



Council of the European Union  
General Secretariat

**Brussels, 07 June 2019**

**WK 7112/2019 INIT**

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From:	ERAC Secretariat
To:	ERAC (European Research Area and Innovation Committee)
Subject:	ERAC plenary on 6 June 2019 - PowerPoint presentations - Item 3.1

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Dear ERAC delegations,

Please find attached the following PPT presentations given under item 3.1 of the agenda of the ERAC plenary on 6 June 2019:

- Report on ERAC Workshop - subgroup 1: Investing in and for the Sustainable Development goals;
- Investing in and for SDGs;
- Inclusiveness note;
- Report: ERAC Workshop on "Inclusiveness in R&I".

Kind regards,

ERAC Secretariat

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# **Report on ERAC Workshop – subgroup 1**

## Investing in and for the Sustainable Development goals

Chair: Christian NACZINSKY, Austria  
Rapporteur: Adrian PASCU, Romania

Brussels, 6 June 2019

## Question: Investment target for R&D?

3% R&D target should be preserved, but should be combined with an inspiring narrative that also captures the mind of the general public

- Issues:
  - Target needs to be operationalised and qualified. A narrative needs to be created around the target;
  - 3% target expires at the end of 2020, there is no clear successor;
  - this discussion is linked to the discussion on the future of the ERA;

## Question: Sustainability dimension (SDGs)?

Smart directionality is needed that combines the SDGs with strengthening the competitiveness of Europe, including mission-oriented policies, market-sensitive EU/national regulation, dual policies, and priority-setting among/within the SDGs

- Issues:
  - Silo governance
  - Limited alignment of policies
  - Potential conflict between SDGs and competitiveness (cf. Structural Funds)

## Question: Sustainability dimension (SDGs)?

SDGs call for system transitions in many sectors for which SDGs are both drivers and enablers

- Issues:
  - Quality of life concept, European model – how we distinguish ourselves from others, but this only works if it is part of the paradigm shift away from a “growth” model towards a “quality-of-life” model;
  - How to create tailor-made policy solutions (no one-size-fits-all);
  - Competitiveness always wins;

## Question: Policy Mix?

Policy mix requires a revised division of labour between EU and national level, but also within the countries (industrial and economic policies, skills, incentives, instruments)

- Issues:
  - Subsidiarity: in which fields would we as MS accept that these are issues for Europe to solve and vice versa?
  - How radical should the new division of labour be?

## Question: Policy mix?

National reforms are needed to bring sectorial policies together with R&D around the SDGs, and we need new and different interactions with/between all kinds of stakeholders (business, universities, end users, ...). These interactions need to become as efficient and effective as possible - this requires reforms at national level.

- Issues:
  - Role of the European Semester (Country-specific recommendations on national reforms in R&D, EC Reform Delivery Tool)
  - Hierarchy and interaction of different national and regional strategies and their implementation
  - Ensuring sufficient level of investments in R&D across different sectors



# **ERAC Plenary**

6. 6. 2019

## **Investing in and for SDGs**



# Investing in R&D

R&I are undisputed drivers of growth and jobs:

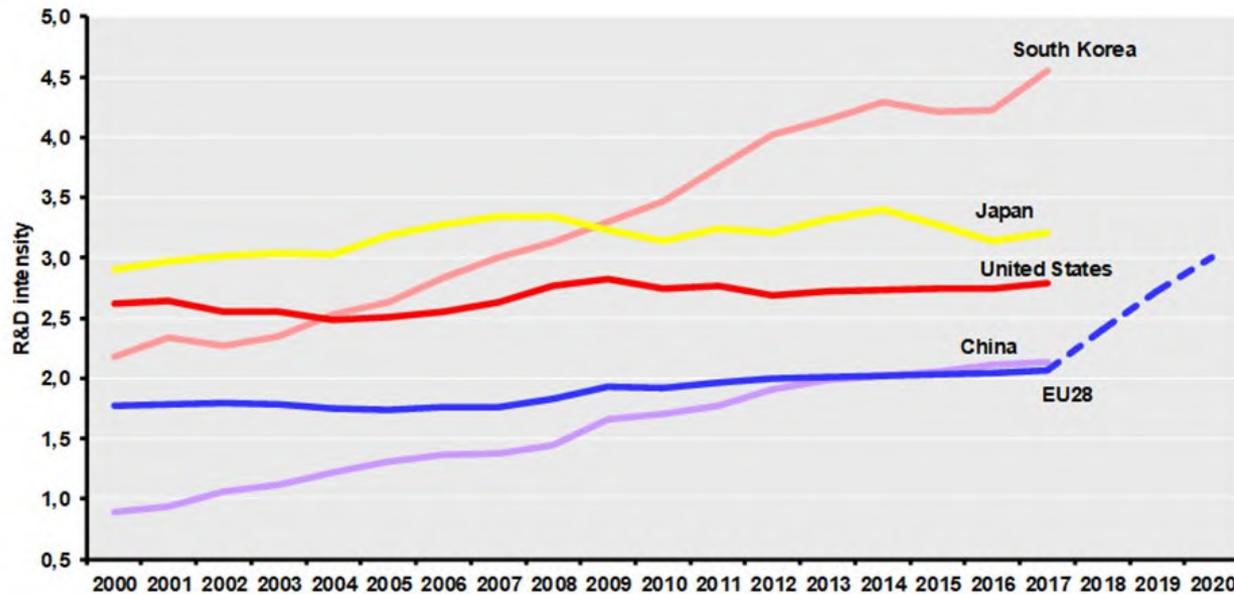
- 62% of EU economic growth 1995 – 2007
- R&I drives productivity growth

One of the key aims of the EU during the last couple of decades has been to encourage increasing levels of R&D investment:

- Lisbon Strategy: 3% of the EU's GDP should be invested in R&D (2003 Barcelona Summit)
- EU2020 strategy

## How far are we?

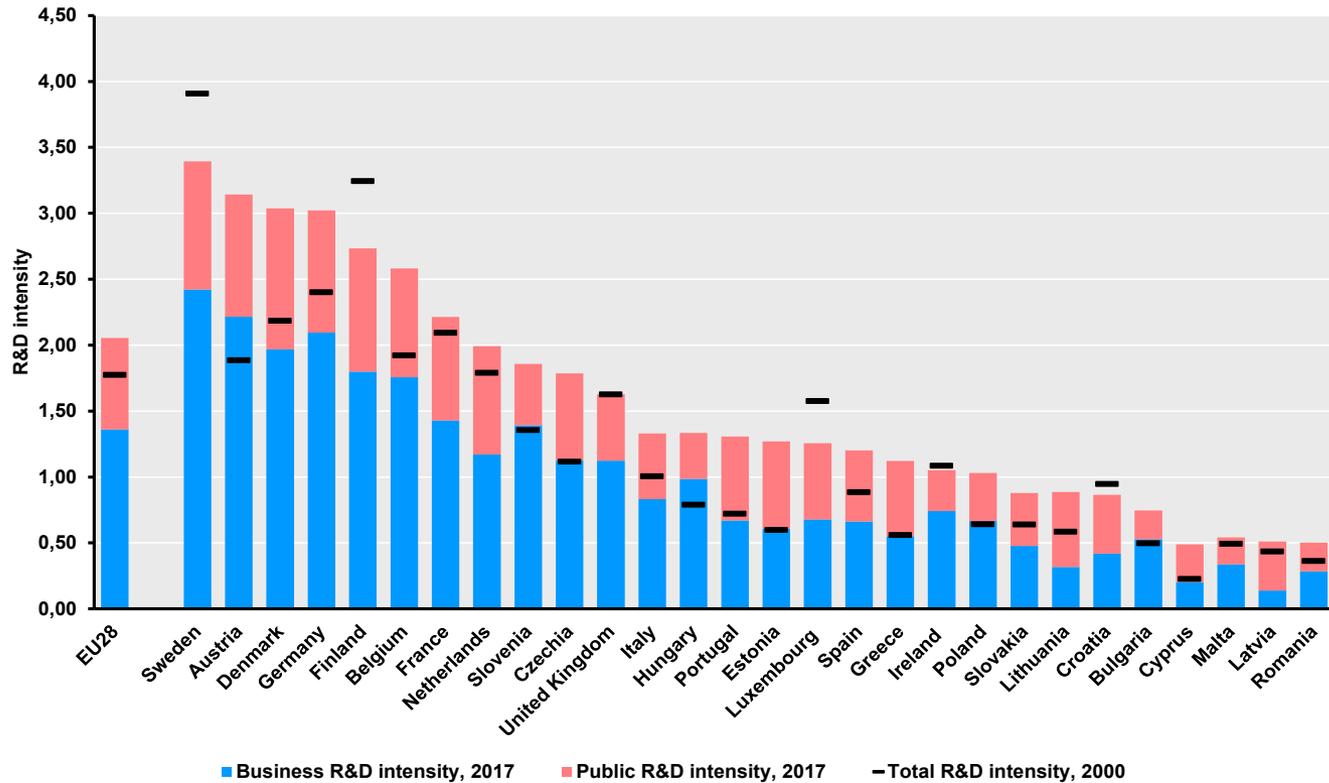
The EU R&D intensity has increased by 0.9% annually, from 2000 to 2017. To meet 3% target by 2020, the EU R&D intensity would have to increase by more than 10% per year.



Source: EC DG RTD, Unit "Chief Economist - R&I Strategy & Foresight"; Data: Eurostat, OECD

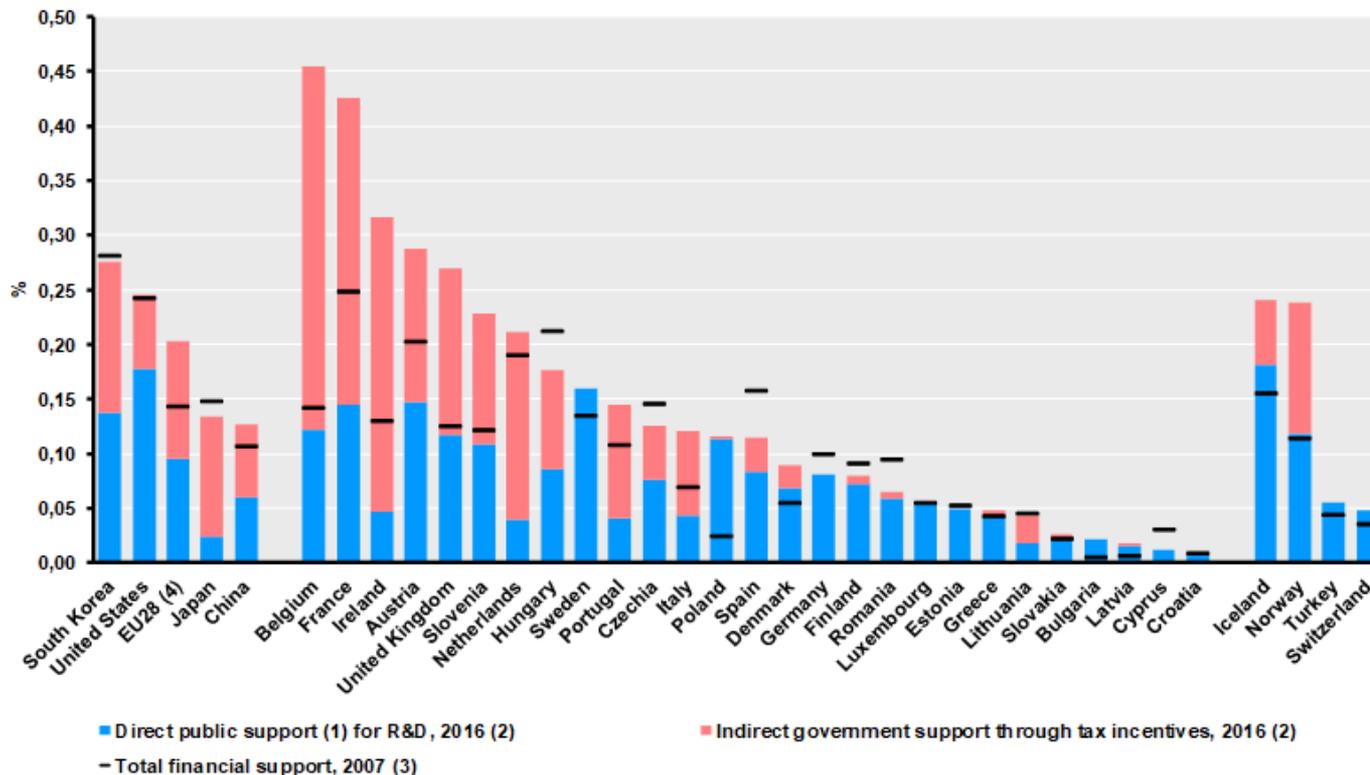
# Big differences among MS

R&D intensity increased over the 2000-2017 period in 22 Member States



# To boost business R&D intensity governments are increasingly using R&D tax incentives

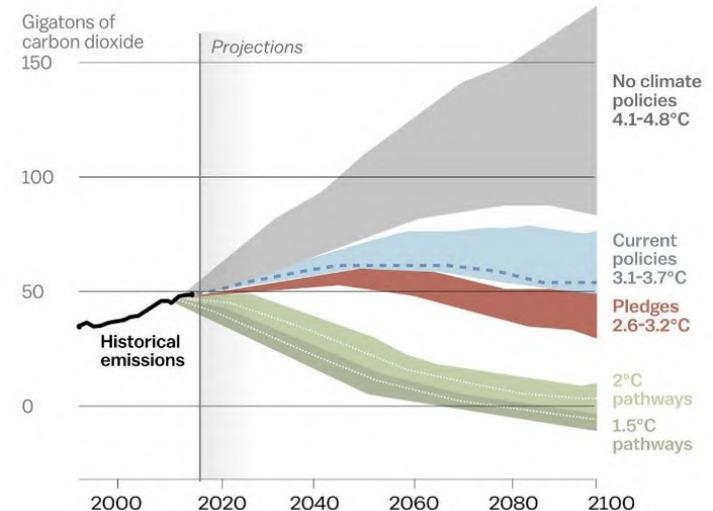
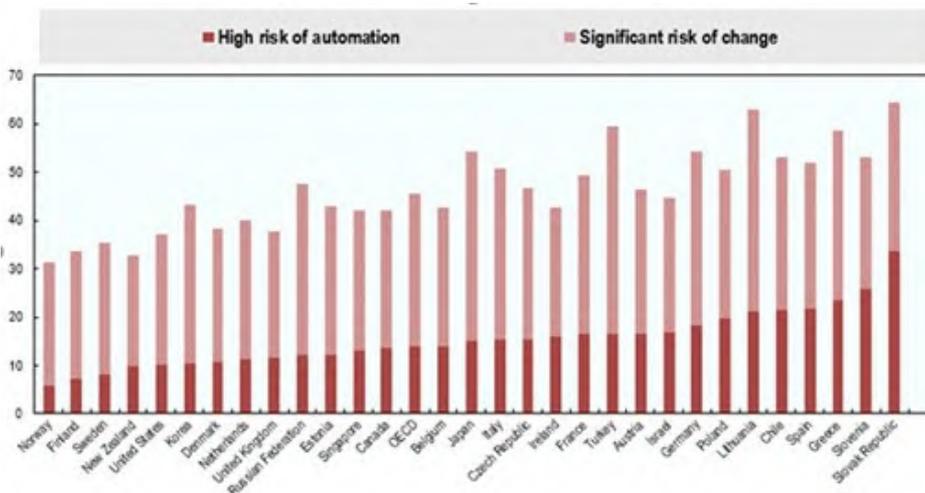
- In the EU, tax incentives for R&D now account for 53% of all public support for business R&D



# The challenges ahead



We are facing big challenges ahead: demographical changes, challenges affecting our planet and our people (the future of work, digitalisation), geography of discontent.



# Investing for the SDGs



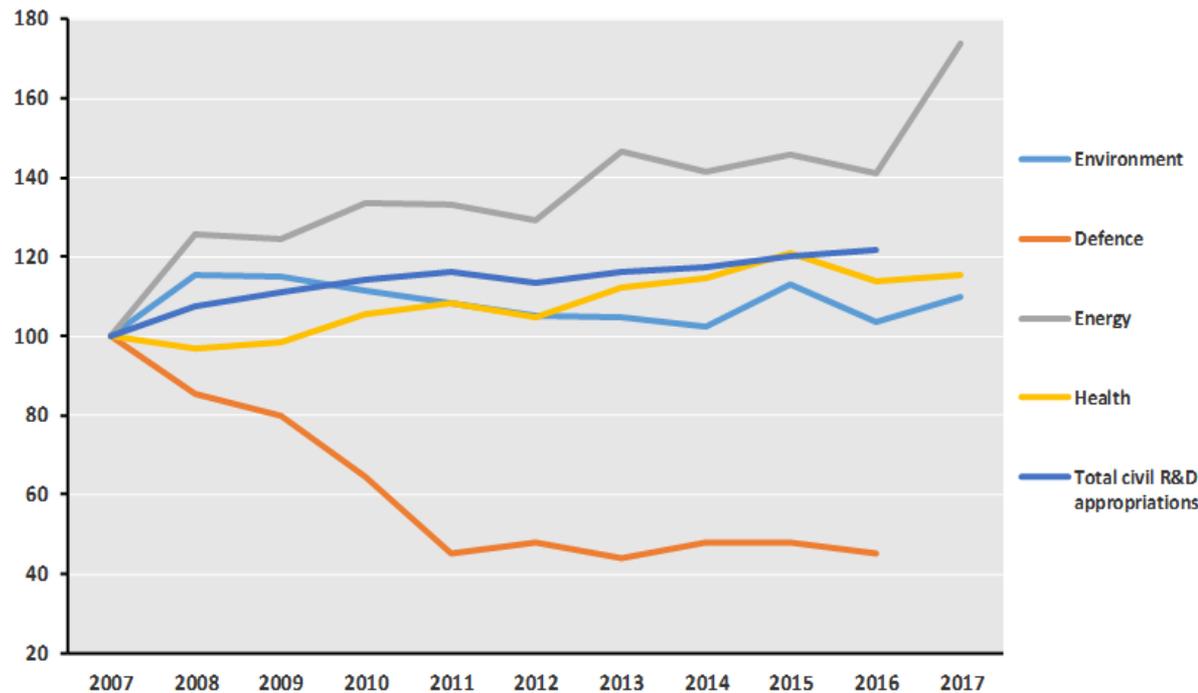
R&I investments are key enablers to accelerate the transition towards an environmentally, socially and economically sustainable Europe.

Because of the scope, scale and urgency of the societal challenges facing Europe, **policy** is called to pay increased attention **not just to the rate** (the quantity and quality) of R&I investments, but also to the overall **direction of these investments.**

# Directionality of investment

Member states are slowly steering their national budgets towards societal and environmental challenges.

Allocation of public R&D budgets, EU28



Source: EC DG RTD, Unit "Chief Economist - R&I Strategy & Foresight"; Data: Eurostat, OECD; GBARD Index 2007=100

## Questions for discussion

- While increasing investment in R&D should remain an aspiration for the EU, should the shifting focus towards sustainability also entail a shift in focus in our investment targets? How can the sustainability dimension be included?
- How should the policy mix for increasing R&D investment be reformed to address a renewed focus in R&I strategy?



# **ERAC Plenary**

6. 6. 2019

## **Inclusiveness note**

## State of play

Increased inequality and underperforming productivity growth are the two main challenges of Europe's political agenda:

- **Geographic divergences**
- **Economic disparities**

The rise of fast, complex and concentrated digital innovation is one of the root causes of the both trends.

Competitiveness and inclusiveness must go hand in hand for economic, social and political sustainability.



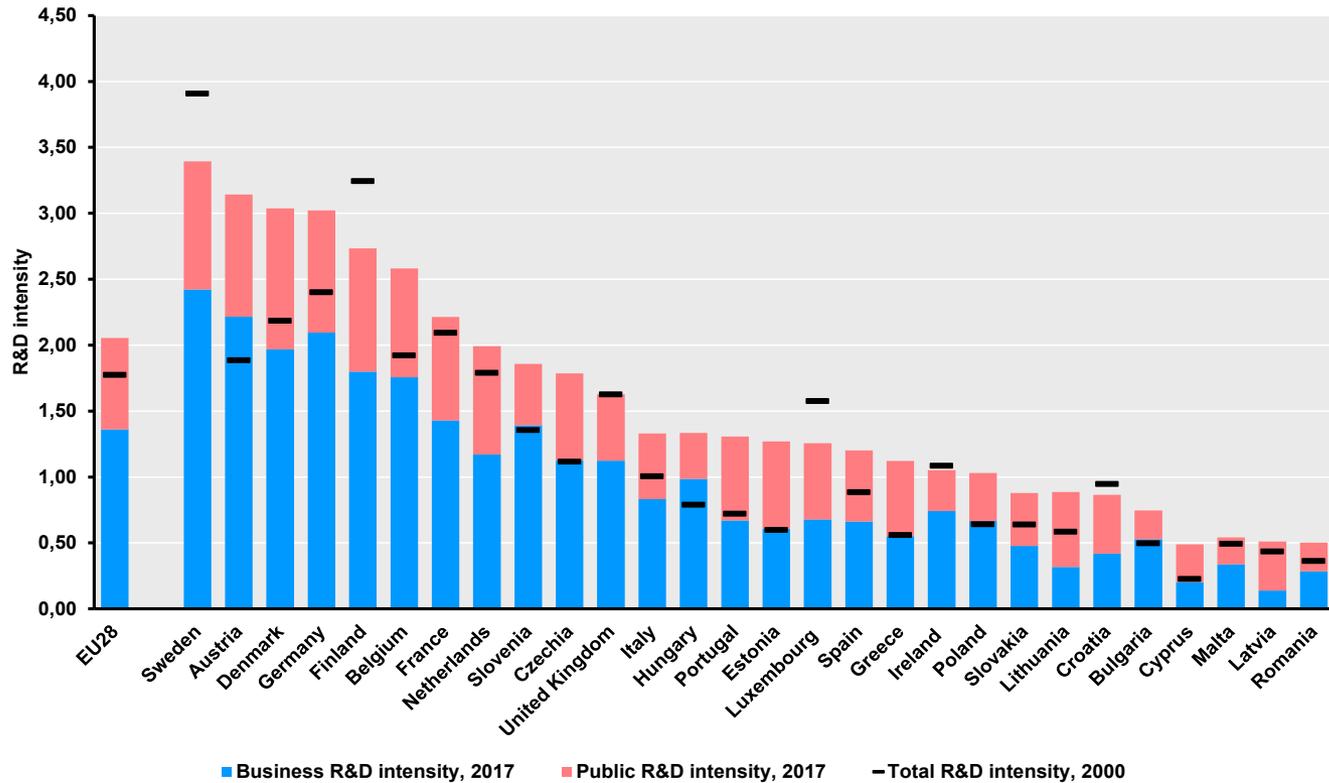
# Geographical divergences

European economies are highly heterogeneous in economic structure and innovative capacity. The traditional innovation divide has been shifting over the last decade, with innovation performance of some EU-13 catching up, while some of the Southern European economies did not manage to achieve the same dynamics.

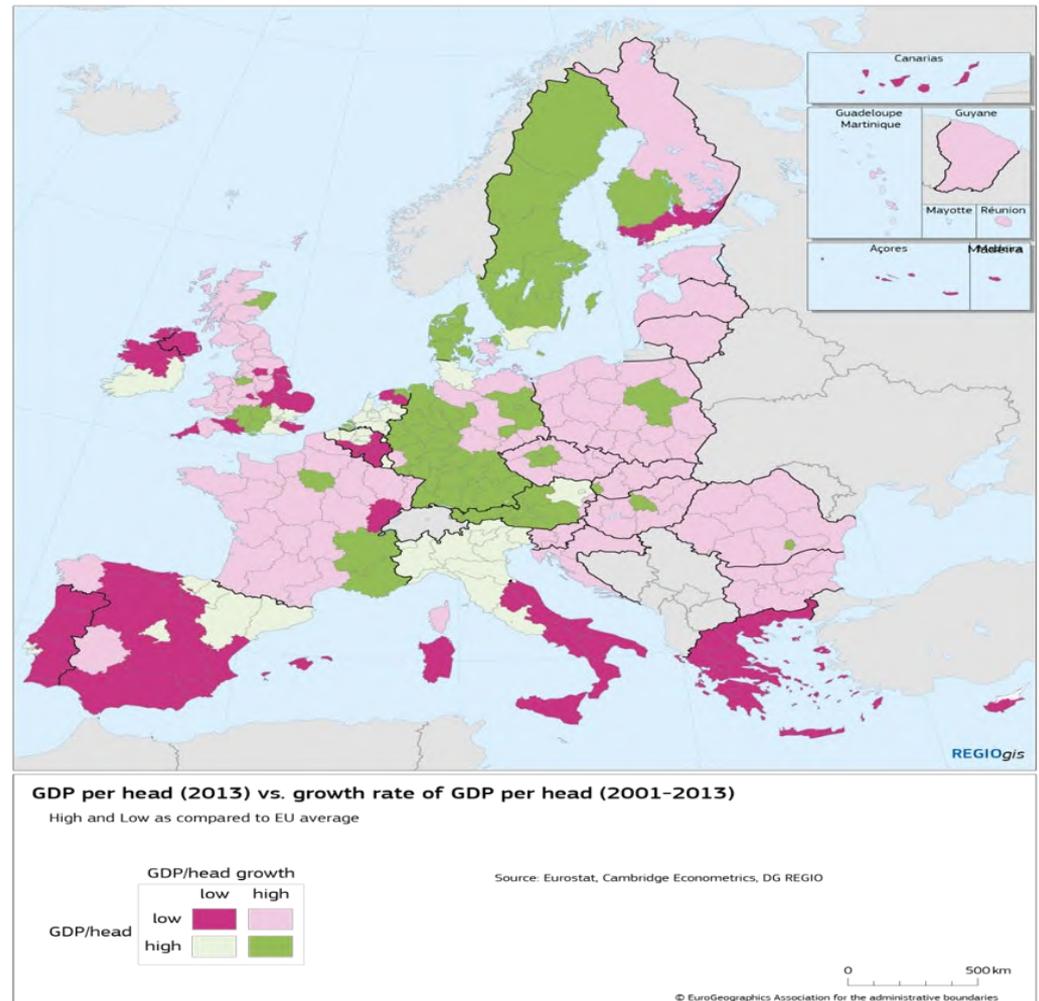
The high concentration of R&I and economies of agglomeration create divergences within member states, e.g. capital and metropolitan areas vs. declining industrial and peripheral areas.

# Big differences among MS

R&D intensity increased over the 2000-2017 period in 22 Member States



Call for innovation-driven growth model and place-based innovation policies.

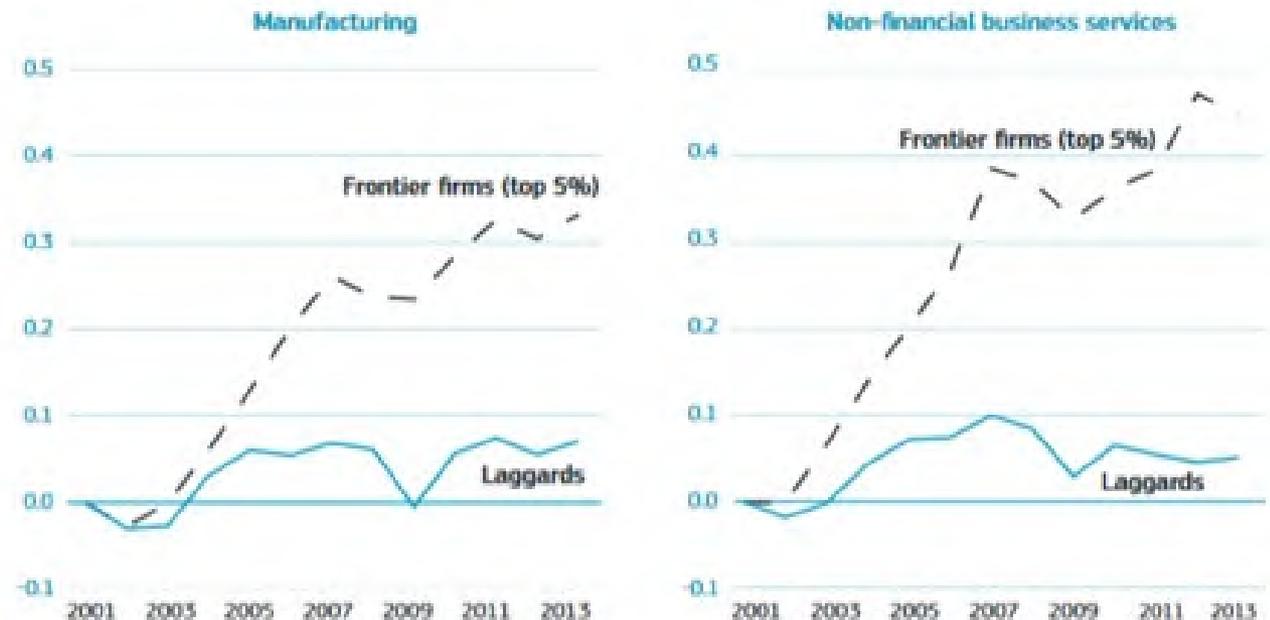


Source: Iammarino et al. (2018).

# Economic disparities: firms

Speed, complexity and “winner-takes-all” dynamics of digital economy reveal an increasing productivity gap between a few frontier firms and the laggards.

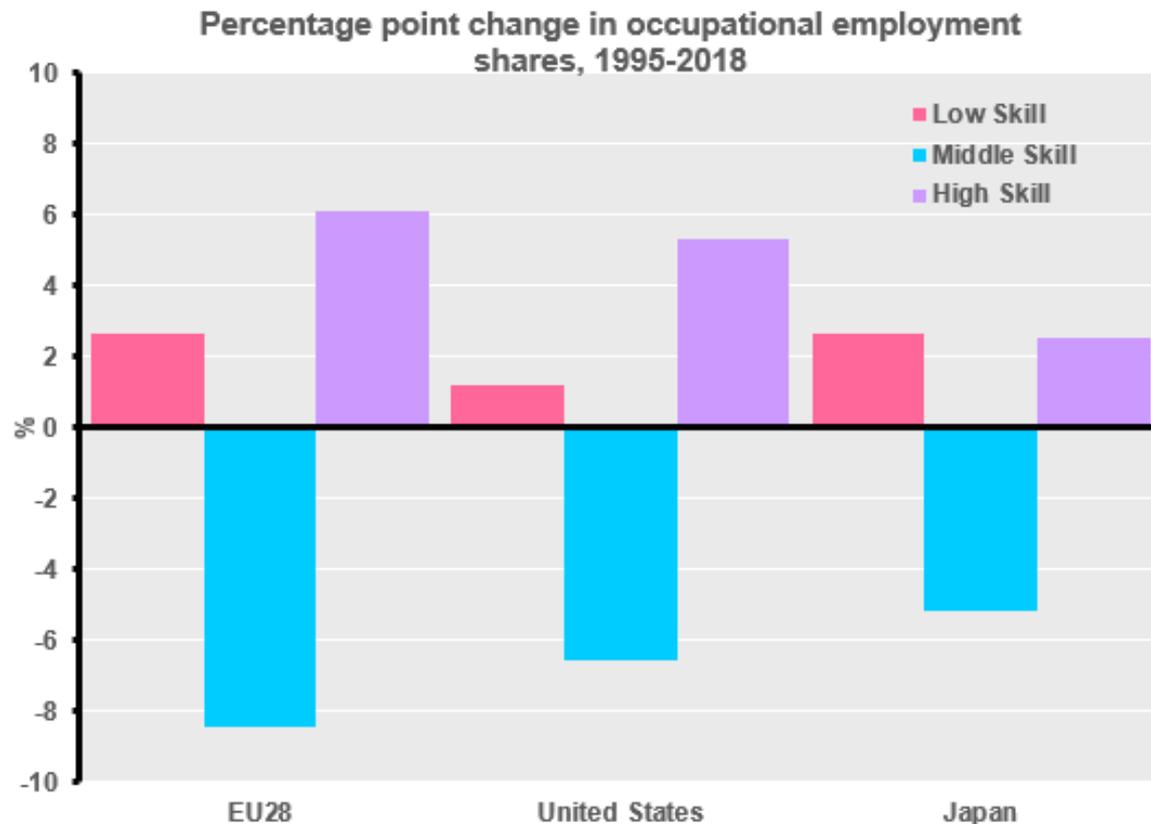
These trends have been traced to limited innovation diffusion.



# Economic disparities: people

New technologies could introduce productivity gains, but also decrease the labour share of income and contribute to future inequalities affecting mostly lower skilled workers.

Recent trends suggest job polarisation and the hollowing out of medium routine tasks jobs, with middle-skilled workers being the most affected.





# Key policy considerations

- Incentivising national R&I policy reforms: cohesion policy funds, Horizon 2020 Policy Support Facility, Structural Reform Support Programme, Widening measures
- Skills: upskilling and reskilling policies
- Innovation diffusion: place-based innovation policies and better integration into global value chains
- Investing in and for the SDGs: directionality of R&I investment, transformation of Europe's economy and society

# Questions for discussion

- How can the tools available at EU level to incentivise national reforms be optimised to stimulate an inclusive approach to innovation?
- Given the increasing concentration of R&D, innovation and its benefits in a few countries, regions, firms and people, how can policy makers generate a broader diffusion of innovation activities and their benefits?
- Given the importance of skills in tackling divergences, how can the R&I agenda be better aligned with other policies such as education, training or life long learning?
- How do you think that synergies between Horizon Europe and other EU and national programmes could best support inclusiveness objectives?



Bundesministerium  
für Bildung  
und Forschung

# Report

ERAC Workshop on „Inclusiveness in R&I“

5 June 2019, Brussels

## Overall

- The scope of policy action should include geography within and across MS, diffusion of knowledge and skills of people. It is time to let go of the 'old' EU15 vs EU13 debate to strengthen the ERA as a whole by tackling all disparities.
- Education (training and skills), research and innovation policies are inter-connected. We need a comprehensive approach as they cannot be addressed separately.

## Question 1: National Reforms

- The EU's role is to facilitate policy reforms – political will at regional/national level is key and should be the main driver.
- The EU can support national reforms through dialogue on the relevance of R&I towards national governments and citizens based on facts and data.
- The EU can be of major relevance in providing evidence and analysis (within the European Semester) on tangible benefits of R&I policy reforms.
- Equal distribution of opportunities as a solution to brain drain / brain circulation.
- **Is it necessary to establish closer links between the ERA policy and the European Semester? If yes, how so?**

## Question 2: Skills

- The dimension of skills should be better integrated to the ERA, especially in view of digitalization. Europe needs a highly skilled labour force.
- Education systems need to react faster to demands a.o. by the R&I agenda.
- Innovation related skills should be included in training and education programmes to help solve “bottlenecks” of innovation diffusion.
- European University Networks are an encouraging example.
- The competences on education, research and innovation are spread among many actors within MS and across levels (regional, MS, EU), which requires significant coordination.
- **How can we better integrate skills into the ERA policy?**

### Question 3: Innovation diffusion

- Appropriate policy responses to address the core-periphery challenge need to be deeply rooted in the regional/ national socio-economic system – no ‘one size fits all’.
- We need to better coordinate centres who collect and provide information about competences and activities of R&I actors to allow connecting various actors (i.e. Digital Innovation Hubs). They provide information about how projects are valorified at regional level. The centres should complement each other (not duplicate).
- Implement existing macro-regional strategies and develop new ones. Develop synergies between regional and macro-regional strategies..

## Question 4: Synergies

- Synergies between the EU-Framework Programme and other EU programmes is an essential measure. It is time to deliver aligning rules and programmes of EU policies.
- Inclusiveness: Once the framework conditions have been changed, it is up to the national authorities to design and implement operational programmes to cover the aspect of inclusiveness (core-periphery dynamics).
- A more comprehensive approach is needed: Smart Specialization Strategies/ Macro regional strategies.