



**COUNCIL OF
THE EUROPEAN UNION**

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OUTCOME OF PROCEEDINGS

from: General Secretariat of the Council

to: Delegations

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Subject: Creating an innovative Europe
- Council conclusions

Delegations will find attached the Council conclusions on Creating an innovative Europe, as adopted by the Competitiveness Council at its meeting on 26 May 2010.

Council Conclusions on Creating an innovative Europe

THE COUNCIL OF THE EUROPEAN UNION

RECALLING

- Council conclusions of 4 December 2006 on a broad-based innovation strategy: Strategic priorities for innovation action at EU level¹
- Commission communication of 14 December 2007 entitled "Pre-commercial Procurement: Driving innovation to ensure sustainable high quality public services in Europe";²
- Council conclusions of 29 May 2008 entitled "A fresh impetus for competitiveness and innovation of the European economy: the lead market initiative for Europe, venture capital funds, standardisation for innovation, pre-commercial procurement, metals industries, forest-based industries and defence industries";³
- The Small Business Act which asked for a promotion in SMEs of all forms of innovation;⁴
- Council conclusions of 1 December 2008 on the Communication from the Commission "Towards world-class clusters in the European Union: implementing the broad-based innovation strategy",⁵

¹ Doc. 16253/06.

² Doc. 16471/10.

³ Doc. 10174/08.

⁴ Council Conclusions of 1 December 2008 on "Think Small First – A Small Business Act for Europe", doc. 16788/08.

Commission Communication: "Think Small First". A "Small Business Act" for Europe, SEC(2008) 2101; SEC(2008) 2102.

⁵ Doc. 16787/08.

- The Conclusions of the European Council of 11/12 December 2008 calling for "the launching of a European plan for innovation, combined with the development of the European Research Area and with reflection on the future of the Lisbon Strategy beyond 2010";⁶
- The "New skills for new jobs" initiative⁷ and the Strategic Framework for Education and Training ("ET 2020");⁸
- The European Year of Creativity and Innovation (2009) which underlined the key role of education and culture in promoting creativity and innovation in Europe;⁹
- Commission Communication of 2 September 2009 on reviewing Community innovation policy in a changing world;¹⁰
- Council conclusions 3 December 2009 on guidance on future priorities for European research and research-based innovation in post-2010 Lisbon Strategy;¹¹
- Council conclusions of 4 December 2009 entitled "Towards a competitive, innovative and eco-efficient Europe — a contribution by the Competitiveness Council to the post-2010 Lisbon agenda"¹² and Council Conclusions of 1 March 2010 on the need for a new industrial policy¹³, which called for a Commission Proposal for an ambitious, business oriented and forward looking European innovation plan, with sufficient critical mass to address major societal and economic challenges;

⁶ Doc. 17271/1/08.

⁷ Council Resolutions of 15 November 2007 and of 9 March 2009 on new skills for new jobs (OJ C 290, 4.12.2007 and doc. 6479/09, respectively).

⁸ Council conclusions of 11-12 May 2009 on a strategic framework for European cooperation in education and training ("ET 2020"), doc. 9845/09.

⁹ Decision No 1350/2008/EC of the European Parliament and of the Council of 16 December 2008 concerning the European Year of Creativity and Innovation (2009). Official Journal L 348, 24.12.2008, p. 115 - 117.

¹⁰ COM(2009) 442 final.

¹¹ Doc. 17189/09.

¹² Doc. 17179/09.

¹³ Doc. 6391/10.

- Commission Communication of 3 March 2010 "Europe 2020: Strategy for smart, sustainable and inclusive growth", in particular the proposed Flagship initiative "Innovation Union" but also the initiatives for a "Digital Agenda" (ICT, infrastructures), "A resource efficient Europe" (eco-innovation) and a "industrial policy for a globalisation era" (framework conditions);¹⁴
- The conclusions of the European Council of 25/26 March 2010 concerning "Europe 2020: a New European strategy for jobs and growth", which agreed that the new strategy will focus on the key areas where action is needed: knowledge and innovation, a more sustainable economy, high employment and social inclusion, and which agreed the headline target of improving the conditions for research and development, in particular with the aim of bringing combined public and private investment levels in this sector to 3% of GDP;¹⁵
- the 3-4 March 2010 Concord conference in Seville with the aim to review the performance of corporate R&D in Europe and its policy conclusions oriented to an integrated approach of R&D&I policies by removing barriers to the restructuring of EU industry towards sectors with growth potential and to the growth of young innovative firms into tomorrow's global players;
- the 27-28 April 2010 conference in Bilbao on the European Challenges for Innovation which has advanced on the definition of the right innovation strategy to boost Europe's dynamism and to create the conditions for a smarter and stable economy, concluding inter alia that there is a need for making the research to innovation paths easier.

¹⁴ Doc. 7110/10.

¹⁵ Doc. EUCO 7/10.

1. ACKNOWLEDGES that research and innovation policy has moved up in terms of EU policy priorities and become widely recognised as a key enabler of competitiveness, productivity growth and sustainability and to tackle global and societal challenges;¹⁶
2. WELCOMES the Commission's intention to present a new Plan for European Research and Innovation in the framework of the proposed Flagship Initiative "Innovation Union" in the context of the Europe 2020 strategy; STRESSES that the Plan should include all forms of innovation in both the public and the private sector, and create a sound basis for synergies between policy areas in order to make the Knowledge Triangle a reality.

CONSIDERS important to contribute to the future European innovation policy by stressing the need for action in five major areas:

I. Financial

1. Member States and the Commission should work together with the private sector to lay the basis for more effective banking financing lines for Research, Development and Innovation (R&D&I), involving actors such as the European Investment Bank;
2. Private investors in research and innovation are key stakeholders and their role needs to be promoted through adequate incentives and through establishing financial channels for attracting those investors, including the development of various indirect measures for financing R&D&I; in this respect, "innovation funds"¹⁷, offering portfolios of investment with attractive return expectations should become more attractive to private investors;

¹⁶ Commission staff working document "Assessing Community innovation policies in the period 2005-2009", 9.9.2009, SEC (2009) 1194.

¹⁷ Venture capital funds investing in innovative companies.

3. Member States and the EU should encourage greater levels of venture capital in innovative companies at all stages, addressing in particular the market failures in innovative and creative start-ups, in order to leverage private investment; To this end, efforts should be devoted to create favourable conditions to foster a growing and robust European venture capital market, making possible the stable participation of private investors; In this context, the Commission is also invited to explore the need for improved cross-border venture capital investment acting especially in the early stages;
4. The Commission should assess the effectiveness of technology-oriented exchange regulated markets, such as the Alternative Investment Market (AIM), in stimulating innovation and entrepreneurship in the EU. This assessment should pay particular attention to: the role of such markets in providing an exit route for investments in venture capital and of business angels; the role they play in providing a source of capital funding for high growth companies; and whether such markets provide an adequate function across the EU.

II. Markets

1. Public procurement has a large untapped potential to support innovation in markets as highlighted in the Lead Market Initiative for Europe¹⁸; in this respect, efforts should be continued to significantly increase the part of the public procurement budgets devoted to innovative products, processes and services, in particular by SMEs, for instance by promoting networks of public procurers and providing appropriate support measures; the Commission should explore, for future European technological challenges, the viability of launching competitive calls that could combine the financing of the pre-commercial public procurement stage by the EU and the subsequent public procurement by Member States; the review of the Directives on public procurement should include the viewpoint of their effects on innovation;

¹⁸ Commission staff working document "Lead Market Initiative for Europe. Mid – term progress report", 9.9.2009, SEC (2009) 1198 final.

2. The European Single Market will provide clear and strong signals to innovators on the demand for their novel products and services, therefore the Council ENCOURAGES the Commission and Member States to explore new measures towards completion of the Single Market;
3. Legal and regulatory barriers create fragmentation in innovative markets; for this reason, the Council WELCOMES the first steps for removing these barriers in the framework of the Lead Market Initiative and CALLS on the Commission to further advance towards a single market for innovative products, including standardisation; The effects of regulation on innovation should be analysed, in particular as part of the Lead market initiative;
4. In line with the spirit of the Small Business Act, Member States and the Commission should foster better framework conditions for all forms of innovation which means that the "think small first" principle should be a guiding rule in all innovation support measures;
5. Non-technological innovation, including design, innovation in services as well as culture-based creativity, is an important tool for competitiveness, growth and quality of life for citizens:
 - As regards design which is an important driver of user centred innovation¹⁹, the Council INVITES the Commission and Member States to give special attention to design considering its leverage effect on innovation performance, taking into account economic, social and environmental sustainability aspects and STRESSES the need to establish platforms for exchanging knowledge, experiences and best practices on design issues as a competitive advantage for European companies;
 - Culture-based creativity is recognised as a vital driver of innovation in sectors such as the Cultural and Creative industries (CCIs) which are characterised by higher than average growth and strong untapped potential;

¹⁹ Commission staff working document "Design as a driver of user-centred innovation", 7.4.2009, SEC (2009) 501 final.

- Services account for over 70% of EU GDP and knowledge intensive services account for a rising share of EU trade. SMEs are key actors in many service sectors. The Council INVITES the Commission to develop policies encourage innovation in services to deliver smarter, sustainable and inclusive growth;
 - Users are strong determinants in innovation; therefore, user innovation should be promoted, especially by providing further opening of the public information for innovation markets and opportunities, e.g. through government websites;
6. Exploitation of public research efforts requires effective management and protection of intellectual property and efficient dissemination of scientific and technological innovations in the European Research Area;
 7. REITERATES that enhancing the patent system in Europe is a necessary prerequisite for boosting growth through innovation and for helping European business, in particular SMEs, face the economic crisis and international competition.²⁰

III. Governance

1. R&D&I related policies, programmes and their related instruments need to be simplified and streamlined in terms of their design, implementation and reporting along the lines of the Council conclusions on the simplification of support of European Research and Innovation;²¹
2. Innovation policy and programmes need to take greater account of their impact in markets and society, particularly the importance of converting research and knowledge into real commercial benefit; the forthcoming measures should be geared towards clear objectives defined according to their expected market repercussion and/or social impact and taking into account the specificities of the economies of Member States;

²⁰ Council conclusions of 4 December 2009 on an enhanced patent system in Europe (doc 17229/09).

²¹ Doc. 10268/10.

3. In conjunction with the review of the ERA instruments there is a need to explore and study the possibilities for rewarding with complementary EU R&D&I funding Member States collaborative R&D&I Programmes, whenever these national programmes include a European dimension according to principles to be agreed between the EU and the Member States;
4. Good practices in Member States, in particular with respect to fast and unbureaucratic support to SMEs as well as fiscal incentives for private donations should be analysed with a view to promote the private sponsorship of public R&D institutions as well as private non-profit R&D organizations.

IV. Regional priorities

1. The regional level is key for innovation; in this respect, the European innovation policy should ensure that adequate support for innovation actors, including SMEs is provided also at regional level through the available instruments and making a synergistic use of the existing funding opportunities and other initiatives (Competitiveness and Innovation framework programme, Structural Funds, R&D Framework Programmes, and the Knowledge and Innovation Communities of the EIT);
2. Clusters play an important role for innovation, gathering researchers, creative people, enterprises and technology to create new products and services for the world market as well as improving regional attractiveness; the efforts need to be continued to remove barriers to trans-national cluster cooperation, and to encourage the emergence and consolidation of world-class competitive clusters across Europe;
3. Cohesion policies in the regions regarding the "competitiveness and employment" objective could contribute to focus on one or several pillars of the Europe 2020 Strategy: innovation promotion, green economy and social inclusion; the Council STRESSES that innovation promotion, including eco-innovation and social innovation, should become a fundamental priority for cohesion policy.

4. Furthermore, the development of Regional Partner Facilities (RPF) will increase the innovation, technological and educational potential of the surrounding regions.

V. People

1. People are the main actors in research and innovation; Their skills must be matched with the demands of the market; therefore, to promote education and the acquisition of the right skills for innovation, as well as to foster entrepreneurship, is critical to prepare Europe for the future; The Commission should further examine how talent in universities, research institutes and technology and innovation centres can more effectively collaborate across national borders in order to maximise the impact of public investment in science and innovation;
2. Europe needs to increase its capacity to retain its researchers and to attract foreign talent; in this context, new ways of improving framework conditions careers in EU should be explored in order to retain domestic and attract foreign innovators;
3. Workers' mobility in the private and public sectors should be promoted and eased through research and innovation programmes, which should include an initial training period in innovation management and skills.