THE EUROPEAN INNOVATION COUNCIL (EIC) FORUM

POLICY ORIENTATIONS¹ FOR THE DEVELOPMENT OF THE UNION’S INNOVATION ECOSYSTEM

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¹ This paper has been prepared on the basis of the discussions at the “EIC Forum Workshop on the development of the Union’s innovation ecosystem” on 6 October 2021 and at the “EIC Forum Plenary” on 23 November 2021. It does not necessarily reflect the views of individual public authorities and bodies in charge of innovation policies and programmes in the Member States and Associated Countries.
Challenges

Europe is at the forefront of excellent science and research. However, its innovation performance continues to lag behind several international players (Australia, Canada, Japan, South Korea and the United States) and is barely holding against China and new South-East Asian competitors, as demonstrated in the 2021 European Innovation Scoreboard (EIS). The reasons are manifold: The EU is losing talents, ideas and value creation to others. Third countries are developing and diffusing breakthrough innovations that are based on European science and ideas because our business environment and culture is more risk-averse and less conducive to innovation. The EIS also shows that while the EU experienced a 12.5 percent improvement in innovation performance between 2014 and 2021, this improvement is not spread evenly across all Member States and regions. This points to a persistent innovation divide between and within Member States that puts our internal cohesion, our capacity to compete globally and to achieve our EU objectives at risk.

Europe is also not sufficiently leveraging its strength in scientific research for deep tech and disruptive innovation and is thus not sufficiently reinforcing its technological sovereignty, and is underexploiting its innovation potential due to insufficient gender, cultural and social diversity in technology and innovation.

If unaddressed, the EU will find itself on the wrong side of a global productivity divide. Causes include a risk-averse and fragmented regulatory framework, insufficient access to patient capital and insufficiently deep financial markets, lack of connections between innovation ecosystems and a persistent innovation divide across Member States.

Improving the EU’s innovation performance is also indispensable to address the challenges of the green and digital transition in a socially fair way and to contribute to the EU’s open strategic autonomy. Europe’s diverse ecosystems need to complement rather than compete with each other, offering an attractive business environment for companies at all stages of growth. Ultimately, this is only possible if we foster a European innovation ecosystem from North to South and East to West where all innovation actors can operate in a flexible, effective and collaborative way, drawing on the strengths and diversity of national, regional and local ecosystems. This is the only way to ensure more groundbreaking innovations “made in Europe” that reflect our values and ambitions.

Opportunities – Policy Orientations for the Development of the Union’s Innovation Ecosystem

Europe is overdue for a renewed innovation agenda accompanied by ambitious actions that can address the challenges and bottlenecks in different policy areas. Building on the very rich toolbox that Horizon Europe can offer, especially with instruments under Pillar III such as the European Innovation Council (EIC), the European Innovation Ecosystems component, and the European Institute of Innovation & Technology (EIT), further intervention areas where new actions could complement existing efforts have been identified during a dedicated EIC Forum workshop on 6 October 2021. Special emphasis has been put on the importance of ensuring the digital and green transitions throughout all policy orientations, looking at how innovation can be used as an enabler for a more sustainable economy and personal wellbeing. Based on these discussions, the EIC Forum puts forward the following policy orientations for the Development of the Union’s Innovation Ecosystem.
1. Better leverage existing instruments

While Horizon Europe’s Pillar III ‘toolbox’ is rather complete and sufficient, synergies between different tools, as well as with other EU programmes should be better leveraged in order to ensure coherence between actions and provide the desired impact. There is a need to:

- Ensure lessons learned are shared between different pillars of Horizon Europe; but also from the Interregional innovation investment, which could be complementary when identifying challenges to leverage instruments at multiple levels;
- Better interconnect and to provide more guidance to innovators on strategic sectors/areas;
- Further strengthen the coordination between the toolbox of Horizon Europe Pillar III and the instruments of the EIB/EIF;
- Fully use the potential of public procurement as an important catalyst for the uptake of innovative solutions;
- Open innovation ecosystems to actors beyond technological and breakthrough innovation to ensure that social and non-technological innovation is supported in Europe.

2. Interconnect innovation ecosystems across Europe

Ensuring efficient flows of innovation assets, talents, data and information, connecting innovation suppliers and users across Europe and linking innovation initiatives at EU, national and regional level will be fundamental for bringing local, regional and national ecosystems into a truly inclusive and diverse European innovation ecosystem. There is a need to:

- Create more life-long education opportunities that foster entrepreneurial mind-sets and skills starting with early age;
- Strengthen university/business collaboration; ensure links to incubators, accelerators and regulatory sandboxes to the actors of higher education institutions;
- Identify and strengthen links between fundamental research and innovation;
- Enhance the entrepreneurial image/capacity/research activity of the universities, and link them with regulatory sandboxes;
- Provide more peer learning opportunities for/between regional and national actors;
- Ensure scale up of successful examples from local and regional level to other ecosystems;
- Encourage openness of local and regional innovation systems (via conditionality of funding or softer measures such as networking between actors at pre-brokerage stage);
- Increase the role of citizens in the co-creation and participation in innovation ecosystems;
- Create more transparent and use friendly landscape that enables interregional multiple helix actors’ collaboration based on regions’ complementarities between S3, and providing a legal and state aid framework enabling the use of adequate supporting tools.
3. Scale up innovation funding in Europe

In order to mobilise sufficient funding for high-risk innovation-led investments, Europe needs deeper capital markets and critical mass when it comes to pan-European Venture and Patient Capital. There is a need to:

- Collect more evidence to characterise the scale-up gap and assess national specificities in scale up funding;
- Consider a large sovereign or green tech fund;
- Exploit synergies between the Horizon Europe toolkit and other instruments and programmes at national and regional levels;
- Create a network at the European level and bring together the expertise of private investors with the national promotional banks (NPBs) and the European Investment Bank (EIB). There is a need to accelerate the development of collaboration between the EIC, NPBs and EIB, in order to monitor effects in the funding ecosystem around the EIC;
- Support the enhancement of the regulatory system and working towards a regulation that allows the establishment of a pan-European fund structure;
- Explore the mechanisms to stimulate investments in strategic areas in Europe or incentives to attract investors while maintaining strategic autonomy.

4. Boost policy and programming synergies to bridge the innovation divide

Europe needs to bridge the innovation divide and ensure that innovation benefits ecosystem actors everywhere. Strengthening synergies across EU innovation-related policies and programmes (notably Horizon Europe, Cohesion Policy Programming and the Recovery and Resilience Facility) will be key to achieve this objective. There is a need to:

- Have clear guidelines to exploit synergies between different EU programmes and seize opportunities arising from the new MFF regulation; Multi-level synergies should include regional research and innovation policies regardless the origin of funding. It is particularly important to facilitate synergies between tools and instruments on a (S3) thematic base, to further contribute to implementation of EU industrial strategy and development of EU strategic value chains: I3, Euroclusters, and IPCEI opportunities;
- Better support national efforts to prioritise national and regional R&I investments and reforms through more accompanying and enhanced dialogues;
- Create a platform or one-stop-shop where all information and data will be available on different types of support for businesses and for cross-border, and regional cooperation, so that stakeholders can have a better-informed overview on actions supporting similar specialisation areas;
- Support the sharing of experiences among different stakeholders and fill the gap between policy and implementation, including the feedback to policy makers.

5. Empower innovators through the single market

Improving the regulatory framework to make it more flexible and accommodating for innovators and addressing market fragmentation are key levers to improve Europe’s innovation capacity and performance. There is a need to:
• Promote the use of and better connect regulatory sandboxes in a coherent and coordinated way among Member States that allows for mutual learning;

• Provide opportunities for regulatory experimentation not only through Horizon Europe’s pillar III, but also through Missions and other EU policies/instruments, such as regional policy;

• Reduce the administrative burden on companies throughout their life cycle (start-up to exit);

• Support the enhancement of the regulatory system and working towards a regulation that allows the establishment of a pan-European fund structures;

• Set up an advisory mechanism for the companies to facilitate market entry to other European countries, including advice on the national regulatory framework, technology transfer and IP mechanisms, among others;

• Dedicate more attention to innovative SME needs and challenges. For example, the SME expertise should be brought in the ecosystem community building; European Enterprise Network to continue to support SMEs as backbone of the EU economy;

• Consider stock options or start-up visas, when applicable, for start-ups and scale-ups to attract talent and set up other mechanisms to attract and keep talent in Europe.