

## SUMMARY OF RECOMMENDATIONS

### ‘The Five Herculean Works of the European Commission’

3 September 2019

*The independent tripartite High Level Group on Innovation Policy has drawn up a Blueprint of policy recommendations on which the European Union should focus its efforts for the upcoming political cycle. This document is a summary of key challenges and proposals discussed among experts from various backgrounds – economic and institutional spheres, academia –, as detailed in the Blueprint.*

#### I. Managing the risks of climate change

Our society has come to a critical point where long-term economic stability and growth cannot be dissociated from climate and environmental stability. Tackling those risks requires a holistic effort to move from a linear to a circular economic model, based on a sustainable and responsible use of our natural resources and a drastic reduction of greenhouse gas emissions, not only within Europe but also with our international trading partners and competitors.

- In particular, it is recommended to **improve the coherence and management of the energy, climate and research policies**, by building up an overarching *sustainability transition policy* that will reunite all instruments under a common portfolio with a coordinated strategy, e.g. via a Sustainability Transition Task Force under the leadership of a Commission Vice-President.
- Beyond setting up absolute objectives and milestones, it is recommended to encourage **technological transformation** and the **relative progression** over time of all economic sectors, on a gradual and measurable scale from the ‘brownest’ to the ‘greenest’ situation. Hence, incentivising and enabling R&D&I mechanisms should be further promoted via all means, in particular financial incentives, harmonised sectorial legislation, public/private funding and a **robust European carbon price regime** fully aligned with the Paris Agreement’s targets (via a coalition of willing countries).
- The sustainability transition cannot succeed without a number of **enabling framework conditions**, such as a strategic technological mapping to drive research and innovation efforts towards commonly agreed technologies, operational carbon and environmental accounting for all companies, and value-chain cooperation mechanisms between sectors and countries.
- It is also crucial to pay attention to the **impacts** of the sustainability transition on Europe’s trade dependencies and opportunities, and on the societal dimension of those transformations.

#### II. Enhancing economic security through competitiveness, cross-fertilising and cross-border innovation

A new policy paradigm is needed to protect European economic security in the current world context. The EU is facing new divergent (and sometimes contradictory) trends, moving on from trade globalisation to trade tensions, and from a less industrialised economy to new forms of industrialisation (digitalisation, Industry 4.0...). In this evolving framework, stimulating innovation and turning it into successful business models is crucial to push Europe at the forefront of technological development and market leadership.

- **Reducing ‘innovation gaps’: the next big challenge to complete the Single Market.** For too long, EU Single Market policies were limited to traditional economic development and territorial cohesion support. We recommend to focus our efforts on fostering innovation capabilities, i.e. stimulating *economic empowerment* of everyone, including the most remote and vulnerable regions and groups. This requires a more efficient use of public funds to stimulate the emergence or strengthening of research and innovation ecosystems, and an upgrade of lifelong educational and vocational training in coherence with digital transformations and new business models.
- **The European innovation steering structures need to be better aligned through a clearly defined instrument.** This requires a deep reform of the European Innovation Council (EIC), which should act in the sense of a ‘milky way platform’ (or a ‘platform of platforms’) bringing together other platforms and stakeholders working together on a variety of innovation developments.
- **Financial instruments from all sources** (EU and national public funding and grants, capital markets and banking finance, equity...) **should be more keen on supporting European business niches and innovation clusters**, both at the starting-up and scaling-up phases of projects. This is crucial to enable the development of inclusive and competitive research and innovation ecosystems with strong geographical and societal roots.

### III. Nurture and empower a welfare and territorial dimension in policy-making

There is a growing societal belief that economic integration and globalisation have undermined traditional welfare state systems and social protection. Yet, the European integration process can only succeed if it meets its citizens’ needs, trust and feelings. A real Social Europe cannot be understood as a mere single market of welfare provisions; it should rather be designed as a strong combination of national welfare systems, aligned with new sources of economic shifts and instability. Eventually it will transform the abstract concept of European citizenship into a more tangible feeling of European identity.

- **There is room for improvement in reducing operating costs of welfare systems through technical innovation and digitalisation**, e.g. on the collection and treatment of ‘big data’. This requires new forms of collaboration between public administration and companies so as to maintain a high level of trust, privacy and cyber resilience.
- **To increase the efficiency of public health policies, there is a need to unleash the innovation potential of the European health care sector.** Traditional policies are often limited to short-term damage mitigation, despite a high human and economic cost. Rather, it is recommended to rebalance prevention and cure so as to capture a broader range of risks, including lifestyle diseases and habits. This requires to enlarge the public health policy portfolio with a stronger focus on R&D and value chain development, e.g. by integrating digital data collection and treatment to monitor and measure specific risk profiles.
- **A Social Europe should not only protect citizens, it should also enable and create opportunities for them.** We need an upgrade of our educational systems so as to better meet tomorrow’s needs and opportunities, in particular entrepreneurship for the digital market and society. Likewise, academia-business cooperation needs to be reinforced in view of further facilitating youth labour market integration and professional training.

#### IV. Research and innovation for the public good

Europe faces repeatedly the same barriers when it comes to research and innovation. Funding mechanisms have been developed extensively and are often considered as the main instrument to boost innovation in Europe. However, this approach has proven to be incomplete: far too often, funding does not lead to tangible economic and social outputs, hence failing to transform research (knowledge development) into innovation (knowledge application).

- **There is a need for better embedding of research projects into strategic policy objectives**, such as agriculture, food and public health, and energy. Hence, we recommend to better include expert research bodies into the policy-making process that will help to design sound and future-proof policies. This could include e.g. a closer integration of the European Political Strategy Centre, the Joint Research Centre and the reformed EIC in a coherent and collaborative way.
- **The management of research budgetary policies needs a cultural change.** European research funding suffers from a number of biases that leads to budgetary and project fragmentation. A cultural change is needed to switch from 'bureaucratic' to managerial methods, in view of mitigating path dependency and national interests to the benefit of excellence-driven impacts.
- **Strengthen alignment between market and policy actors to facilitate long-term investments in research and innovation:** this is crucial to optimise the coherence between public and private sectors' R&D efforts. Research areas with high spill-over effects in other sectorial policies should be prioritised, this is the case e.g. of the European Space Policy.

#### V. Public governance innovation

It is broadly recognised that the complexity of current policy issues is continuously increasing. In order to deal with policy complexity at EU level, systemic innovations are needed. We recommend to develop more open governance methods and more agile regulatory architectures, based on multi-stakeholder dialogue, concertation, scientific input and collective engagement, so as to overcome defensive self-interests and to achieve the four other 'Herculean Works' as outlined above.

- **Better Regulation:** despite some recent improvements made in internal institutional processes, more efforts are needed in the Commission, but even more in other EU institutions. New management methods, outcome focussed instead of procedure focussed, a new culture and human resources policy reforms are urgently needed, to leverage a system change.
- **Simplification, transparency, legitimacy:** those guiding principles should lead the path for future institutional reforms. This would include a deep revision of impact assessments and REFIT actions, i.e. through the establishment of an independent European Impact Assessment Agency. Public consultations, trilogues, comitology and dialogue with national parliaments should also be subject to a similar screening.

Additional and more detailed recommendations can be found in the full report.