and programmes.
- (d) Further development of practical implementation of the EIP concept, whereby the role of Programme Committees should be defined.
- (e) Elements for successful EIPs:
 - focus on clear vision of results and impacts,
 - focus on specific societal challenges (identification through public consultations, workshops),
 - provide the strong political (EU and Member States) and stakeholders commitment, including financial/in-kind contribution from all,
 - engaging Member States and stakeholders in consultations process and/or enable them to be represented in working groups/Steering Group to help shape priority areas and Strategic Implementation Plan.

The presidency seminar joined 128 participants from majority of Member States, The Presidency report is available on the seminar webpage www.lmiwarsaw.pl together with the speakers' presentations and video recordings.

Additionally, Polish Presidency organized in Warsaw two workshops on innovation policy, first on 7th of June 2011 on “Innovation and Competitiveness in agriculture” and second on 4th of October on “Innovation Europe: Interaction between public and corporate governance”. The workshops gathered a large number of policymakers from all MS and were a platform for a debate in which direction the future of innovation policy should go. One of the outcomes was the idea to establish a High level group on innovation policy management, consisting of experts from business, government and academia, which aim would be to prepare a series of concrete recommendations to the Commission and European Council how to improve the management of innovation policy in Europe, in order to achieve a smoother transition from research to development.
