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This document is a summary of the discussion on Innovation across Europe – best practices, which took place in Oeiras, Portugal, on 5 June 2015. The meeting was organised together with the Portuguese Confederation of Employers.

European Economic and Social Committee
Employers' Group

About the Employers' Group

The Employers' Group brings together entrepreneurs and representatives of entrepreneur associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Our members are genuinely committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country.

We make the voice of business heard at European level.

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Rue Belliard/Belliardstraat 99
1040 Bruxelles/Brussel
BELGIQUE/BELGIË

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Innovation across Europe best practices

Europe is lagging behind other global players in terms of research and development (R&D). Every year the EU spends 0.8% of GDP less than the US and 1.5% less than Japan on R&D. The gap between the EU and the US amounts to $100 billion a year, and emerging countries are catching up with the EU.

Furthermore, in comparison to many of its competitors, the EU seems to experience greater difficulty in transforming the results of its R&D into market-ready products, services and solutions. Europe spends extensively on basic research, whereas our global competitors focus more on marketisation of their R&D efforts.

According to the Innovation Union Scoreboard 2015, the performance of the EU Member States in terms of innovation is uneven. 15 countries improved their innovation performance, while in the other 13 performance declined. The increase in the number of graduates with doctorates, international scientific co-publications and jobs created in fast growing innovative companies were listed as the main strengths and signs of success. Among other things, according to the scoreboard, the key factors explaining the decline in innovation performance include less innovation in SMEs and less innovation being introduced into the market.

The business sector in Europe believes that if the EU is to become more competitive globally, more focus needs to be put on innovation. Greater clarity is needed in setting priorities.

The most serious problem is that despite funds being allocated to basic research, the results of the research process do not make it to the market. Research and new technologies exist, but there are obstacles preventing them from being brought to customers.

MORE INNOVATIVE EASIER SAID THAN DONE

Deep and comprehensive cooperation is the key to innovation. This kind of cooperation should be strengthened at a number of levels: between Member States and EU institutions, between academics and business and, not least, between European researchers.

Effective cooperation between Member States is a prerequisite for improving the way in which resources on innovation are spent. Horizon 2020 (the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative) offers ample opportunity for cooperation of this kind. Member States should identify their R&D priorities at regional, national and EU level and streamline available funds accordingly. Furthermore, priorities should be selected, inter alia, on the basis of an economic and social impact.

Closer cooperation between academia and industry is a must. The EU must switch from a sectoral approach to value chains in innovation. Industry should identify the most promising, market-based areas of research. Cooperation here should be fostered by the EU and Member States through the creation of innovation platforms where all stakeholders (private sector, public sector, academia and policy-makers) are involved. A proper regulatory framework should be created for this purpose.

To benefit from innovative ideas developed elsewhere, Europe needs to strengthen ties with the rest of the world, in particular by refreshing transatlantic links through the forthcoming comprehensive trade agreement with the US. In order to export EU innovation, it is important to integrate existing global best practices world-wide into our methods. Focusing on global challenges such as sustainable development, energy etc. would increase the interest in innovative solutions created in the EU.

The link between Europe's digital agenda and innovation must also be highlighted. Just as the digital revolution is transforming products and services, so too is the production chain changing and becoming much more integrated. Using the Juncker Commission's new Investment Plan, and the investment platforms that it will build, as a catalyst, innovative initiatives can be developed to ensure that Europe will be centre stage in the digital revolution. In order to achieve this, new skills to match technological developments will be needed from workers. Ways must thus be found to foster co-operation between companies and academic institutions in order to promote these new skills, with each side bringing its own unique expertise to the table.

Entrepreneurial spirit is in short supply in Europe, and there is a marked aversion to risk in terms of investment in innovation. Effective private-public partnerships would offer a response to this challenge. Public funding support (both at national and EU level) would make it possible to finance projects that would otherwise be considered too risky and burdensome for the private sector alone.

It is also important to share existing R&D on key enabling technologies (e.g. energy efficiency, software tools, nanotechnology, new materials and production technologies). A cross-sectoral approach would give better results, enabling research outcomes in one sector to be used in other fields.

To boost innovation in the EU, a cultural change is also needed. Countries listed in the Innovation Scoreboard as moderate and modest innovators are still suffering from cultural barriers to the development and support of investment in innovation. Numerous SMEs continue to treat EU funds purely as a tool for supporting their current activities, rather than developing innovative solutions for the future. There tends to be a lack of interest on the part of multinationals and large companies in participating in joint research programmes with the European institutions and smaller companies.

INNOVATION FUNDS
HOW COULD THEY BE BETTER SPENT?

Innovation is a central engine for growth and competitiveness under the Europe 2020 strategy. At the European level, efforts have been made to make more funds available in order to cover the whole innovation cycle. Horizon 2020 is the biggest EU R&D programme ever, with nearly €80 billion of funding available over 7 years (2014 to 2020). Its SME instrument offers funding to individual companies.

Another opportunity for SMEs that want to take part in applied R&D projects is the Eureka initiative, an EU programme that is nationally managed and operated. In its 30 years of existence, the Eureka initiative has supported over 6000 projects with over €36 billion of total investment (public and private). Eureka is a market-oriented, bottom-up public-private partnership (PPP) bringing businesses and academia together in consortia to develop new innovative products and services.

To improve allocation of resources for R&D, the EU should first and foremost promote innovative solutions that have an added value for the economy. There is a need for a strategic alliance between all financial contributors - EU bodies, Member States and private companies - to ensure a joint effort in financing R&D.

Red tape and excessive bureaucracy are still a major obstacle, especially for SMEs, to access to financing for innovative solutions. Access to financing should therefore be simplified. Better incentives are needed if the private sector is to invest in innovation (such as tax deductions and measures to encourage hiring highly skilled workers).

BOOSTING INNOVATION
THE PORTUGUESE EXAMPLE

Portugal was severely hit by the economic crisis, but in recent years it has found its way back onto the path to growth and innovation. Portugal only needed one bailout, paid its debts on time and is not running an exceptional deficit this year. At the current time, there is confidence in the economy, economic growth indicators are positive for the first quarter of 2015 and the growth rate is expected to be above the EU average this year.

This is also thanks to steps taken by the government to facilitate business sector development by undertaking much-needed reforms. For instance, the Portuguese government reformed labour laws in order to make the country more competitive. Portugal also carried out structural reforms to promote investments, as investments represent the main stimulus for growth. Most importantly, Portugal has systematically reduced corporate tax and will continue doing so in the future.

Innovation is a key factor boosting growth, and in 2014 Portugal improved its position in the Innovation Scoreboard. The main reason why Portuguese companies are now innovating more is because they are collaborating more. The National Innovation Agency promotes collaborative research projects in which companies and research organisations get together to develop innovative products and services.

With a whole range of instruments available at European and national level, Portuguese companies do not lack options for funding, but the complexity of the required procedures can be difficult to manage, especially for SMEs. For this reason, and in order to maximise efficiency, the National Innovation Agency in Portugal is presenting funding possibilities in an integrated way and helps companies navigate the instruments. The goal in many cases is to get R&D funding for companies from the EU instruments and then add national funding to bring the innovation to the market. Crucially, the National Innovation Agency has developed national priorities for innovation funding based on the country's competitive advantages such as energy, agro-technology, ICT and the blue economy. Furthermore, it has set regional priorities in cases where regions have specific needs or assets.