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LIMITE

RECH

WORKING PAPER

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From:	ERAC Secretariat
To:	ERAC (European Research Area and Innovation Committee)
Subject:	ERAC plenary on 21-22 March 2019 (Bucharest, RO) - Item 5.2 ("Role of R&I for the future of Europe - Sibiu summit on 9 May")

In view of item 5.2 of the agenda of the ERAC plenary on 21-22 March 2019, delegations will find attached a presentation by the Commission on the role of R&I for the future of Europe.



Sibiu

ERAC meeting

22 March 2019, Bucharest

Román Arjona
Chief Economist, HoU A.4

Sibiu Summit

1st meeting of EU leaders following UK's withdrawal (?) and last meeting before EP elections

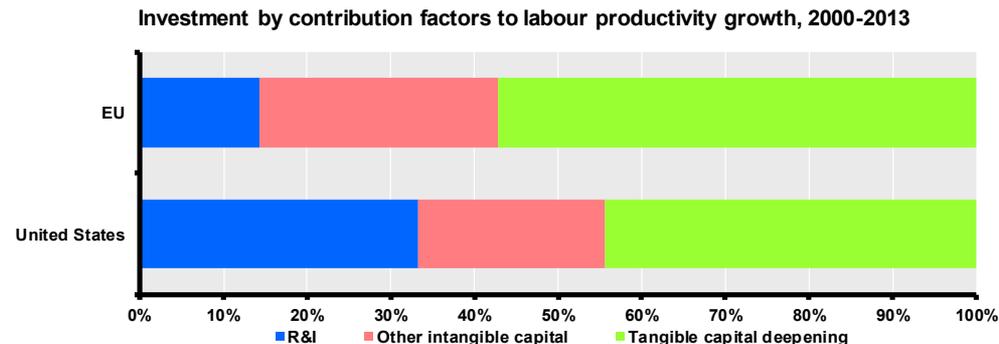
On 9 May, national leaders expected to renew their commitment to an EU that delivers on the issues “that really matter to people”

Critical moment: overstretching the planet OR turning SDGs into economic & social opportunities

Let's start by confirming the facts

R&I are undisputed drivers of growth and jobs ...

- 62% of EU economic growth 1995 – 2007
- R&I drives productivity growth



Source: EC, RTD, "[The economic rationale for public R&I funding and its impact](#)" (2017)

... and they are necessary to develop the science and technologies to tackle societal challenges

- Ebola outbreak 2014-16 most complex since 1976: 50% fatality
- EU investments: €160 m vaccine, €14m treatment/ diagnostics

And let's acknowledge the "buts"

R&I no longer seen as *unequivocally positive* drivers of change...

Innovation is largely digital and "deep tech" (physical meets digital): huge opportunities & risks

Productivity slowdown largely due to lack of innovation diffusion

- Speed

- Complexity

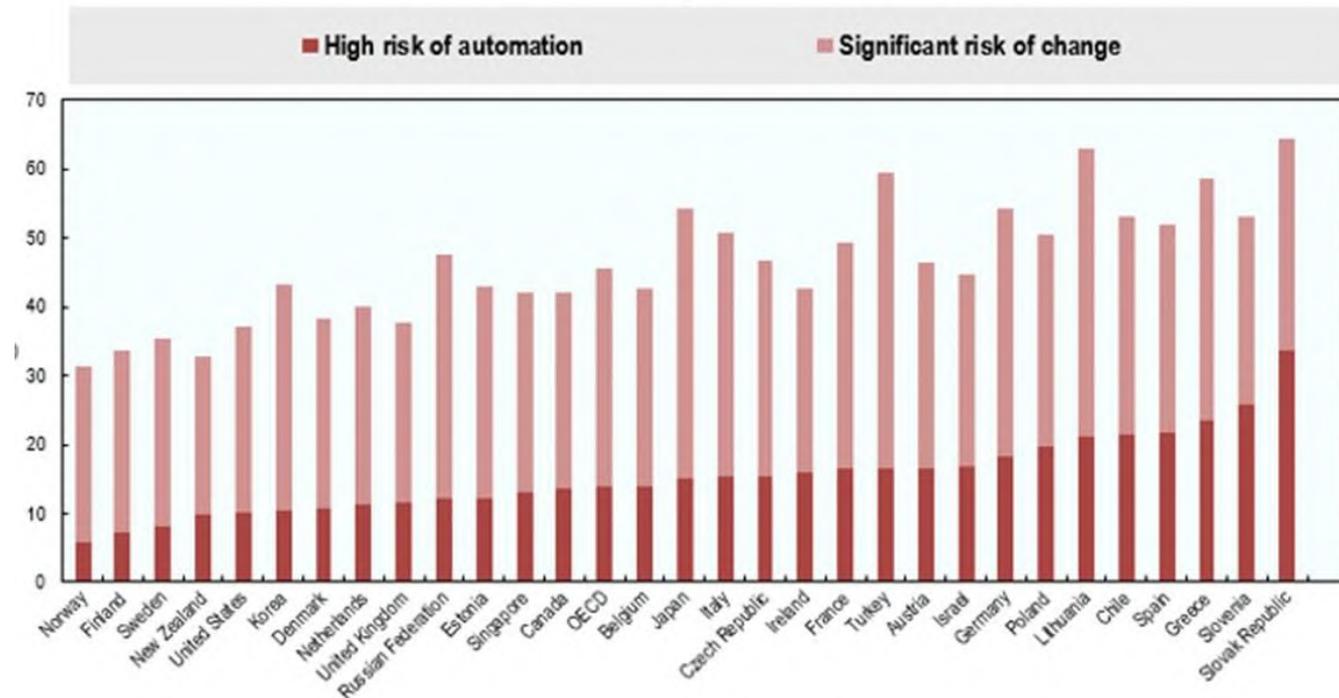
- Concentration

People are worried

Future of work and large scale job displacement

Polarisation of labour market

Inequality, geography of discontent (Brexit, gilets jaunes)



Source: Nedelkoska and Quintini (2018), OECD (2018)

Societal challenges ever more pressing and society getting engaged (climate strikes)

Risks associated with emerging technologies

Geo-political shifts; Europe's sovereignty

What next?

A new social contract?

Big changes “here and there”

NZ will have a 'well-being budget'

Abe's Womenomics and green innovation

DE-FR propose 'eurozone budgetary instrument'

Commission's Paper on Sustainable Europe 2030

BAU scenarios probably not right frameworks going forward, to bridge environmental, socio-economic and territorial gaps

Sustainability will drive global competitiveness in a world of growing boundaries: from “limits to growth” to “growth of limits”



20 years of EU R&I policy

FPs with massive budget increases, radical new instruments (ERC, EIT, JTIs, EIC etc.)

ERA progressively more sophisticated (modest?)

European Semester with more prominent role for R&I and foreseen increasing weight for funding

Given all happening out there ... should we not:

1. Rethink the EU's R&I strategy ?
2. Start "reskilling/ upskilling" ERA

Can EU trailblaze sustainability 2030?

Goal: economic, social and environment sustainable EU
Underpinned by: no trade-offs competitiveness-inclusiveness-SDGs

Policy foundations

From linear to circular

Correcting imbalances in food system

Future-proofing energy, buildings and mobility

Making sure the transition is friction-less/ fair

Policy enablers

R&I, education and digital

Finance, taxation and competition

Business conduct, open and rules-based trade

Scenarios

1. Overarching EU SDGs strategy guiding EU and MS
2. Mainstream SDGs in all EU policies
3. External action and current ambitions

What does it take for R&I?

R&I best placed to facilitate a smooth and quick friction-free transition to a SDG-inspired paradigm

It's not just about "the rate"! *Directionality*: public policy accelerates and steers the transitions (mobility, energy, food, health)

- Joining up investments, reforms and regulation
- Piloting and experimenting policies at local level ('go local') and scale-up at EU level
- With more anticipation and increased participation of stakeholders

A few things to bear in mind

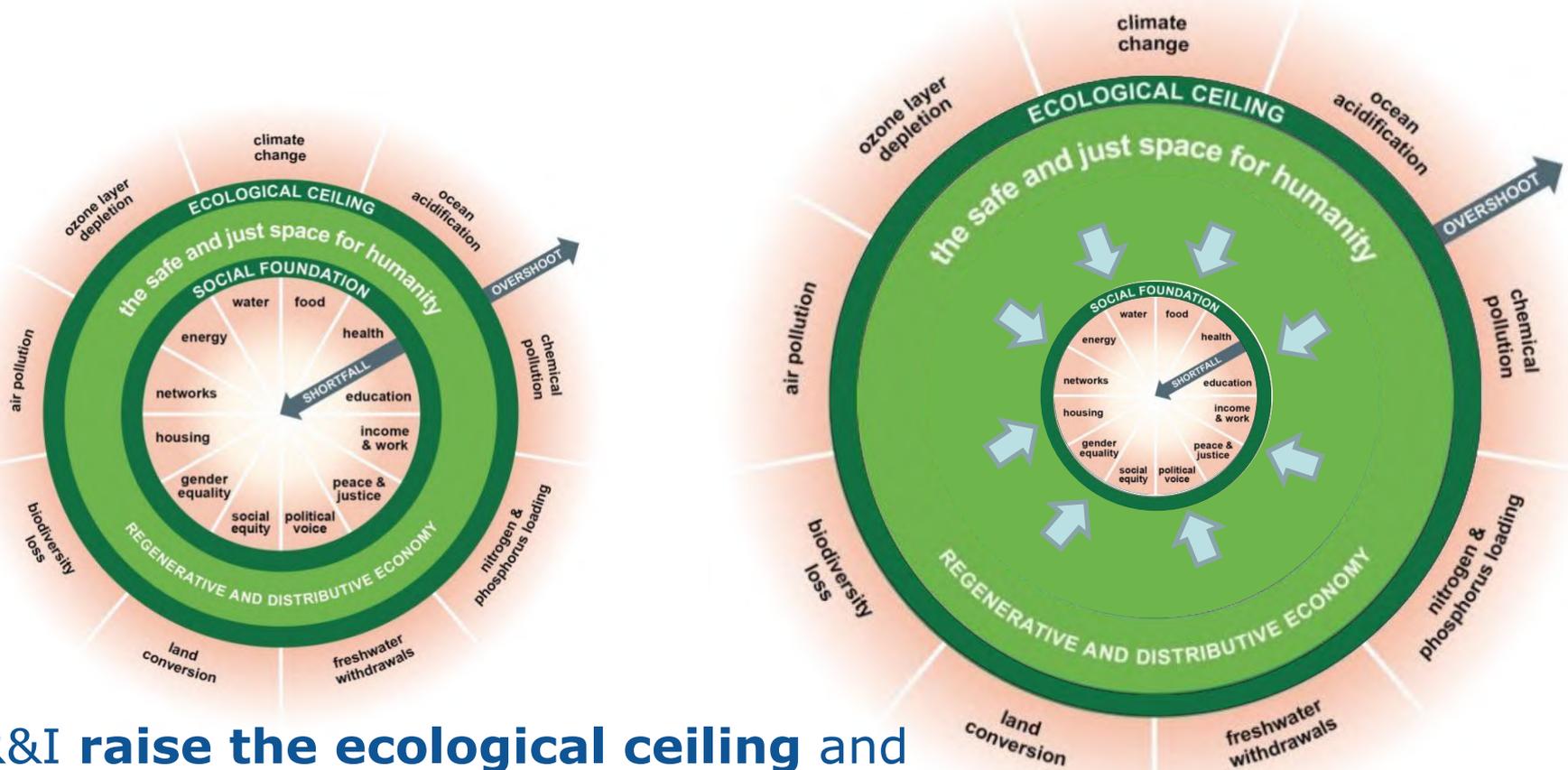
EU policies risk limited impact if others pursue opposing ones

Only continents that invest in tech with a purpose/
directionality (sustainability) will stay ahead and set global
standards: “destructive creation” to “creative destruction”

Work on multiple levels & dimensions at same time

1. Anticipate & accelerate sustainable technologies
2. Create maximum insights from science: cross-disciplinary boundaries, push forward frontier
3. Business models based on sustainable innovation to change consumer aspirations
4. Sustainable frame for economy: finance, inno principle, responsive institutions

Teaser - Kate Raworth's doughnut



R&I **raise the ecological ceiling** and avoid an overshoot of our pressure on the planet

R&I **reduce social shortfalls** and raise overall standards so that nobody misses out on life's essentials from health to food to energy