



**Public consultation  
on the Community innovation policy  
Flanders' contribution**

Overview by the Flemish Government, department Economy, Science and Innovation (EWI) of the comments, visions and opinions made in policy debates by policy makers and interested stakeholders from Flanders

Brussels, 13 November 2009

## Key messages

The Department of Economy, Science and Innovation of the Flemish Government shares the conviction that the future innovation plan should address the societal challenges towards sustainable economic growth whereby innovative SMEs are at the core. The EU should play a leadership role in addressing these challenges: in a globalising context, there is need for strong objectives and a multilevel governance structure that better integrate the different objectives. Regions have a key role in the European innovation governance system to implement these common objectives under different conditions. To avoid too much fragmentation and overlap in innovation activities and policies, the new EU Innovation Plan should encourage global regionalisation through smart specialisation, complementary strategies of knowledge generation and transfer, and where necessary, simplifications to make Europe attractive to invest. Therefore, the European innovation policy should contribute to build up competitive innovation clusters that capitalise on synergies in strategic domains in which actors from education, research and business are cooperating in excellent knowledge networks. Strengthening comparative advantages in the global knowledge economy and contributing to common societal objectives should become structuring principles of the European Innovation System. In this perspective, the objectives of EU innovation programmes should be structured and integrated towards thematic societal challenges, e.g. promoting lead markets. New EU initiatives and joint programming should be optimally leveraged to contribute to these objectives. Use of demand side policies (e.g. for market creation in eco-innovation) has to be strengthened.

(1) Do you agree with the Commission's assessment of the main achievements and shortcomings of Community policies in support of innovation?
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The Commission's assessment in its Communication of 2 September 2009 gives a **realistic picture of the activities and instruments** to implement the Broad Based Innovation strategy that was announced in 2005. Although a lot still needs to be done it is important to show that efforts did result in progress. However, the analysis concerns **the period before the worldwide crisis**.

At this stage, the evaluation does not propose a conceptual framework to analyse the past in view of the future challenges. We need to refocus the European growth model on the "knowledge-based, low-carbon economy". Otherwise there is a risk that 'taking stock' will be followed with just more of the same.

It might be self-deceiving to comfort ourselves with a small decrease of the innovation gap with US and Japan, at a time the growth model itself is in crisis: overproduction in many traditional sectors, concealed and stimulated by excessive credit, without new sectors taking over the lead; damaging effects of prevailing short-term investment policies. The Commission has to supervise that lessons have been drawn, new rules are adopted and Member States respect state aid rules when injecting tax payer's money trying to save banks and jobs. An **economic recovery** out of the crisis cannot be achieved without **a long term innovation strategy for sustainable growth**.

However, although a benchmark with world regions is essential for the future innovation plan, a **strategy based on the principle of 'catching-up with the leader' by imitation is not the best strategy** in a multi-polar environment that differs from the situation in the US, Japan, India or China. The EU must design a strategy based on its own competitive strengths.

The assessment also addresses the emergence of new demand-side instruments in an era of growing awareness of the global challenges and the **need for demand pull policies** to address these. But it fails to explain "the relatively slow take off" of these

measures. There are inertia in the supply-side dominated policy framework. There is a strong need for measuring more demand and societal related policy impacts.

(2) Should EU innovation policies have a stronger orientation towards addressing major societal challenges? If so, which ones should be prioritised?

The convergence of the innovation agenda with the global challenges should be at the core of the European Innovation Plan. Innovation needs to be **demand driven** to tackle the **great societal challenges: climate change, energy security, mobility issues, demographic change and migration, sustainable use of resources, social inclusion**.

Therefore, societal challenges rather than the existing instruments should be the driving factors for the design of the governance of the new EU innovation plan. The **budget and management structure of the upcoming policy cycle must clearly reflect the challenges** in such a way that these can be transformed into opportunities for economic sustainable growth.

**In the European framework towards achieving common societal objectives the national and regional relevant priority settings will be differentiated in function of the regions.** The **energy issue** appears to be the most relevant issue that needs most focus because of its fundamental relation to our economy and the many spill-over effects it is expected to generate.

In the context of **globalisation**, we must focus on creativity, innovation and knowledge and no longer mainly on transforming raw materials, low cost production competition and only productivity increase on these bases. In the logic of a global regionalisation, smart specialisation and networking between EU regions and actors, and knowledge diffusion are key issues for cohesion policy.

Finally, the **social dimension** (developing labour market skills, lifelong learning, etc...) of different policies (e.g. in regional policy) is an important factor in the realisation of the Lisbon Strategy for Growth and Jobs.

(3) Should innovation policy have any specific sector approach? If so, which sectors should be supported and which specific policy measures should be developed?

We believe that a **one-size-fits-all innovation policy is not effective**. Sector differences in the nature, pace and organisation of innovation are therefore to be taken into account in specific sector policies. However, **it is necessary to understand the changes that are transforming these sectors and are reshaping boundaries between sectors**.

In order to maintain competitive industries in Europe the strategic players increasingly engage in knowledge alliances with service providers towards new application sectors. In order to mobilise fully the innovation potential of these clusters it is necessary to design governance models that support trust building, regulatory stability, normalisation, knowledge transfer around strategically convergent long term programmes.

At the core of the future innovation policy there should be **both a sector and cluster approach to position the EU regions**.

- (4) Do existing instruments to support innovation need to be adjusted to reflect the changing nature of innovation and integrate new innovation patterns (services innovation, open innovation, user-driven innovation etc...)?

**Policy measures for market creation** in domains (e.g. eco-innovation) where societal demand is still insufficiently met by the market on its own, should privilege market development and market demonstration through **increased support to innovation procurement, standardisation in the Lead Market Initiative**. Tailor-made and measurable impact indicators must be well identified to increase awareness raising and acceptance level in the market.

In the **knowledge triangle cooperation** patterns, **both supply and demand** conditions for societal driven innovation need to be managed in a more complementary way. Therefore, effective governance systems and business models for **open innovation** are key to capitalise on the **spill-over effects**. **Cooperation in IPR models** should be stimulated to build critical mass of resources in clusters, e.g. sharing 'open infrastructures'. The **growth of the service sector** is also a particular challenge for designing policy mixes that involve non-technological innovation and to promote business model innovation.

**Design** (with users as main focus) can also provide a complementary added value to innovation process, particularly in times of crisis given its low cost intensity and to meet the goals of social and technological inclusion, sustainability, product safety,... Design is a good vector to further **strengthen the comparative advantage of Europe** certainly in areas such as heritage, cultural diversity, authenticity and creative potential.

- (5) What are the most important remaining obstacles for the EU to unleash its full creative and innovative potential, in particular through innovative SMEs?

Lack of technology transfer, poor valorisation of research results, fragmentation of venture capital markets, of IPR protection, of innovation support policy in the different member states and of EU-initiatives are considered as the main obstacles to unleash the potential of innovative SMEs.

The **additionality and complementarity of support measures in different policy levels** also needs to be better organised and assessed for a more efficient and effective use of the scarce resources. Both EU, national and regional instruments should optimally reinforce each other through leverage mechanisms in a common framework for sustainable economic growth of which innovative SMEs are at the core.

Particularly 'SME innovative leaders' should be more encouraged to access European Framework Programmes to enhance their international growth strategies. A main challenge is to **get the high-potential SMEs involved in EU calls** and initiatives (e.g. EEN), participation in ERA-Networks, INNO-Networks. Lowering administrative barriers is a constant objective. The Commission can support regional and national agencies and intermediaries in a more targeted approach of scouting opportunities and matching partnerships to take these SMEs on board of consortia.

- (6) What are the implications for research policy of the changes needed to policies in support of innovation (e.g. the goal of addressing major societal changes, etc ...)?

There is a need for **more mission-oriented research** to tackle the big societal challenges (Science for Society). However, there should be **sufficient room for strategic basis research** as well. This is often raised as a major concern by

researchers who perceive the transition from a knowledge economy towards an innovation society as drawing less attention to fundamental research, which evidently should not be the goal of the future EU innovation policy.

In an economy and society that are more and more driven by knowledge, **the role of academic research** is becoming more embedded in the knowledge society. Therefore universities (must) become more entrepreneurial to be socially responsive to the challenges.

Building up a knowledge economy towards the grand societal objectives, implies a reorientation of parts of **research** activities towards **strategic areas**. **In the increasingly specialised domains, broader alliances take place with increasing interdisciplinary academic cooperation and knowledge transfer towards the industry.**

(7) Which scope exists to better facilitate the consolidation of world-class innovation "eco-systems" or clusters in the EU at regional level, taking into account emerging industries?

**Globalisation increases the importance** of local situations, framework conditions and policies to attract economic and innovation actors and stakeholders to build powerful cooperation networks. EU must stimulate a fair competition and the development of the necessary **framework conditions to allow multidisciplinary cooperation**. These must have the possibility to reach a sufficient critical mass in order to be worldwide **competitive**. Only **cross-border innovative networks of (inter)regional clusters acting on an EU-level and based on international excellence** can support an **EU global competitiveness**.

The interaction among education, research and business (**knowledge triangle**) **contributes to the success of the innovation eco-systems**. The emerging knowledge-based domains for sustainable growth can be nurtured by the cooperation in the knowledge triangle building up clusters stimulating high spill-over effects with low transaction costs.

These interactions and events can become a part of the **European Cluster Alliance initiative** open to all relevant actors.

(8) How could the cooperation between regional, national and European innovation support programmes be reinforced to address the new challenges faster and more efficiently?

The **regional dimension** is a major dimension **in the governance system** as it is a pivotal point at which local, regional, federal/national, European and international actors and institutions all play a specific role and meet. Therefore, regions are well-positioned to respond to the current European and worldwide challenges. A multi-level governance system – involving a full role of regions - to identify common objectives, commitments of all actors and shared strategies based upon complementarities of (regional and Member States') strengths is therefore a necessity.

In line with the multi-actor perspective, more consistency in the overall system logically will best be obtained by a strong(er) guidance without only driving from a (top-down) approach. A **variable geometry policy setting perspective** must be inherent in the system.

The **critical success factor** is to find a **balance between a bottom-up and top-down policy approach**, which is indeed a difficult exercise. This **level playing field** will depend on the degree of competition and cooperation in the concerned area.

**Transparency, exchange of experiences and openness** are key success factors, for example to avoid possible **crowding-out effects** that might occur **between regional, national/federal and EU policy measures or programmes**. To realise effectiveness, coherence and to achieve a real impact within the context of shifting paradigms, Flanders considers the Open Method of Coordination (OMC) as an efficient and effective tool which should be used for exchange of experiences and for cooperation between Member States and regions. Also, it is useful to increase understanding how other regions implement the Lisbon Strategy and are doing in the innovation system. We advocate for the future to bring in more systematic sharing of best practices (OMC method) as a proactive means of consensus among the regions (bottom-up approach) rather than using a centralized top-down EU methodology. For instance, the leadership challenges of the regional leaders can serve as a perfect example for policy setting or benchmarks.

(9) What could the EU do to provide adequate access to finance to SMEs and entrepreneurs?
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**Visibility of EU programmes** should be improved **through more promotion**. For example in the financial instruments, participation of financial institutions and intermediaries should increase.

**Simplification** is also necessary. We advocate a system whereby support is given at EU level with **reporting obligations** more based on results. Bureaucracy even prevents SMEs in some cases to participate in EU networks.

Financial instruments are **rather unilaterally oriented towards high-tech companies and focussed on venture capital**. Flanders definitely welcomes building a single market for risk capital but also considers it desirable that **other financial instruments should be broadened** to solve the problems occurred by the credit squeeze caused by the crisis (e.g. guarantees), and for **widening and extension of the innovation trajectory** for SMEs. Guarantees and loans facilities must be expanded to support especially start-up companies.

The most important source of external financing for innovation in SMEs is the commercial bank loan. A mid-term evaluation of the joint EU-EIB '**Risk Sharing Finance Facility**' can be helpful to adapt the scope of this facility according the new needs in the present financial situation. This must allow the EU to **leverage in particular public initiatives of regions and Member States providing guarantees, loans and other debt financing for research and innovation to SMEs**, for which these local initiatives become better accessible.

(10) Could the EU contribute to exploit the innovation potential in public services?
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Reforms in public services to increase better regulation, lowering administrative burden, and effective governance of innovation systems are **seldom seen as 'innovation projects'** to create new or significantly improved products and processes in public services. This is a missed opportunity to increase the efficiency and effectiveness of public services and indirectly of the whole of the economy.

**The Commission can fulfil an example function** for the Member States and the regions in policy learning in the area of innovation in public services (as is the case for innovative public procurement in lead markets). For example, the **development of public procurement** for innovation also implies innovation in public services:

**organisational innovation in procedures** is a necessary condition.

(11) How could the Community funding programmes for innovation, including FP7, CIP and Structural Funds, be simplified and streamlined?

The **focus on societal challenges** could provide a **joint and shared thematic reference framework** (including generic transversal objectives) through **an overall action plan that streamlines all Community efforts in perspective of the post-2010 Lisbon strategy**. In particular there is a need to integrate missions of different funding programmes for research and innovation in an overarching strategy for sustainable European growth that recognises the balance between excellence and cohesion. It would enable a higher level and more integrated programming of the Community funding programmes in view of consistency, complementarities and strategic priorities (cfr SET plan approach).

**More coordination between priorities and objectives of the various EU programmes** and policy instruments should take place. E.g. there is overlap between "regions of knowledge" (FP on RTD), CIP and the Structural Funds. With the establishment of new instruments such as ERA-networks, OMC-Nets, ETP, LMI, Art. 169 and 171 EU treaty initiatives, EIT, the classical system with centralized, project-based funding has evolved to a hybrid system with co-financing. This development has made the system very complex. It is important to **increase transparency**. The EU should continue this momentum until the end of the term of FP7, CIP and SF (2013) in order to gain the necessary understanding by distributing a handbook on how additional funding requests through one or more programmes can be optimised

Furthermore, it is necessary to simplify, to make synergies and to rationalise EU support programmes and initiatives through more results' commitment orientation and by **minimising administrative reporting requirements**.

Also the possibilities of stimulating **joint programming** must be better explored.

(12) What could be realistic and meaningful quantitative and qualitative targets for future European innovation policy?

The future European Innovation Action Plan **requires more measurable demand and societal driven output targets at different governing levels** based from the perspective of the 'intervention logic' itself of a legitimate public action: what are the effects to achieve. How these can be linked with a monitoring system at different governing levels (regional, national and EU)?

To achieve a low carbon economy by 2020, and to raise awareness about an environmentally friendly lifestyle, one must especially think about efficient and effective **positive incentives** at the most appropriate level (regional, national or EU) where the effective stimuli can lead to behavioural changes, especially in cases where these can remove environmental technologies, barriers to market creation, entry and take up.

The set of monitoring indicators should be sufficiently broad to cover the **dynamics** of the innovation systems. These **targets should embody strategic priorities** based on the subsidiarity principle in governance. Indicators must monitor progress and serve as impetus for **possible corrective actions**. There is a need for a **realistic set of input, throughput and output/outcome indicators**.

The set of indicators proposed in the 2008-2010 **European Innovation Scoreboard** is a **good basis for monitoring progress** and far more useful than the just one input

indicator the Lisbon Strategy currently has defined in 2002, namely the Barcelona target. Apart from the Barcelona standard (an input target on R&D which should be maintained), other (complementary) **knowledge indicators** are necessary, in particular in the field of **education**. But also **process indicators** is needed that can be considered good proxies for the longer term outputs and outcomes.

**Tailor-made indicator solutions** are necessary: obviously the extent to which a region or member state can reach a general target such as the 3% Barcelona target varies considerably depending its respective situation. Indicators must be benchmarking and monitoring instruments, they also must be **normative or standardised**. At the same time, one must take into account the risk that regional leaders who can play only an important leadership role, will drop out. Last but not least, indicators must become **better linked to (differentiated) post-2010 Lisbon Strategy goals** and Innovation targets.