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INNOVATION POLICY

Innovation plays an increasingly important role in our economy. As well as benefiting the EU's consumers and workers, it is essential to creating better jobs, building a greener society, and improving our quality of life. It is also key to maintaining the EU's competitiveness on global markets. Innovation policy is the interface between research and technological development policy and industrial policy and aims to create a framework conducive to bringing ideas to market.

LEGAL BASIS

Article 173 of the [Treaty on the Functioning of the European Union](#) (TFEU), which states that 'the Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist'.

Articles 179 to 190 of the TFEU regulate the Union's research and technological development (RTD) and space policy. The main instrument of RTD policy is the multiannual framework programme, which defines the objectives, priorities and financial support package. The RTD framework programmes are adopted by the European Parliament and the Council, following the ordinary legislative procedures, with prior consultation of the European Economic and Social Committee.

OBJECTIVES

The importance of innovation policy is widely recognised and it is closely linked to other EU policies, such as those on employment, competitiveness, the climate and environment, industry and energy. The role of innovation is to turn research results into new and better services and products in order to remain competitive in the global marketplace and improve people's quality of life.

The EU spends a smaller percentage of annual GDP (2.3 % in 2020) than the United States (3.45 % in 2020) and Japan (3.26 % in 2020) on research and development (R&D). In addition, there is a brain drain effect, as many of the EU's best researchers and innovators move to countries where conditions are more favourable. The EU market remains fragmented and is not sufficiently innovation friendly. To reverse these trends, the EU developed the concept of an 'Innovation Union', which aimed to:

- Make the EU a world-class science performer;
- Remove obstacles to innovation – like expensive patenting, market fragmentation, slow standard-setting and skills shortages – which prevent ideas getting to market quickly;



- Revolutionise the way the public and private sectors work together, notably through the implementation of European innovation partnerships between the EU institutions, national and regional authorities and business.

ACHIEVEMENTS

A. Innovation Union

The Innovation Union was one of the seven flagship initiatives of the [Europe 2020 strategy for a smart, sustainable and inclusive economy](#). Launched by the Commission in 2010, it aimed to improve conditions and access to finance for research and innovation in the EU so that innovative ideas could be turned into products and services that drive growth and create jobs. The Innovation Union aimed to create a genuine single European market for innovation, which would attract innovative companies and businesses. To achieve this, various measures were proposed in the fields of patent protection, standardisation, public procurement and smart regulation. Several instruments have been introduced to measure and monitor the situation across the EU and the progress being made, including:

- A comprehensive scoreboard for innovation in the EU based on 32 indicators and a European knowledge market for patents and licensing. The [European Innovation Scoreboard](#) (EIS) is a Commission instrument developed under the Lisbon Strategy to provide a comparative assessment of the innovation performance of EU Member States, other European countries, and regional neighbours;
- A [regional innovation scoreboard](#), which classifies the EU's regions into four innovation performance groups: 'innovation leaders', 'strong innovators', 'moderate innovators' and 'emerging innovators'. This provides a more detailed mapping of innovation at local level.

The Innovation Union also proposed measures to complete the European Research Area to ensure better consistency between EU and national research policies, and to remove obstacles to researchers' mobility. In education, the Commission supports projects to develop new curricula addressing innovation skills gaps.

B. Horizon 2020 and Horizon Europe

As a Europe 2020 flagship initiative aimed at securing the EU's global competitiveness, [Horizon 2020](#) was the financial instrument supporting the implementation of the Innovation Union. Although it was the EU's eighth framework programme (2014-2020) for research, Horizon 2020 was the first programme to integrate research and innovation, and it enacted many of the specific Innovation Union commitments. In 2013, Parliament adopted the multiannual financial framework (MFF), allocating Horizon 2020 a budget of EUR 77 billion (at 2013 prices). However, the adoption of the European Fund for Strategic Investments (EFSI) in 2015 meant that this amount was cut to EUR 74.8 billion.

An interim evaluation of Horizon 2020 was performed in 2018 and the results were used to lay the foundations for the structure and content of the Horizon Europe programme, for which a [proposal was published in 2018](#).



In response to the COVID-19 pandemic, the Commission presented amended proposals for both legal acts in June 2020 to allow additional funding for Horizon Europe to be provided by the NextGenerationEU (NGEU) recovery instrument. In July 2020, the European Council agreed on the [recovery plan for Europe](#), which combines the MFF for the years 2021-2027 and the funds to be made available through the NGEU. The [Horizon Europe](#) programme was established by [Regulation \(EU\) 2021/695](#), which lays down the objectives of the programme, the budget for the period 2021 to 2027, the forms of Union funding and the rules for providing such funding. Regarding Horizon Europe, a budget allocation of EUR 5.4 billion from the NGEU instrument, particularly to support the green and digital recovery from the COVID-19 crisis, was eventually agreed. This forms part of the total Horizon Europe budget of EUR 95.5 billion for the period from 2021-2027. In 2022, the Commission [amended](#) the Horizon Europe work programme 2021-2022, increasing the budget, including the budget for [WomenTechEU](#), which supports women-led deep-tech start-ups, and launched other actions to boost Europe's innovation potential.

C. Cohesion policy

Cohesion policy also focuses on research and innovation. In more developed regions, at least 85% of resources from the European Regional Development Fund at national level are allocated to objectives related to innovation, with the 2021-2027 priorities being investments in a smarter, greener, more connected and more social Europe that is closer to its citizens.

D. Financial instruments

The Innovation Union also aimed to stimulate private-sector investment. Therefore, among other things, it proposed an increase in EU venture capital investments. In order to improve access to loans for R&D projects and launch demonstration projects, the Commission, in cooperation with the European Investment Bank Group (the European Investment Bank (EIB) and the European Investment Fund), launched a joint initiative under Horizon 2020. This initiative, 'InnovFin – EU Finance for Innovators', consisted of a series of integrated and complementary financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation in order to support investments from the smallest to the largest enterprises.

In addition, in 2014 the Commission proposed its 'Investment Plan for Europe' to unlock public and private investments in the 'real economy' to the sum of at least EUR 315 billion over a three-year fiscal period. EFSI was one of the three pillars of the 'Investment Plan for Europe' and aimed to overcome market failures by addressing market gaps and mobilising private investment. It helped to finance strategic investments in key areas such as infrastructure, research and innovation, education, renewable energy and energy efficiency, as well as risk financing for small and medium-sized enterprises (SMEs) ([2.4.2](#)).

Furthermore, a programme for the Competitiveness of Enterprises and SMEs (COSME) has also been introduced, to focus on financial instruments and provide support for the internationalisation of SMEs.



E. The European Institute of Innovation and Technology

The European Institute of Innovation and Technology ([EIT](#)) was established in 2008 by Regulation (EC) No 294/2008, as last amended by [Regulation \(EU\) 2021/819](#). Its overall mission is to increase Europe's competitiveness, its sustainable economic growth and job creation by promoting and strengthening cooperation among leading business, education and research organisations. It also aims to power innovation and entrepreneurship in Europe by fostering environments for creative and innovative ideas to thrive. The EIT achieves these objectives mainly through its Innovation Communities, which bring together more than 1 200 partners from business, research and education (the 'knowledge triangle').

F. Innovation Council

In 2017, the Commission created a fifteen-member High-Level Group of Innovators that helped shape the design of the European Innovation Council ([EIC](#)) in the framework of the Commission's proposals for the successor programme to Horizon 2020, Horizon Europe. The EIC is the EU's flagship innovation programme to identify, develop and scale up breakthrough, and in particular deep-tech, innovations, and it has a budget of EUR 10.1 billion to support them throughout the life cycle from early stage research, to proof of concept, technology transfer, and the financing and scale up of start-ups and SMEs. In 2021, the Commission signed a Memorandum of Understanding between the EIC and the EIT to strengthen their cooperation to support the best European entrepreneurs. In response to the Russian war of aggression in Ukraine, the Commission set aside EUR 20 million to support Ukrainian start-ups through a targeted amendment of the 2022 EIC work programme.

G. European innovation agenda

In 2022, the Commission adopted a [New European Innovation Agenda](#), proposing 25 specific actions in five flagship areas: funding scale-ups; enabling innovation through experimentation spaces and public procurement; accelerating and strengthening innovation in European innovation ecosystems across the EU; fostering, attracting and retaining deep-tech talents; and improving policymaking tools. Its aim is to place Europe in the lead of the new wave of deep-tech innovation, which requires breakthrough R&D combined with substantial capital investment in order to address pressing societal challenges. In order to continuously develop the strategic aspects of the European Innovation Agenda, the European Sounding Board on Innovation was created as a platform for advice and for discussions of emerging issues with high-level representatives from European academia and industry.

The Commission's 2022 edition of the [Science, Research and Innovation Performance \(SRIP\) report](#) also focuses on the EU's innovation performance in a global context and suggests measures to address issues such as the difficulty of attracting and retaining talent.

ROLE OF THE EUROPEAN PARLIAMENT

Parliament has adopted a number of resolutions to bolster the EU's innovation policy, including the following:



- [Resolution of 16 June 2010 on the EU 2020 strategy](#). This resolution strongly supported a policy covering the industrial sector in its entirety and aimed to create the best environment to maintain and develop a strong, competitive and diversified industrial base in the EU, while enabling the transition to a sustainable, energy-efficient economy;
- [Resolution of 12 May 2011 entitled 'Innovation Union: transforming Europe for a post-crisis world'](#);
- [Resolution of 26 October 2011 on the Agenda for New Skills and Jobs](#). This resolution underlined the importance of developing closer cooperation between research institutes and industry and encouraging and providing support for industrial companies to invest in R&D;
- [Resolution of 6 July 2016 on synergies for innovation](#): the European Structural and Investment Funds, Horizon 2020 and other European innovation funds and EU programmes';
- [Resolution of 25 November 2020 on a New Industrial Strategy for Europe](#), where Parliament underlined that securing the EU's sovereignty and strategic autonomy requires a competitive industrial base and huge investment in research and innovation (R&I) in key enabling technologies, innovative solutions, and key value chains;
- [Resolution of 6 April 2022 on a global approach to research and innovation: Europe's strategy for international cooperation in a changing world](#), which welcomed the Commission communication on the issue and emphasised the need for the Union to develop rules-based multilateral cooperation to address key global economic, societal and environmental challenges, in which R&I should play a pivotal role;
- [Resolution of 22 November 2022 on the implementation of the European Innovation Council](#), in which Parliament called on the Commission to re-assess its implementation of the EIC Fund under the Horizon Europe programme and made recommendations for more effective support of breakthrough innovation in Europe.

For more information on this topic, please see the [Committee on Industry, Research and Energy](#) (ITRE) website.

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