

**HIGH LEVEL GROUP ON INNOVATION POLICY MANAGEMENT**  
**REPORT OF THE 2<sup>nd</sup> MEETING, Phase II,**  
**Amsterdam 10-11 April 2014**

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**I. OBJECTIVES**

The HLG (High Level Group) held its 2<sup>nd</sup> session of its phase II in Amsterdam on the 10<sup>th</sup> and 11<sup>th</sup> April 2014, at the invitation of the Dutch Government.

At the 1<sup>st</sup> meeting in Dublin (12<sup>th</sup> -13<sup>th</sup> December 2013), the now widely accepted 'ecosystem' model developed during the first phase has been further tested in the light of future challenges. The Amsterdam meeting focused on narrowing the discussion to developing a common basis for future operational suggestions.

Drawing upon the competitiveness, sustainability and governance aspects of innovation and relying on foresight to obtain a wider perspective, the discussions, comments and criticism, new ideas and proposals laid the basis for additional bilateral meetings and for the final elaboration of concrete recommendations, to be brought forward by the Italian Presidency in the Competiveness Councils in September and December 2014 to the European Council.

**II. THE WORKSHOP**

**Introduction**

The Chairman pointed out that the birth of a new golden age of European innovation can only happen through a mixture of 'rebel thinking' and positive attitude towards risk on the one hand, and a careful and a strategic assessment of future steps on the other. Therefore, the discussion focused on the identification of the critical elements and existing gaps which still persist within the ecosystem model and which need to be addressed.

The need to strike a balance between cooperation and competition, to fill the existing gaps between academic research and commercialisation, as well as to innovate and streamline regulation and procedures and to embrace a 'calculated risk' attitude represent the starting points for the elaboration of operational recommendations. The key importance of digitalization and its potentially disrupting effects and the 'protection of innovation' were also identified as a pivotal issue to address.

**a. Foresight: the frame for innovation policies**

What allowed Europe to achieve an almost unparalleled lead on its competitors was a blend of competitiveness and governance.

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Today, as new challenges such as climate change, widespread inequality and intangible yet potentially disrupting forces like the hyper-connectivity threaten global stability, Europe must develop a new and sustainable ecosystem model which emphasises the social dimension as much as the institutional and technological one. In order to achieve this, Europe needs to elaborate coherent strategies based on forward- looking foresight. Among them are:

- ❖ **Sustainability and inclusiveness:** an innovation ecosystem must complete its traditional focus, research & competitiveness, with sustainability and governance. The pursuit of competitive excellence cannot be achieved without dealing with growing inequalities, which, if not tackled, might evolve into an unsustainable issue in the incoming decades.
- ❖ **Citizens first:** the design of a new innovation model cannot exclude citizens, by far Europe's strongest asset. Therefore, future innovation frameworks must necessarily build upon a new consensus and a renewed conception of partnership between public, private and people ('PPPP'). Such partnerships should be based on demand-driven policies integration of advanced users in order to promote the societal dimension of creation. A new social contract based not just on inclusive society but also on a portfolio of outliers.
- ❖ **Cherry-picking for benchmarks:** Europe should not embrace uncritically one external model. Instead, Europe must draw the best elements from each and use them to complement its existing strengths. At the same time, Europe should learn from its own regional and local ecosystems. Therefore, what exists between clusters should also be developed and improved. Eventually, benchmarking can constitute an effective instrument to manage risk.
- ❖ **Be strategic:** in the near future, cooperation alone might no longer suffice. Instead, new forms of strategic, well targeted cooperation and strategic agility must be explored. From this point of view, Europe must not be afraid to address existing fault lines in its governance.
- ❖ **Experimenting spaces:** the courage to experiment and a certain inclination towards risk-taking has long been a staple of European mind-frame. Renewing this vocation through a better development of risk management policies should once again be at the centre of the European innovation drive.
- ❖ **Online threats:** connectivity is already and will increasingly become the delight and despair for innovation. Issues arising from IPR and data protection, but also from the ubiquitous development of 'personalised items' will create a greater and greater need for strategies to protect the uniqueness of innovation and improve IPR protection.
- ❖ **Africa connection:** within an increasingly hostile global context, and second (or third) place role in Asian growth markets or in Latin America, the stabilisation of the European neighbourhood will soon become a paramount priority. Consequently, promoting governance and educational reforms in Africa (and Mediterranean area in particular) will be pivotal in preventing instability. At the same time, Europe should

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seize the opportunity to take the lead in helping to the continent to develop new and innovative forms of governance and sustainable development.

This analysis, far from being a pure experiment in foresight, should set the ground for answering to the fundamental questions addressed by the Group: how to make Europe more competitive, flexible and able to create a competitive, sustainable and coherent innovation ecosystem.

### **b. Competitiveness: policy coherence, inter-operability and synergy**

In a more and more competitive global context, the capacity to innovate represents the thin line between success and prosperity on one side, and stagnation and rising poverty on the other. Many elements are necessary for Europe to recover its competitive drive in an increasingly diversified world.

The capacity to overcome fragmentation, to shape governance and business models able to foster value creation and to create cross-fertilisation between governance and industry are but a few. Starting from this consideration, a number of key areas have been identified:

- ❖ **Between consistency and flexibility:** continuous changes in regulation play a major part in preventing business from developing stable and coherent strategies and initiate long-term strategic innovation initiatives. This is indeed a great hurdle for the competitiveness of Europe as a whole. It is therefore necessary to avoid the 'rules of the game' being changed. Nevertheless, it is important to remember that legislation frequently lags behind a faster and faster technological change, and it is therefore necessary to complement consistency with a certain degree of flexibility.
- ❖ **The need for alignment:** the fragmentary and dispersive nature of the various innovation ecosystems scattered across Member States and devoid of real coordination policies negatively impacts upon the coherence of the whole European system. In order to prevent overlaps and waste of resources and budgets, greater alignment and strategic coordination must therefore be developed. In this regard, facilitation of inter-operability between key stakeholders (Commission, governments, business) plays an increasingly important role.
- ❖ **Selectivity and experimentation:** another key to guarantee that European resources are not wasted in inefficient projects, particularly in this uncertain economic conjuncture, is the capacity to be selective with funding and supporting of starters. To this purpose, the innovation driving mechanism needs to define a small number of domains (three would be the optimal number) on which concentrating their resources.
- ❖ **Skill sets in the digital world:** in today's world, digital technology does not simply influence, but shapes the existence of people. The capacity of a system to adapt to its quick evolution and to think 'digitally' rather than 'analogically' will therefore be

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instrumental to its success. For this reason, it is fundamental for the innovation ecosystem to embed a 'digital' mind frame in order to increase its competitiveness.

- ❖ **Variable Geometry:** the digital age makes the old legalistic view of involving all the time all Member States an unnecessary burden. Coalitions of those really interested are more efficient, provided they are transparent and open.

### **Proposed recommendations:**

- **Creation of an 'advisory brain-trust', based upon the model of 'change units' within private companies. The group, which will act in complete independence and in the utmost transparency, should provide concrete evidence insight and thus help to steer the EU's innovation policy. Moreover, while the conclusions of the group will not be binding, institutions should be compelled to provide an explanation in case of their rejection. The group could also receive political drive from the Council for Competitiveness.**
- **Introduction of an 'Innovation semester', modelled after the European Semester in order to provide clear strategic guidance for the European innovation agenda and increase coordination and to evaluate implementation of reforms to complete the innovation ecosystem.**
- **Development of an European public procurement in fields like climate and clean-tech and other advanced technologies.**

### **c. Sustainability: the challenge of combining sustainability, innovation and change**

Europe sets global benchmarks for sustainability. Therefore, a productive analysis should not aim at sidelining existing frameworks, such as the precautionary principle, but to innovate them so to make their application more agile and suitable to unleash innovative solutions.

The following points are therefore particularly important in order to create an innovation ecosystem which encompasses all the dimensions of sustainability, from environmental preservation to societal acceptance:

- ❖ **Innovating the old:** the precautionary principle constitutes a pillar of the EU's research policy and to give Europe a global lead in sustainability. However, the principle should be complemented by new scientific and methodological approaches, such as resilience management, and integrated into the new European innovation drive.
- ❖ **Not less, but smart:** regulation is frequently mentioned as the main obstacle for innovative policies. Albeit true in some cases, this view is misleading. While cumbersome regulation is undeniably a hurdle, smarter, slimmer and more efficient

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regulation can create enormous opportunities and act as a driver towards innovation and greater sustainability.

- ❖ **More risk assessment:** impact/risk assessment is the key to spur a more innovative attitude towards discovery and experimentation. Once in place, a more coherent risk assessment strategy can also help establishing a culture of risk-management, where detected risks are tackled not through preventive restrictions, but rather through more investments in innovative solutions to manage risk itself. Not least, good risk/impact assessment is likely to increase societal acceptance of innovative research.
- ❖ **Making innovation accessible:** only an increased accessibility to transparent and objective information – impact assessments in the first place – can lead citizens to perceive experimental research and risk-oriented innovation as a resource rather than a danger. In this regard, the creation of a better communication strategy benefiting from the participation of third parties (such as academia and civil society) can bring great advantages to the innovation endeavours.

### **Proposed recommendations:**

- **Establishment of a transparent and widely accredited evidence-based portal, a sort of 'Super Wikipedia' which can be validated by Commission, Member States, peer reviewed and supported by a network of competent academics.**
- **Creation of 'Innovation Information Centres', where media and the public in general can obtain clear information about scientific research and innovative projects.**

### **d. Governance: the need for change**

There is no doubt that innovation can only be promoted within a coherent and favourable governance framework. Good and innovation-friendly governance model creates a basis for new technologies to develop and innovation ecosystems to interact, but it also provides the conditions for fair competition. At the same time, an efficient and flexible governance best guarantees that the system evolves in a sustainable way.

However, in order to create a new model of governance conducive to innovation, the EU's governance itself should undergo a modernisation. Among the main points which should be addressed, the following were considered particularly noteworthy:

- ❖ **Beyond comitology:** there is widespread agreement that comitology, due its bureaucratic exclusivity and lack of transparency, is hardly suited to provide the EU with much innovative drive and it should soon be replaced with an alternative process. Above all, the new model for decision-making should aim at creating a broader stakeholders' involvement.

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- ❖ **Giving the EU more instruments:** steering and guiding innovation requires a broader set of instruments, different use of existing ones, and overall a cultural change.
- ❖ **Broadening subsidiarity:** at the moment, subsidiarity is too loose and narrow. Because of this, Member states tend to develop their own innovation systems, frequently at the expense of overall alignment and coherence. Such problem should be tackled and the completion of the Single Market would constitute a decisive step in this direction.
- ❖ **Dealing with interfaces:** there is clear need to look more closely at interfaces, which might indeed create complexities but also room for innovation. This would imply critical analysis and rise of the faultline.
- ❖ **Brains mobility:** innovation is based on people's excellence. In this regard, European universities and research centres provide for an enormous basin of innovative ideas and talent. However, this potential is all too frequently limited by a number of constraints, such as the scarce connection between universities and private sector, inadequacy of curricula and even bureaucratic obstacles to the geographical mobility of researchers and academics. If Europe wants to innovate, it will therefore have to ensure greater 'brains' mobility' between domains and geographic boundaries. Another step forward would be a wider involvement of industry in the ERA.

### **Proposed recommendations:**

- **Creation of a 'fitness check' of impact assessments during ex-ante phase of competitiveness proofing, as well as standardisation of impact assessment procedures.**
- **Creation of a network of European 'flagship universities' bringing together a maximum of 20/30 centres of excellence pursuing continuous performance screening. One of the main features of such universities should be the preservation of the balance between research activity and engagement with the business sector.**

## **III. CONCLUSIONS AND STEPS FORWARD**

The research team now starts working on the draft recommendations for discussion with the Members in bilateral meetings and at the 3th meeting in Rome.

### **Timeline:**

- Before 20 April : draft report of the Amsterdam meeting
- Before 28 April : draft first outline of final report & draft recommendations, to serve as basis for bilateral meetings
- Between 28 April – 16 June : bilateral meetings
- Before 23 June : draft second outline of final report & draft recommendations, plus roadmap.
- 7-8 July : 3th meeting in Rome, starting on 7<sup>th</sup>, 15h, till 8<sup>th</sup>, 16h.