

Informal Meeting of Ministers responsible for Competitiveness (Research)

(19 July 2016, Reduta)

DEVELOPING A EUROPEAN RESEARCH AND INNOVATION ECOSYSTEM FOR INNOVATIVE SMEs

Europe's future depends on its ability to innovate. There is no doubt that Europe has world-class researchers, entrepreneurs and companies. However, Europe's research and innovation performance needs to be boosted to tackle the various global challenges we are faced with in order to secure our well-being and prosperity in a fast-changing world, which can be especially challenging for SMEs. It is necessary to develop a better understanding of the relationships between research and innovation, entrepreneurship, and economic development; Europe needs companies which are highly competitive in the global economy, and for that it is necessary to focus on creating an environment that promotes research and innovation and pools resources while ensuring access to information, including through open access. Research, including basic research, and innovation should continue to play key roles in leading the European Union at the forefront of the world's economy.

There is a political consensus that innovative SMEs generate productivity, growth and sustainable, high-quality jobs in Europe. The ability to exploit new technologies and to respond quickly to changing market needs, gives SMEs a pivotal role in the success of the European economy. Support for the creation of new ventures and spin-offs from research institutions and large companies, as well as the removal of barriers to their rapid growth and support for the transfer of know-how, should continue to stay high on the list of priorities.

The Single Market has opened up new opportunities for European companies. Various supply and demand-side policy measures have helped to improve the framework conditions for doing business. The Commission's Single Market Strategy has a specific focus on SMEs and start-ups in many of its initiatives. In the context of the Better Regulation Agenda, calls have been made by both the Commission and the Member States to create a more research and innovation friendly regulatory framework that can adapt to the pace of change of new technologies and new forms of innovation including by applying the innovation principle. On the research policy side, Horizon 2020 actively supports SMEs by providing both direct financial support and indirect support creating a bridge between the core of the framework programme - support to research and innovation projects - and the creation of a favorable ecosystem for SME innovation and growth.

However, there is still more to be done to improve Europe's research and innovation ecosystem for SMEs, and in particular for start-ups and scale ups. The EU continues to perform relatively poorly compared to its major competitors in scaling up new companies and creating new markets based on disruptive, breakthrough innovations such as internet-based platforms or in the collaborative

economy. On the latter, the recent Communication from the Commission aims to find a balanced approach so as to harness the great economic potential offered by collaborative economy business models while providing guidance on applicable EU law and promoting best practices regarding the regulation at national level, to minimize the risk of diverging regulations across the Single Market. For EU research and innovation support schemes, and despite recent improvements, stakeholders continue to call for further simplification of application requirements, the elimination of thematic restrictions, and for improvements in the evaluation process to allow for more bottom-up support for innovation. In addition, calls are heard for easier access to scientific information, embedding SMEs in knowledge exchange networks and increasing workforce skills to exploit innovations from elsewhere.

Extensive discussions are underway on how to improve the European research and innovation ecosystem. One focus of debate, in the context of the forthcoming mid-term review of Horizon 2020, is Commissioner Moedas's concept of a European Innovation Council (EIC). The responses to the Commission's "Call for Ideas" indicate that SMEs would benefit from an EIC that brings together, simplifies and fills gaps in the range of current EU innovation support schemes, including providing strategic advice. This should be done by tailoring support to the needs of SMEs and research teams at different points in the innovation value chain, with full regard to the importance of basic research in driving innovation in the longer term.

On the basis of the overall context given above, the Presidency would invite the Ministers to focus their interventions around the following questions (intervention of 3 minutes maximum):

- 1. Where should efforts be focused, at national and EU level, to improve the innovation ecosystem for innovative and fast-growing SMEs, in particular start-ups and scale-ups, as well as between them and the public research system?**
- 2. What measures do you consider could be taken at national and EU level to improve the framework conditions for disruptive, market-creating innovation?**