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MEETING DOCUMENT

From:	ERAC Secretariat
To:	ERAC (European Research Area and Innovation Committee)
Subject:	ERAC Plenary in Helsinki on 2 October 2019 - Item 6 - "Standing Information Point - 2019 European Semester: outcomes as regards the research and innovation (R&I) aspects"

In view of item 6 of the agenda of the ERAC plenary on 2 October 2019, please find attached the "Standing Information Point - 2019 European Semester: outcomes as regards the research and innovation (R&I) aspects".

2019 European Semester: outcomes as regards the research and innovation (R&I) aspects

1. General overview

Context: On 09 July 2019, the Council concluded this year's European Semester by adopting the **2019 Country Specific Recommendations (CSRs)/Council Recommendations**¹ based on the Commission proposals issued on 05 June 2019. The CSRs cover **28 Member States** and were accompanied by a **chapeau Commission Communication**².

The 2019 CSRs highlight that investment in research, development and innovation is a must for **all EU 28 Member States** to enhance their productivity growth and competitiveness. In addition, **10 Member States** received recommendations addressing specific research and innovation issues.

Enhanced linkages between the European Semester cycle and the European Structural and Investment Funds (ESIF): the 2019 country reports published in February 2019 provided a thorough analysis of regional and territorial disparities and investment needs for each Member State. In particular, Annex D in the 2019 country reports outlined the priority areas where investment is needed. Annex D should serve as a basis to prioritise the use of EU funds in the next multiannual financial framework 2021-2027.

Progress with previous CSRs: Since the start of the European Semester in 2011, Member States have made at least some progress implementing more than two thirds of the country-specific recommendations issued to them. Most progress has been achieved in financial services and employment policies, whereas recommendations to broaden the tax base, in healthcare, and competition in services, show a particularly low implementation rate³.

Renewed dialogue with Member States and dedicated tools to increase ownership: The Commission has continued its practice of consulting Member States on the analytical parts of the country reports prior to their publication. The Commission provides assistance and incentives to Member States in designing and implementing structural reforms through the **Horizon 2020 Policy Support Facility**⁴ and the **Structural Reform Support Service**⁵. In addition, the **Reform Support Programme**⁶ (notably the **Reform Delivery Tool**) will also support reforms in all Member States and will be operational under the new Multiannual Financial Framework 2021-2027.

The overarching Chapeau Communication lays the ground for this year's recommendations, starting from an analysis of the present economic situation:

¹ https://ec.europa.eu/info/publications/2019-european-semester-country-specific-recommendations-commission-recommendations_en

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560257977630&uri=CELEX:52019DC0500>

³ https://europa.eu/rapid/press-release_IP-19-2813_en.htm

⁴ <https://rio.jrc.ec.europa.eu/en/policy-support-facility>

⁵ https://ec.europa.eu/info/departments/structural-reform-support-service_en

⁶ https://europa.eu/rapid/press-release_IP-18-3972_en.htm

- The European economy is growing for the seventh consecutive year. The European economy will continue its expansion this and next year.
- Effective structural reforms, accompanied by well-targeted investment strategies and responsible fiscal policies, continue to provide a successful compass for modernising the European economy.
- In this context, the overall objective of the 2019 recommendations is to encourage the Member States to increase their growth potential by modernising their economies and further strengthen their resilience. The increasingly digitalised and globalised economies require smarter investments in relevant infrastructure, innovation, education and skills.
- National socio-economic trends hide regional differences that are significant in some countries. Looking backward, the benefits of economic growth have not spread equally across regions. Looking forward, the socio-economic challenges of the future do not affect all parts of society in the same way. Thus, building upon the findings of the 2019 country reports, this year's recommendations have references to regional and territorial disparities where relevant. The aim is to better identify specific investment needs and promote accelerated economic and social convergence with the help of those investments that will be co-financed by the EU cohesion policy funds in the period 2021-2027.
- Increasing uncertainties in global markets are underlining the importance of the single market. The good functioning of the single market is essential to facilitate high quality inputs to firms at a competitive price and to offer large and liquid markets to EU goods and services providers.
- The 2019 CSRs address challenges in (i) public finances and taxation, (ii) labour market, education and social policies and (iii) investment, competitiveness policies, and improved business environment to deliver higher productivity.

Looking ahead, it should be noted that in her political guidelines for the next Commission, President elect von der Leyen announced that the European Semester will be refocused into an instrument that integrates the United Nations Sustainable Development Goals.

2. The Country-Specific Recommendations addressing R&I

The 2019 Country Specific Recommendations include a stronger focus on **identifying and prioritising investment needs** at national level and pay special attention to regional and territorial disparities. This is in line with the thorough analysis of investment needs and bottlenecks identified for each Member State in the country reports and should serve to prioritise the use of EU funds in the next multiannual financial framework 2021-2027.

Research and innovation feature prominently across this year's Country Specific Recommendations. **The Commission highlights that investment in research, development and innovation is a must in for all EU 28 Member States** to enhance their productivity growth and competitiveness.

In addition, **10 Member States received recommendations addressing research and innovation issues** (the Czech Republic, Denmark, Estonia, Spain, France, Ireland, the Netherlands, Lithuania, Poland, Portugal).

- Four CSRs concern **key reforms of the national R&I systems**: remove the barriers hampering the development of a fully functioning innovation ecosystem (*Czech Republic*); the efficiency of public support schemes (*France*); enhance the effectiveness of policies supporting research and innovation (*Spain*) and use more direct funding instruments to stimulate research and innovation to diversify the economy and improve the productivity of firms – small and medium enterprises in particular (*Ireland*).
- Four CSRs focus on **the innovation capacity of the economy**: importance of increasing private investment in innovation (*the Netherlands*); broaden the innovation base to include more companies (*Denmark*) and foster innovation by improving the capacity and labour market relevance of the education and training system (*Estonia*). In addition, *Portugal* is recommended to increase the number of higher education graduates, particularly in science.
- Two CSRs concern the **need to strengthen science-business cooperation**: develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies (*Lithuania*) and strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business (*Poland*).

Annex I: 2019 Country Specific Recommendations for Research and Innovation

Czech Republic

"Focus investment-related economic policy on transport, notably on its sustainability, digital infrastructure, and low carbon and energy transition, including energy efficiency, taking into account regional disparities. Reduce the administrative burden on investment and enable more quality-based competition in public procurement. **Remove the barriers hampering the development of a fully functioning innovation ecosystem.**"

Denmark

"Focus investment-related economic policy on education and skills, **research and innovation to broaden the innovation base to include more companies**, and on sustainable transport to tackle road congestion."

Estonia

"Address skills shortages and **foster innovation** by improving the capacity and labour market relevance of the education and training system."

France

"Focus investment-related economic policy **on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes)**, renewable energy, energy efficiency and interconnections with the rest of the Union, and on digital infrastructure, taking into account territorial disparities."

Ireland

"Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities. Implement measures, including those in the Future Jobs strategy, **to diversify the economy and improve the productivity of Irish firms – small and medium enterprises in particular - by using more direct funding instruments to stimulate research and innovation** and by reducing regulatory barriers to entrepreneurship."

Lithuania

"Focus investment-related economic policy on **innovation**, energy and resource efficiency, sustainable transport and energy interconnections, taking into account regional disparities. Stimulate productivity growth by improving the efficiency of public investment. **Develop a coherent policy framework to support science-business cooperation and consolidate research and innovation implementing agencies.**"

The Netherlands

"While respecting the medium-term budgetary objective, use fiscal and structural policies to support an upward trend in investment. Focus investment-related economic policy **on research and development in particular in the private sector**, on renewable energy, energy efficiency and greenhouse gas emissions reduction strategies and on addressing transport bottlenecks."

Poland

"**Strengthen the innovative capacity of the economy, including by supporting research institutions and their closer collaboration with business.** Focus investment-related economic policy on **innovation**, transport, notably on its sustainability, digital and energy infrastructure, healthcare and cleaner energy, taking into account regional disparities. Improve the regulatory environment, in particular by strengthening the role of consultations of social partners and public consultations in the legislative process.

Portugal

"Adopt measures to address labour market segmentation. Improve the skills level of the population, in particular their digital literacy, including by making adult learning more relevant to the needs of the labour market. **Increase the number of higher education graduates, particularly in science and information technology.** Improve the effectiveness and adequacy of the social safety net."

Spain

"Focus investment-related economic policy on fostering **innovation**, resource and energy efficiency, upgrading rail freight infrastructure and extending energy interconnections with the rest of the Union, taking into account regional disparities. **Enhance the effectiveness of policies supporting research and innovation.**"