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To: Delegations

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Subject: Draft Council conclusions on Research and Innovation as sources of
renewed growth
- Presidency text

Delegations will find attached a Presidency text on the Draft Council conclusions on Research and Innovation as sources of renewed growth with a view to the Research Working Party meeting on 11 November 2014.

**DRAFT COUNCIL CONCLUSIONS ON RESEARCH AND INNOVATION AS SOURCES
OF RENEWED GROWTH**

THE COUNCIL OF THE EUROPEAN UNION

RECALLING

- Its Conclusions of 26 November 2010¹ on the "Europe 2020 Flagship Initiative 'Innovation Union': Accelerating the transformation of Europe through innovation in a fast changing world", confirming the importance of a strategic and integrated approach to innovation with the right conditions for a globally competitive innovation environment in Europe, while maximising the impact and efficiency of resources;
- Its Conclusions of 11 December 2012², endorsing the Commission Communication on "A reinforced European Research Area partnership for excellence and growth", reaffirming that a well functioning ERA is necessary to increase the level of excellence of Europe's public research system and to maximise the return on public R&D investments;
- The Conclusions of the European Council of 24-25 October 2013³, stating that investments in research and innovation fuel productivity and growth and are key for job creation while noting the need to accelerate structural reforms of national R&I systems;
- The 2014 Annual Growth Survey⁴, with its emphasis on the need to sustain and, where possible, promote growth-enhancing expenditures within Member States' overall fiscal consolidation efforts, and on improving the quality of public spending.

¹ Doc. 17165/10
² Doc. 17649/12
³ Doc. EUCO 169/13
⁴ Doc. 15803/13

- **The Conclusions of the European Council of 26-27 June 2014⁵ which outline a 'Strategic agenda for the Union in times of change' with priorities set for the next five years in support of a Union of jobs, growth and competitiveness, including the need to invest and prepare our economies for the future by addressing overdue investment in research and innovation;**
 - **Its Conclusions of 14 October 2014⁶ on measures in support of investment in Europe, which stress that the composition of public expenditure should be better orientated towards growth, notably in supporting of investment, and that the quality of public expenditure in areas such as research and innovation is critical for the investment climate, and agree with the need to focus on key sectors with EU-added value to boost the competitiveness and the growth potential of the Union, among which and notably research and innovation.**
1. WELCOMES the Commission Communication on "Research and Innovation as sources of renewed growth"⁷ and the accompanying "State of the Innovation Union - Taking stock 2010-2014" report⁸ and ACKNOWLEDGES that most of the new and future growth opportunities will come from providing new products, technologies and services emerging from scientific and technological breakthroughs, new processes and business models, as well as from innovation in its broadest sense.
- 1a. ACKNOWLEDGES that Europe strongly needs an innovation-driven investment, asking for a greater coherence and prioritisation between policies and involving all levels of governance, to pave the way for a new European Industrial Renaissance, based on the European industrial competence, knowledge and know-how, research, innovation as well as on new enabling technologies.**

⁵ **Doc. EUCO 79/14**

⁶ **Doc. 13843/2/14 REV 2**

⁷ Doc. 10897/14

⁸ Doc. 10897/14 ADD1

2. RECOGNISES the fundamental role of ~~public and~~ private investments in R&I and that they are influenced by a number of framework conditions, such as **sound macroeconomic and fiscal policies**, the ~~degree-~~**quality** of (product, labour and financial) market regulation, the proper use of public procurement, the availability of advanced physical and digital infrastructures **as well as high-skilled human resources**, the ~~degree-~~effectiveness of intellectual property rights instruments and procedures, as well as the availability of developed venture capital markets and R&I supportive financial instruments.

Quality, efficiency and effectiveness of public spending on research and innovation

3. RECOGNISES the **key role of science and the** importance of maximising impacts from public spending, by improving its quality through implementing relevant reforms of national research and innovation systems, ~~including by~~ **and of** enhancing the leverage effect of public spending on private investment **and establishing a correlation between the scientific, societal and economic impact of research and its funding**.
4. STRESSES the importance of creating framework conditions to enhance the quality, efficiency and effectiveness of public R&I spending, including simplification efforts at administrative and legislative level, robust evaluation and peer-review systems, as well as **the implementation of a fully functioning European Research Area and** the improvement of the necessary conditions for trans-national cooperation, at national and EU level.
5. UNDERLINES that actions improving the quality of R&I spending and ensuring economic and societal impacts are a continuous process and need to be tailored to the characteristics of each Member State and should be aligned with the European Semester exercise as the necessary framework to implement smart fiscal consolidation and growth-friendly measures promoting and financing **all stages of** R&I, at national and EU level, as well as a dedicated focus on reforms of education systems and institutions.

Priority axes for action and reform

6. NOTES the need for comprehensive **strategies** at national **and regional** level, encompassing both research and innovation activities, and STRESSES the importance of focusing resources on a limited number of R&I policy ~~measures~~ **priorities** based on key strengths and opportunities of each Member State **and regions**, also through the Smart Specialisation Strategies, supported by the European Structural and Investment Funds.
7. ACKNOWLEDGES the need of improving the ~~focus~~ **impact** of both EU and national R&I **programmes** on key societal challenges, **on the sustainability of the European socio-economic system and on the EU competitiveness in a global market, in view of creating jobs, growth and well-being of citizens** (e.g. as identified in Horizon 2020) while ENCOURAGES a better coordination of priorities and activities between Member States to increase the impact of public investment in a given R&I area through, for instance, the joint programming process and, where possible, the alignment of national research and innovation agendas.
8. WELCOMES the incentives from the Commission, mainly through Horizon 2020, ~~which are fundamental~~ to support the coordination of national programmes and the cooperation between Member States;
- 8a.** RECOGNISES the need of further efforts to achieve the critical mass to **support the European socio-economic system and its competitiveness** to tackle the societal challenges, taking also into account **and STRESSES the fundamental contribution from research infrastructures and human resources in this regard** ~~as an essential contribution to be integrated with joint funding.~~

9. **AFFIRMS STRESSES the need of initiatives** ~~its wish~~ towards the optimisation of resources? **utilisation** from **public institutions** performing research and innovation by promoting also their entrepreneurship and the ~~transfer~~ **circulation** of knowledge and support to **cooperation with** the private sector, including small and medium-sized enterprises, while focusing on ~~activities with great socio-economic impact,~~ **the exploitation of R&I results, communication and dissemination.**
10. STRESSES the importance of developing the EU's **human capital base** for the future of R&I in Europe by supporting Member State reforms in education and academia as a key component to promote growth, competitiveness and jobs, fostering improvements towards project-based and problem-solving learning, interpersonal, entrepreneurship, digital, and innovation-related skills and attitudes.
11. INVITES the Commission to review the current available tools to assess the quality and effectiveness of R&I reforms ~~and~~. ASKS the Commission, **in cooperation with Member States,** to ~~fully exploit~~ **develop** the future Policy Support Facility foreseen in Horizon 2020 to support Member States in designing, implementing and evaluating their research and innovation reforms **and identify the right indicators to assess the economic and societal impacts of these reforms,** ~~and~~.
- 11a.** ASKS **the Commission** to build up the Research and Innovation Observatory to provide data, analysis and intelligence on research and innovation policy and performance at EU, national and regional levels, as well as to promote further research to build the evidence base for R&I policy making and for budgetary decision making.
12. NOTES both the widespread need of structural reforms within Member States ~~and the EU,~~ and the difficulties encountered by ~~Member States~~ **them** to fully support R&I allocations and, therefore, CALLS for out-of-ordinary additional efforts, **at national and EU level,** to foster innovation and growth, and to promote an effective research area ~~at national and EU level.~~

13. INVITES Member States to take the necessary steps to make progress on reforms in national research and innovation systems leading to the promotion of quality, impact, efficiency and effectiveness of public spending on research and innovation and to the development of a human-resource base equipped with the necessary ~~research and innovation~~ **R&I and entrepreneurial** skills.
 14. INVITES Member States to undertake mutual learning and peer reviews to help them progress on these reforms, **and INVITES the Commission to support these initiatives, including via the Policy Support Facility, while promoting dissemination of good practices.**
 15. INVITES Member States and the Commission to take the necessary steps to improve framework conditions needed to enhance business investment in R&I, notably through tackling fragmentation and inefficiencies in the Single Market, **facilitating the access and diversifying the instruments of financing** access to finance, making the public sector more demanding of innovation, **promoting mobility and the circulation of knowledge between the public and private sector** ~~and improving the human resource base in the EU with greater innovation and entrepreneurial skills.~~
 16. INVITES Member States to maintain or, where possible, increase their level of investments in R&I and to put in place strategies and measures for enhancing their quality **and impact** for strengthening the synergies between European, national and regional research programmes while reinforcing the trans-national cooperation at national and EU level and creating a friendly environment for private investments in R&I, **particularly taking into account the specificities of small and medium-sized enterprises.**
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