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REPORT

From : General Secretariat of the Council

To : Permanent Representatives Committee (Part I) / Council

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Subject : Preparation of the Competitiveness Council on 28 May 2009:
- **Any other business**
- **Draft Presidency progress report on innovation**

INTRODUCTION

On 7 April 2009, the Presidency presented its progress report on innovation to the Working Party on Competitiveness and Growth. The Working Party discussed the report on 7 April, 21 April and 28 April and reached agreement on the text as set out in the present document.

CONCLUSION

The Permanent Representatives Committee is informed about the agreement reached by the Working Party and it is requested to recommend to the Competitiveness Council meeting on 28 and 29 May 2009 to take note of the present progress report on innovation.

**Draft Presidency progress report on innovation,
presented to the Competitiveness Council by the Czech Presidency**

INTRODUCTION

1. The Presidency welcomes current measures aimed at fighting the economic crisis, and emphasises the importance of measures that could in the medium- and long-term help Europe to maintain or improve its competitiveness when the economic crisis will be over. In this respect, investments in research and development (R&D) and in innovation need to be kept up with a view to getting new and successful business solutions and strengthening the knowledge triangle via cooperation of businesses with universities and R&D institutions.
2. The Presidency emphasizes the important role of innovation in the current Lisbon Strategy and in the context of the post-2010 Strategy and draws the attention of the Commission to the importance of innovation and innovative solutions in the European Economic Recovery Plan ¹, in particular in order to promote “smart” investments (including energy efficiency and clean technologies).

¹ Communication from the Commission to the European Council - A European Economic Recovery Plan (doc. 16097/08).

3. The Presidency recalls the Communication entitled "More Research and Innovation - Investing for Growth and Employment: A Common Approach" ², the broad-based European innovation strategy published by the European Commission and approved by the Competitiveness Council on 4 December 2006 ³ and the measures that were identified in that strategy to stimulate innovation and competitiveness in Europe. The innovation strategy has since been implemented by various activities of the Commission and Member States.
4. The aim of the present Report is to take stock of progress in the area of innovation policy and to recall the most important activities carried out in this domain.

IN THIS CONTEXT, THE PRESIDENCY DRAWS ATTENTION TO THE FOLLOWING

5. In the conclusions on a fresh impetus for competitiveness and innovation, adopted on 29 May 2008 ⁴, the Competitiveness Council welcomed the lead market initiative ⁵ as a means to unlock the market potential for innovative goods and services and called for the removal of obstacles to innovation. In the lead market initiative, six markets were identified that could stimulate the demand for innovative goods and services. The mid-term progress report on the lead market initiative is due to be published in 2009 and the final results of the lead market initiative should be evaluated by the end of 2011.

² Implementing the Community Lisbon Programme: Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions - More Research and Innovation - Investing for Growth and Employment: A Common Approach (doc. 13605/05).

³ Council conclusions on a broad-based innovation strategy: Strategic priorities for innovation action at EU level (doc. 16253/06).

⁴ Council Conclusions: A Fresh Impetus for Competitiveness and Innovation of the European Economy (doc. 10174/08).

⁵ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions: A lead market initiative for Europe (doc. 5121/08).

6. Also in these conclusions, the Competitiveness Council stressed the fact that creating conditions for reducing fragmentation of European venture capital across the single market may contribute to overcoming the equity gap and increasing the flow of early-stage capital for innovative small and medium-sized enterprises (SMEs) in order to finance growth, quick market entry, exploiting new technologies and the global competitiveness of industry. The Council also invited the Commission and Member States to work together in overcoming obstacles to cross-border venture capital investment and it welcomed the fact that the Commission will promote the exchange of good practices in this area at all levels by supporting platforms and networks. Nevertheless, little progress has been made in this area and the use of venture capital in the present economic crisis has even dropped.
7. In the same conclusions, the Competitiveness Council also recognised the potential of pre-commercial procurement for improving the quality and efficiency of public services, as well as for contributing to strengthening R&D efforts, innovation capacity and the competitiveness of European businesses. It invited Member States and the Commission to encourage public authorities at all levels to implement pre-commercial procurement capable of creating innovative solutions for addressing mid- to-long term challenges.
8. On 25 September 2008, the Competitiveness Council adopted conclusions on standardisation and innovation ⁶. The Council considered that standardisation could make an essential contribution towards developing innovation and competitiveness in Europe by facilitating access to markets and enabling interoperability between new and existing products, services and processes. Standards are also a tool for supporting the lead market initiative.

⁶ Draft Council conclusions on standardisation and innovation (doc. 12791/08 + REV 1 (pt) + COR 1 (sk)).

9. With regard to clusters, several initiatives have been taken. The European Cluster Memorandum of July 2007⁷ contained advice and recommendations for an exemplary cluster policy. The Memorandum was adopted at the European Presidency Conference on Innovation and Clusters held in Stockholm in January 2008⁸. In its conclusions on clusters of December 2008⁹, the Competitiveness Council recognised the importance of cluster policy in terms of fostering innovation and excellence and addressing the specific needs of innovative enterprises, especially SMEs with a high growth potential. Recently, the European Cluster Policy Group was set up¹⁰. This Group should make recommendations on how to better design cluster policies in the Community¹¹.
10. In July 2008, the Commission adopted a Communication on a European strategy for industrial property rights¹². Progress has been made in the protection of intellectual property rights by reducing fees, making the Community Trademark System more straightforward and affordable for users, as well as in discussions on the Community patent. However, more work needs to be done to create a business-friendly Community patent and a unified patent litigation system.
11. In April 2009, a Commission staff working document on design as a driver of user-centred innovation¹³ was published. Design as an example of non-technological innovation is a strategic tool for user-centered innovation complementing R&D.

⁷ See http://www.proinno-europe.eu/NWEV/uploaded_documents/European_Cluster_Memorandum.pdf.

⁸ European Presidency Conference on Innovation and Clusters (Stockholm, 22 and 23 January 2008) — Information from the Presidency (doc. 6440/08).

⁹ Council conclusions on the Commission communication "Towards world-class clusters in the European Union: implementing the broad-based innovation strategy" (doc. 14679/08).

¹⁰ <http://www.europe-innova.org/index.jsp?type=page&cid=11511&lg=en>.

¹¹ The members of the Group were appointed on 13 March 2009.

¹² Communication from the Commission to the European Parliament, the Council and the Economic and Social Committee - An industrial property rights strategy for Europe (doc. 12267/08).

¹³ Commission staff working document - Design as a driver of user-centred innovation (doc. 8706/09).

12. The European Institute of Innovation and Technology (EIT) was established at the beginning of 2008. The EIT's governing board has been nominated and the first Knowledge and Innovation Communities (KICs) are in the process of being selected.
13. Six areas were identified in which Joint Technology Initiatives (JTIs) could have particular relevance. Under the Portuguese Presidency, agreement was reached on four JTIs, i.e. the CLEAN SKY initiative in the field of aeronautics and aerospace, the Innovative Medicines Initiative (IMI), Nanoelectronics Technologies 2020 (governed by the European Nanoelectronics Initiative Advisory Council (ENIAC)) and the Embedded Computing Systems Initiative (ARTEMIS). The Fuel Cells and Hydrogen Regulation was adopted under the Slovenian Presidency ¹⁴. The first calls for proposals for four of these JTIs have been launched. The Global Monitoring for Environment and Security initiative (GMES) is not being proposed as a JTI at this stage.
14. The 2008 European Innovation Scoreboard (EIS), which is based on indicators that have changed considerably since the previous EIS, was published in January 2009 ¹⁵. The new indicators are more focused on innovation in services and reflect a better measurement of non-technological innovation performance.

¹⁴ Council Regulation (EC) No 521/2008 of 30 May 2008 setting up the Fuel Cells and Hydrogen Joint Undertaking (OJ L 153 of 12.6.2008, p. 1).

¹⁵ The EIS 2008 is available on http://www.proinno-europe.eu/EIS2008/website/docs/EIS_2008_Final_report.pdf.

15. The EIS, the INNO-Policy TrendChart ¹⁶ and the 2008 European Competitiveness Report ¹⁷ substantiate the fact that Europe is improving its innovation performance and increasing its competitiveness. The gap vis-à-vis the United States and Japan is getting smaller. The European Union has in particular made progress in the fields of human resources, accessibility of broadband connection and venture capital. However, more needs to be done to improve international and public-private linkages, enhance the cooperation of R&D institutions with businesses, increase the number of researchers and stimulate the R&D and innovation expenditure of industry.

THEREFORE THE PRESIDENCY

16. UNDERLINES the importance of sustainable access to finance as a prerequisite for innovative work in SMEs and market introduction of new services and products.
17. ACKNOWLEDGES the importance of encouraging all forms of innovation — both technological and non-technological — in particular those that bring innovation closer to market needs and make it respond better to user needs. It should be kept in mind that R&D is crucial for innovation, but other ways to generate innovation include technology transfer, innovation in the field of information-communication technology, process innovation and organisational and services innovations, design, incremental changes and good knowledge management, especially in companies that are non-R&D performers. Innovation should also continue to contribute to reducing energy dependency and solving environmental challenges.
18. TAKES NOTE of the importance of innovative clusters, especially in networked industries and industries based on the service-supply chain.

¹⁶ The INNO-Policy TrendChart is available on <http://www.proinno-europe.eu/index.cfm?fuseaction=page.display&topicID=52&parentID=48>.

¹⁷ Communication from the Commission on the European Competitiveness Report 2008 (doc. 16978).

19. SUPPORTS the work being undertaken on the interim evaluation of the Competitiveness and Innovation Framework Programme (2007-2013) (CIP) ¹⁸, highlights the particular importance of setting out evidence of the outcomes, benefits and added value, and invites the Commission to complete this evaluation by December 2009.
 20. INVITES the Commission to present the overall evaluation of the broad-based innovation strategy in general and the mid-term progress report on the lead market initiative in particular before the end of 2009.
 21. ENCOURAGES the Commission to use the results of the evaluation of the European innovation policy and the interim evaluation of the CIP and the mid-term review of the 7th Framework Programme ¹⁹ for the development of an integrated and coherent European innovation plan covering, where appropriate, the articulation with relevant elements of research and education policies, and INVITES the Council and the Commission to monitor and assess the work on European innovation policy before the end of 2009.
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¹⁸ Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310 of 9.11.2006, p. 15).

¹⁹ Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) (OJ L 412 of 30.12.2006, p. 1).