

“Europe 4.0 requires governance 4.0”

Brief Analysis

European governance¹ is driven by a myriad of different state and non-state actors with often discordant agendas and interests that are increasingly difficult to channel into common visions and implement. It operates today in an extremely complex, volatile and unpredictable context and is faced with challenges that in their scope, depth and complexity exceed by far what the EU’s founding fathers could have ever imagined the Union and her member countries’ political institutions to cope with.

For any organising system (be it political, economic, or societal) to not only sustain in such context, but to turn its immanent challenges into opportunities and prosper, a set of specific skills is necessary. These include, most importantly, *openness* and *inclusiveness*, *agility*, *strategic sensitivity* and the ability to *adapt* in and to rapidly changing environments. This is particularly true for the governance system of the EU and its Member States, if European flagship initiatives such as the Innovation Union, the Circular Economy, the Industry 4.0 or the Digital Single Market are to be realised and economic growth, jobs and competitiveness restored.

However, the governance system of the EU and its Member States were designed for predictable (control-able) environments, and have largely failed to develop the above skills despite globalisation, technological progress and the socio-economic transformations that they triggered. Neither the EU institutions nor most of Member States administrations have yet undergone real systemic adaptation to the new contextual conditions and updated their political decision-making and -implementing systems. European governance has essentially remained unchanged to what it was half a century ago, stuck in logics of traditional top-down leadership and old regulatory trajectories seeking to *control* phenomena that however can no longer be controlled or regulated.

New approaches to governance and political leadership are therefore required that build on *management*, *orchestration* and *facilitation*, as well as *experimentation*, *co-creation* and *collaboration*. Managing innovation policy in a 4.0 context requires innovative political and administrative management, which in turn requires fundamental institutional, procedural and cultural redesign of EU governance at its various levels.

Key findings of the working group for recommendations

- Innovating EU Innovation Policy Management: a joint undertaking

Debates often focus on the Commission as the main actor seemingly responsible of managing EU policies and driving governance reform whereby R&D and innovation are a shared EU competence. There is a structural lack of coordination and coherence in managing these policies, inside EU and national institu-

¹ Understood as the sum of EU institutions and Member States’ governance

tions and between them. Innovating the management of EU innovation policy(ies) must be a joint undertaking, but led by the Member States, but support and orchestrated by the EU institutions, especially the Commission. The *European Innovation Council (EIC)* could play the role of a council bringing together national innovation agencies and the Commission to increase vertical and horizontal coordination.

- Refocus on inclusive visions: more Europe, where it is needed

Council and Commission need to refocus on their actual key task: creating common visions and objectives on how to deliver prosperity to their citizens in an ever-more turbulent world where member states can no longer act alone. This requires a pragmatic approach, outcomes focussed approach towards competence distribution.

- In varietate unitas: respect a multi-speed Europe

In a diverse Europe, one-size-fits-all approaches are often unsuited to realise common visions. A stronger recognition of a multi-speed EU is needed, building on the concept of variable geometry. Differentiated integration approaches are required that better account for Member States idiosyncrasies rather than total harmonisation that may not fit to the national contexts. This needs a) better coordination within Member States, b) strengthening inter-governmental cooperation at European level, and c) re-thinking supranational leadership in favour of stewardship, orchestration and facilitation rather than top-down command and control.

- Toward a new understanding of leadership in diversity

Differentiated integration approaches stand in contrast with the Community Method with its focus on legalistic procedure that has proven increasingly unsuited to govern societies in situations of volatility and complexity. A new understanding of supranational leadership is necessary, based on *orchestration and stewardship*:

- ❖ *Orchestration*: brings parties and resources together, channels responsibilities, and establishes *leadership troops*. Orchestration should be the task of the Commission, but these troops should be constituted by all relevant actors: EU institutions and Member States, business, research/academia, and citizens that collaboratively manage and co-create. Such approach can restore trust, allocate ownership, improve cooperation and thereby help make the system overall more flexible and agile.
- ❖ *Stewardship*: It is necessary to acknowledge that there are multiple agendas and interests in the EU that are not aligned and perhaps, there is even a distinct lack of intention to align them to protect vested interests. Alignment alone cannot overcome this problem; *active stewardship* is necessary to walk through the fault lines and unlock the blockages that hinder the creation of ecosystems.
- Improve policy coherence

Innovation policy (like most other modern policies) is by definition multi-disciplinary and spans across different policy areas. In the EU, this overlap is not always accounted for. Both in the Commission and in many national administrations, there is a lack of top-down steering (political visions does not percolate

through the hierarchy to the operational levels) and horizontal coordination between the different Directorate-Generals or departments concerned with the same issue. This requires stronger efforts in national and EU administrations to better connect the dots in the EU's multi-layered governance system, vertically and horizontally.

- Innovate inter-governmental cooperation

To develop more strategic flexibility and coherence between EU and national policies, the Open Method of Coordination should be re-designed and politically more strongly recognised. The success of the OMC approach is proven *i.a* in Eureka, Eurostars: Member States meet of their own will with stakeholders to discuss informally and develop common approaches and solutions. Though not automatically translated into hard law, these can lead to such or inspire Member States adopting special solutions. Adapted to the digital age (e.g. in form of platforms), it can provide for flexible and effective inter-governmental cooperation on issues not or only partially within the EU competence but where the spill-over of economic, geopolitical, ecological or social developments require countries to cooperate in order to manage their individual interests in common.

- Regulatory innovation: modernise the EU's regulatory methods

The EU regulatory system needs to develop new methods and procedures that can respond faster and more efficiently to challenges and opportunities in a “vuca” context. The following should be considered:

- ❖ *Open innovation ecosystems*: EU institutions and Member States need to more strongly pull actors and resources and abolish barriers which hinder interaction and co-creation within.
- ❖ Experimental arenas for innovation, innovation meeting points, need to be created: actors (orchestrated by the Commission) from the various relevant backgrounds can come together, take off their “medals” and test and *proto-type* regulatory solutions.
- ❖ The current EU impact assessment system, based mostly on theoretical assessments, need to be complemented with, or even replaced by, *real-world experiments* of proposed regulatory solutions.
- ❖ Regulation in a digital economy needs to be smart in that it sets less fixed rules but rather Key Performance Indicators (KPIs) and allows for self-organisation.
- ❖ EU legislation needs to be *outcome-based*, posing restrictions only that are necessary to achieve the outcome. This includes the ability to *challenge legislation* when it does not work and abolish/revise it.
- ❖ The EU regulatory system needs to support *societal grass-root initiatives* and partner-up with them.

- Innovation policy programming

EU multi-annual policy programmes do not sufficiently reflect uncertainty and are not flexible enough to change in a “vuca” context (volatile, uncertain, complex, ambiguous). They are action-driven, not purpose-driven. This is a system-defect: multi-annual programmes are subject to Treaty-procedures and decided by Council and Parliament. An inter-institutional effort would therefore be necessary to make innovation policy programmes more flexible and outcome-based.

- ❖ Better define key *objectives* innovation should contribute to; integrate global agendas into European and national ones; and forge strategic partnerships with social/societal innovation initiatives.
- ❖ Often countries and regions do not know which central objectives they should pursue and support with funding. European meta-objectives should be better aligned with smart specialisation approaches giving Member States/regions more leeway to adopt policies as and where needed.
- EU Innovation funding: public & private

Innovation requires *strategically targeted funding* to support niches and (regional) innovation clusters. EU funding is too static and slow in allocating money where it is needed to support scale-up. A *rapid response funding system* should be put in place, and the EIC could have a real (or virtual) common pot for funding high-risk projects with breakthrough potential. Besides, the many different EU innovation funding instruments (EIT, COSME, Eurostars, H2020) need to be reviewed (what works best, survives), and need to be better bundled. Lastly, the Capitals Market Union initiative needs a stronger political push and commitment to overcome fragmentation in the EU financial market and better incentive private equity.

- Complete the Single Market

Scalable markets are an important prerequisite for innovation; yet a uniform regulatory framework is still lacking in many areas and the internal market remains fragmented. This leads to much EU-born innovation leaving Europe to grow up in the U.S. Europe is too much a think-tank, not a do-tank. The next step for the internal market however is conflicting with subsidiarity issues and the slow implementation of member states. Prioritising innovation means prioritising one internal market in which it can happen. A special emphasis is needed to close the innovation gap with (most) new Member States and (some) Mediterranean Member States.

- Innovate human resource management

Public administrations often run behind the private sector, leading to inappropriate or outdated bureaucratic burdens on industry and citizens. Human resource policies in public institutions (EU and national) need to develop leadership skills for alignment of different views and interests, for open innovation and life-long learning. EU and national administrations need to make a determined effort to attract more technology talents into the public service and to train their staff to better connect the political with the operational/implementing levels.