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From: Presidency  
To : Permanent Representatives Committee/Council  
Subject: *Preparation of the Council ("Competitiveness") of 20-21 February 2012*  
European 2020 Strategy  
- Follow-up to the European Council of February 2011  
- Progress report

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The attached progress report, drawn under the Presidency's responsibility, outlines the main steps and initiatives taken and foreseen in response to the orientations set by the European Council last February (EUCO 2/11) in the field of innovation.

Coreper/Council are invited to take note of this report.

  
  

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## **INTRODUCTION**

The European Council, in its conclusions from February 2011, focused on two sectors – energy and innovation – which are key to Europe’s future growth and prosperity. These conclusions, as well as the Europe 2020 Strategy, demonstrate that the innovation agenda in the EU is a broad and horizontal agenda, including framework conditions within the Single Market and notably the completion of the digital single market.

The Danish Presidency will work hard on innovation relevant files to support, in this multifaceted field, the call of the EU Heads of State and Government from 30 January 2012 to modernise our economies and strengthen competitiveness, in order to deliver a strong input to the European Council in March 2012.

This report intends to outline progress made and foreseen in the innovation and research policy areas as a follow-up to the European Council’s conclusions from February 2011. These conclusions relate to commitments set out in the Flagship initiatives ‘Innovation Union’ and ‘An industrial policy for the globalisation era’. This report focuses on implementation of innovation policy, notably through the partnering approach, financing and monitoring.

### **Monitoring**

The European Council asked the Commission to develop a single integrated indicator which will benchmark various sectors in their capacity to produce growth and jobs via the creation of high growth companies, and measuring the share of fast-growing innovative companies in the economy. As part of the Europe 2020 strategy this indicator will, over time, become a new headline indicator used to benchmark the EU's performance against its main trading partners. Given Europe's current challenges, this indicator is an even more important tool to support informed policy-making. The Commission envisages delivering the output indicator in the last quarter of 2012 which will allow it to be reflected in the 2013 European Semester.

## **Partnering**

In October 2010, the Commission with its "Innovation Union" Communication drew attention to the importance of partnering in European R&I as a means of "pooling forces to achieve breakthroughs". Partnering brings together European and national level public players in Public-Public Partnerships (P2Ps) and public and private players in Public-Private Partnerships (PPPs).

The exercise of **Joint Programming** launched by the Council in 2008, is a very promising endeavour to eliminate unnecessary duplication of Member States R&D efforts in response to the major challenges Europe is facing. The second wave of JPIs were launched during 2011 – thereby all the proposed 10 JPIs have now been launched.

The **European Innovation Partnerships**, as presented by the Commission in its communication on the Innovation Union, are addressing the problems of under-investment, framework conditions and markets which are not sufficiently innovation-friendly, as well as fragmentation and duplication, so as to accelerate demand and supply side action in bringing innovative solutions to market for specific societal challenges. The pilot EIP on Active and Healthy Ageing has made good progress and its Strategic Implementation Plan was presented by its Steering Group at the end of 2011. Conclusions are expected to be drawn on the implementation of this EIP in the first half of 2012, based on the Commission's response to the Plan.

## **Financing**

In its conclusions of February 2011, the European Council called for the establishment of an **inventory of EU-funded R&D**. Access to such information could substantially benefit innovative companies, notably SMEs. Such an inventory would be even more valuable if it could integrate (or link to) inventories of publicly funded R&D at national level. The Commission is currently working on this issue.

Following the publication of the mid-term review of the **State Aid framework** for R&D&I on 10 August 2011 the Commission opened a public consultation on 20 December 2011. This consultation will help determine the nature and scope of possible improvements to the framework ahead of the legislative proposals planned for 2013.

In December 2011, the European Commission also presented a proposal to stimulate funding for **social entrepreneurship** and a proposal to facilitate access to **venture capital** across Europe through an EU passport that will allow venture capital funds to raise capital in all 27 Member States on the basis of a single registration. Following the orientations to be given by the Competitiveness Council on 20 February 2012, work will intensify in order to meet the deadline of June 2012, set by the Heads of State and Government on 30 January 2012. Furthermore, the scope and scale of the Risk Sharing Finance Facility (RSFF), one of the successes of EU innovation policy, is being expanded under the 2011-2013 framework programme.

The legislative proposal for the Union's new framework programme for research and innovation, Horizon 2020 was adopted by the Commission on 30 November 2011. It seeks to provide measures and instruments to tackle the challenges facing us within a single **common strategic framework**. Covering the full innovation cycle with increased financing, it seeks to drastically simplify the rules governing EU funding and be central to fostering an excellent research base. Acknowledging the importance of the Horizon 2020 programme, the Danish Presidency has set the goal of reaching a partial general approach on Horizon 2020.

Further support for the innovation agenda will be ensured from gearing the structural funds towards enhancing regional R&I capacity. The foreseen revision of the financial regulation should be rapidly completed as it will significantly add to the simplification. The examination of these proposals on innovation financing should proceed with a view to EU support being available for the whole "funding escalator".

## Other measures

The European Council called for the completion of the ERA by 2014. The Commission is expected to make its proposal for an ERA Framework before the end of the Danish Presidency and work will be pursued on these as a matter of priority.

A modern approach to **standardisation** should help European innovators reach larger markets. The Commission adopted proposals to accelerate, simplify and modernise standardisation procedures on 1 June 2011. A ministerial exchange of views took place at the September 2011 COMPET Council. The broad support of the Commission proposal should allow for the work to be concluded by June 2012, as called for by the Heads of State and Government on 30 January 2012.

On 20 December 2011, the Commission adopted its proposals on **public procurement**. These proposals are part of an overall programme aiming at an in-depth modernisation of public procurement in the European Union and take specific account of the need for innovation. On 30 January 2012, the European Council called for agreement on these proposals by the end of the year.

The participating Member States also committed at the European Council on 30 January 2012 to reaching a final agreement on the last outstanding issue in the **patent package** by June 2012 at the latest.

In order to encourage private investment and services by improving framework conditions, the Commission appointed an Expert Group in early 2011 to support it in gathering evidence and providing a technical assessment about existing and emerging initiatives for **intellectual property rights** valorisation. Activities of this group will offer a general overview of the situation and help the Commission to consider potential options for the setting up of such an IPR valorisation instrument, e.g. an innovative European IPR knowledge market platform to facilitate transfer and trading.

Concerning the **Digital Internal Market**, the Commission has presented on 11 January 2011 a Communication with a comprehensive and coherent action plan to foster e-commerce and online services in the EU. It will present the Digital agenda scoreboard in May and the first implementation report on the Digital Agenda is expected mid-October. On 30 January 2012 the European Council called for a rapid implementation of the Commission Action Plan on e-commerce. Moreover, it called for the submission of a new proposal on e-signature before June 2012 and agreement on roaming by June 2012.

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