

**Summary report**  
**HLG Working Group on Governance System Innovation**  
**1<sup>st</sup> meeting, 25 May 2016, Brussels**

### Managing innovation policy

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- The EU suffers from a structural lack of **coordination** that is omnipresent. It affects every layer in the EU's multi-dimensional governance system: within Member States' institutions; between Member States; between them and the European institutions; and within the European institutions themselves. Tackling this problematic requires not only looking at the European Commission, but likewise at Member States internal structures and their relationship with "Brussels".
- Demands and needs are fundamentally different in the EU, rendering one-size-fits all innovation approaches such as Horizon 2020 often ad absurdum. Stronger recognition of a multi-speed EU is necessary building on the concept of variable geometry. Instead of complete harmonisation, a **differentiated integration** approach needs to be applied to managing innovation in the EU. The principle of subsidiarity needs to be given a special role in innovation policy management.

### Complete the internal market

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- The EU is good in improving the old, but often fails in developing the new and make it operational on a European scale. A central deficit of the EU is the still incomplete **internal market**, which hinders innovative young companies to scale up. This leads to the situation where many innovative companies are born in the EU but grow up in the U.S. Europe is too much a think-tank, not a do-tank.

### Top down & bottom up

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- The traditional top-down approach focuses overly on the European Commission as the main actor seemingly capable of managing innovation policies in Europe. However, the reality is different: **Member States** are the real drivers behind successful innovation policy management as they are in the position to support and steer directly national, regional and local innovation projects. It is therefore necessary to **align top-down and bottom-up** approaches to managing innovation.
- Looking at Member States, there should be a stronger focus on the **regional and local levels** as a great deal of innovation happens there. The Group discussed to promote innovation camps in regions to gather key actors around real-world experiments that could provide the EU with first-hand understanding about which kind of legislation (if at all) is needed. Regional innovation camps could also help stir up innovation capacity through mutual learning, exchange of best practises and collaborative programmes.

### Unblocking the innovation ecosystem

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- A general problem identified is the myriad of interests effectively **blocking** successful EU innovation policy management. An idea could be to commission an independent actor to develop a comprehensive report that identifies and maps out the different

(sets of) interests to show which of these block the realisation of new ideas and why. These interests should be made public to launch a discourse on how to overcome the hurdles. This report needs of course to be evidence-based.

### Steering & policy coherence

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- Both in the European Commission and many Member States, there is a fundamental **lack of steering** in innovation policy management. Whereas a lot about innovation is known, very little has been done. There is a discrepancy between the vision (what to do) and the mission (who and how); i.e. there is a grave fault line between strategy development and strategy execution in the EU. This can be attributed to a lack of political steering power capable of orchestrating and initiating change.
- This is closely linked to a structural lack of innovation **policy coherence** in the EU: innovation policy is by definition multi-disciplinary and therefore spans across different policy areas. In the EU, this overlap is not accounted for. Especially in the European Commission there is a lack of top-down steering (the vision does not percolate through the hierarchy to the operational levels) and horizontal coordination between the many Directorate-Generals concerned. In fact, it can be seen that vested interests are protected to the detriment of cooperation.

### Innovation programming

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- It is necessary to better define the key **objectives** innovation in the EU should contribute to. It is not possible to command innovation, but it can be defines what it is needed for and then provide the frame within which it can happen. Innovation programming could follow a challenge-based approach that focuses for example on the societal grand challenges (ageing, climate change, etc.).
- A better **alignment** of innovation programming objectives in the EU is necessary. Often countries and regions do not know exactly which central objectives they should pursue and support with funding. Horizon 2020 has turned out to be too top-down often disregarding special needs and contexts at the “lower” level. A solution could be to combine meta-objectives linked to the societal grand challenges with smart specialisation approaches giving Member States/regions more leeway to adopt policies as and where needed.
- Lastly, a stronger emphasis needs to be put on **societal demands**. Considering the growing (perceived) gap between EU and national policy making and citizens, innovation programmes need to stronger align political agendas with the most urgent needs of citizens, and ensure buy-in mechanisms through open and collaborative processes.

### Experimentation & collaborative governance

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- Experimental arenas for innovation need to be created (**innovation meeting points**). Innovation cannot be ordered à la carte, but develops where it has the chance, and between many different actors. For this, open innovation ecosystems are required, pulling different actors and resources, building more interdependence to increase the impact of instruments used, including financial. The European innovation camp still being largely fragmented, the **EIC** could be such anchoring/gathering point.

- If we provide innovation arenas, we need to be prepared that innovation may pop-up and develop in unexpected areas and ways. This can bring great opportunities, but also challenges (disruptive innovation). Recognising that this can never be planned for, we however need to make the EU regulatory and funding system more **agile and flexible** to act/respond faster to such developments. **Foresight** should be given a much more prominent role in EU policy making.
- The current impact assessment system needs to be reformed. The so-far mostly theoretical assessments needs to be complemented with **real-world experiments** of proposed regulatory solutions. This necessarily requires the active involvement of the largest possible scope of stakeholders concerned to reflect real conditions. Also, impact assessments need also to be carried out by Council and European Parliament in cases where legislative proposals are being changed or amended.

### Funding

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- Innovation does not require “general” funding, but **strategically targeted programmes** to support niches and innovation clusters, especially at the “lower” (i.e. regional) levels. EU innovation funding is way too static and takes way too much time to actually allocate money where it is needed to help innovative ideas scale up. A rapid response funding system should to be put in place.
- There is a lack of **private equity** and an under-developed equity-culture/mind-set in Europe. Current tax systems do not sufficiently incentivise private equity and are too much focussed on “old financing” (e.g. VAT deductibility).
- A lot of money is locked up in country envelopes, i.e. in **cohesion funds**. This money should be made more accessible, and allocation should be aligned with general innovation principles, i.e. its contribution to innovation should be a criteria.

### Other

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- Innovation is predominantly created by companies. However, in this day and age, companies no longer innovate entirely on their own but forge **cooperation**. Such cooperation needs to be better supported from policy makers, between companies, universities and research facilities, users, and governments.