

**Commissioner Geoghegan-Quinn**  
**Innovation Lecture, The Hague, 26 March 2012**  
*From Innovation Emergency to Economic Growth*

Minister Verhagen, Ladies and Gentlemen,

I am delighted to be back in The Hague, and in such impressive surroundings. I was here last July – next door in the Mauritshuis - to discuss ideas on the future of research and innovation at the European level. So it gives me great pleasure to deliver the Innovation Lecture and update you on the progress we have made in turning Europe's innovation emergency into economic growth.

Thank you, Minister Verhagen, for your thought-provoking remarks. I am happy to respond to the points that you raise. I think we see eye to eye on many of the issues, and your experience in the Netherlands has been very instructive in helping us develop policies and actions at European level to boost innovation. I hope that our work at European level has also provided inspiration for your domestic policies.

Europe is faced with a debt crisis and its biggest economic challenges in decades. Many Member States are taking action to cut deficits, but we must ensure that these measures don't cut off the lifeblood of economic recovery: research and innovation.

Investing now in research and innovation is the recipe for ensuring jobs and growth in the future. That's why, in the context of the new European Semester of enhanced economic coordination in Europe, the Heads of State and Government have endorsed the idea of smart fiscal consolidation, in other words, protecting investment in education, research and innovation and the key infrastructures that promote growth.

The European Semester has also underlined the need for Member States to take additional steps to reach the goal set by the Europe 2020 strategy for smart, sustainable and inclusive growth of investing 3% of European Union GDP in R&D by 2020.

I know that, like many Member States, the Netherlands is facing difficult budget choices, but I hope that you will protect investment in research because there is a clear correlation between smart investment and recovery. I warmly welcome your 2.5% target for 2020; this is an ambitious and realistic goal that will require a structural change towards faster-growing and more innovative sectors that will stimulate private investment in R&D.

Those countries that invested more in R&D and education are weathering the economic crisis better. But spending money makes no sense if it is not well spent. At any time, but especially in times of austerity, we must get results, a return on our investment. This means launching key structural reforms, at EU and national level, to increase both the efficiency and the economic impact of money invested in research and innovation.

According to the most recent Innovation Union Scoreboard, published in February, almost all the Member States have improved their innovation performance. However, progress is patchy across Europe and the pace of change is still too slow to catch up with the United States, the innovation leader. Without concerted action, we risk falling further behind, while China continues to close the gap.

That is why in October 2010 I launched Innovation Union, a comprehensive strategy to improve the framework conditions for innovation.

Innovation Union focuses on putting in place the conditions that will smooth the path from lab to market, from excellent research to new products that can be sold around the world. We need faster standard-setting, more affordable patents, more public procurement of innovative goods and services, better access to venture capital and a functioning knowledge market in Europe.

We are making very good progress on meeting the 34 commitments contained in Innovation Union.

We have made proposals to reduce the costs of patenting in Europe by 80%, through enhanced cooperation between 25 of the Member States. We are also modernising and accelerating standard-setting, which is so important for gaining a large share of the markets of the future.

We are creating a single market for venture capital funds so that they can more easily raise capital across Europe and more easily invest in European SMEs through a simple, single registration in their home Member State.

We will include in the revision of the EU procurement directives concrete innovation-friendly measures such as a new procedure for buying innovation and easier joint procurement across borders. We will give incentives to procurers to pool their resources so that they can demand innovation and improve public services at a better price.

We are also harnessing the power of social innovation. The creativity of social innovators can change the way the public sector interacts with people, transforming services such as health, education or care for the elderly. We have therefore created a European platform so that the creative solutions to local needs can be identified, exchanged and scaled up.

Innovation Union also introduced a new concept – European Innovation Partnerships. They aim to fast-track innovation by addressing a well-defined target within a specific societal challenge. They provide a platform for mobilising actors across policy areas, sectors and borders to commit and contribute to supply-and demand- side measures across the whole research and innovation cycle. The first Innovation Partnership focuses on Active and Healthy Ageing, while two more, on Raw Materials and Sustainable Agriculture, were officially approved on 29 February.

We are will also take concerted action to create a properly-functioning European Research Area in which researchers, research results, knowledge and new technology can circulate freely.

Let me be clear, the diversity of our research systems is one of our great strengths. So the European Research Area is not about abolishing national research systems. It's about making them more inter-connected and more open to competition. Europe needs more research excellence to compete in an increasingly competitive and globalised research landscape. We need to improve our game. Just as the Single Market made our businesses more competitive externally by exposing them to more competition at home, ERA can do the same for our universities, faculties and research teams.

We are also making more and more demands on our scientists, asking them to solve big, complex problems, and quickly. So we must make it easier for them to collaborate, by encouraging the removal of obstacles to the free flow of researchers, data and scientific knowledge in Europe, and by letting researchers take their grants across borders. A properly functioning ERA will also help avoid unnecessary duplication in research and infrastructure investments at national level. We owe this to the taxpayer.

Achieving ERA requires far-reaching reform at European level and within Member States. Of course the two are interlinked – the European Research Area can act as a catalyst for a process of smart specialisation whereby regions and Member States identify and focus on their particular strengths.

Despite the strong case for the European Research Area, progress in achieving it has been disappointingly slow. But nothing focuses attention quite as much as setting a tight deadline, and that's precisely what Member States did last year when they agreed that the necessary measures to implement ERA must be in place by 2014.

So, based on the results of a wide-ranging public consultation in 2011, by the middle of this year I will propose an ERA Communication focusing on a number of key measures that are crucial to achieving ERA and that will have the biggest impact on our economy.

As the Netherlands rightly stated in its response to the public consultation, it is clear that the creation of ERA also requires long-term reforms in many Member States. We could certainly think of monitoring these reforms as part of the European Semester.

In line with the very welcome letter sent by Prime Minister Rutte, I count on your support in achieving ERA, both through your own national policies and through your political support for the proposals that we will make this summer.

The reforms championed by Innovation Union will be accompanied by reform of how we finance research and innovation at European level. We are urging Member States to spend on research and innovation and we need to do the same at European level in support of the EU's pro-growth agenda.

The European Commission has proposed an investment of 80 billion Euro in research and innovation from the next EU budget, under the new Horizon 2020 programme. This represents a significant increase on the 55 billion Euro budget of the current 7<sup>th</sup> Framework Programme for Research.

I am very pleased that the Dutch government and Parliament support this approach, as just confirmed by Minister Verhagen. The negotiations on the EU's proposals for a modern and forward-looking budget are still ongoing in the Council and the European Parliament, and I hope that we can continue to count on your strong support.

Just as we propose that Member State spending on research should be accompanied by structural reform, so we will do the same under Horizon 2020.

We will make our investments in research and innovation simpler, more efficient, and more effective at delivering the bigger impacts needed to sustain growth and tackle at European level the biggest challenges that really matter to people, such as climate change, health, energy and food security.

I introduced a number of simplification measures last year for the 7<sup>th</sup> Framework Programme, but Horizon 2020 ushers in a much more radical simplification. All European funding for research and innovation will be brought under one umbrella for the first time. There will be one single set of participation rules for the whole programme.

Horizon 2020 also means more research and less bureaucracy - we are slashing red-tape to make it easier to access financing. We want our scientists and innovators to spend more time in the laboratory or workshop and less time filling in forms, so funding will have a simpler and more coherent structure with simpler and more coherent rules.

I would like to thank Minister Verhagen, along with State Secretary Zijlstra, for The Netherlands' positive reaction to our Horizon 2020 proposal. I think that there is much in Horizon 2020 that appeals to Dutch researchers and innovators. Meeting stakeholders' demands that all EU research and innovation funding to be brought under a common umbrella, Horizon 2020 will offer seamless and integrated support along the whole innovation chain. Like Innovation Union, Horizon 2020 supports our researchers and innovators from lab to market.

Horizon 2020's simplified structure is composed of three distinct, yet mutually reinforcing priorities.

Innovation starts with excellent research. Horizon 2020's First Pillar is aimed at boosting excellence in Europe's science base. A proposed investment of over 24 billion Euro will enable the most talented scientists to carry out cutting edge research of the highest quality.

We propose to double to more than 13 billion Euro our support to the very successful European Research Council, or ERC, securing the best basic research that leads to the greatest technological breakthroughs and innovations. Fundamental research is fundamental to our science base and fundamental to our economy. The ERC gives world-class scientists of any nationality the chance to conduct excellent research in Europe. The first pillar also includes dedicated support to research infrastructures because providing world-class facilities goes hand in hand with our drive to attract and support the best researchers.

Horizon 2020's Second Pillar aims to boost industrial leadership, with actions to make Europe a more attractive place for businesses to invest in R&D and innovation. We will invest nearly 18 billion Euro under this pillar, including targeted support for the key enabling and industrial technologies that underpin innovation across different industries and sectors. This includes ICT, nanotechnologies, advanced materials, biotechnology, advanced manufacturing processes and space.

The Third Pillar focuses on Tackling Societal Challenges, which will receive nearly 32 billion Euro of funding. It is proposed to focus on six challenges: Health, demographic change and wellbeing; Food security, sustainable agriculture, marine research and the bio-economy; Secure, clean and efficient energy; Smart, green and integrated transport; Climate action, resource efficiency and raw materials; and, Inclusive, innovative and secure societies.

While I can't go into all the details of Horizon 2020 today, I would like to underline that we are keen to increase the participation of Small and Medium-sized Enterprises. A dedicated SME Instrument will fill the gaps in funding for the market-driven, high-risk research and innovation projects of SMEs.

This new scheme, inspired by the SBIR scheme in the US, is also a response to the request made by Member States last year to explore how best to meet the needs of fast-growing innovative companies through a market-based approach. A crucial element of the scheme will be a support network offering mentoring and coaching for beneficiary SMEs.

Listening to the Minister, I think that there is a good match between our ideas on how to help innovative SMEs under Horizon 2020 and the Dutch policies in this respect.

Dutch researchers and innovators are well placed to make the most of the opportunities presented by Horizon 2020. The excellent quality of your research base is shown by the fact that you have the second highest success rate among all Member States – 24.5% of applications are successful compared to the 18% average. In cash terms, Dutch participants have received 1.7 billion Euro from FP7 over the last four years.

This is an impressive record, but I think you can go even further, and I think this will depend on strengthening the links between your national actions and policies and those at the European level.

The Netherlands is a cornerstone of Innovation Union and the European Research Area. You have maintained a solid record in terms of exports, high productivity and low unemployment, giving you invaluable knowledge and experience. But you also face a number of challenges that are being addressed at the European level since they are shared by other Member States

I applaud your ambition to be among the top five knowledge economies in the world by 2020. The Netherlands is strong in scientific co-publications, and in licences and patent revenues from abroad. But you are not yet among the top innovation leaders. There could be stronger links between the Dutch science base - which ranks among the worlds' best performers in terms of output and openness - and your business sector. I am confident that the "Top Sectors" approach, set out by Minister Verhagen in his speech, will help achieve this aim.

I think it is excellent that each Top Sector has a 'top team' made up of representatives of science, business and ministries who set the policy agenda for that sector. This shows that government is listening to business and the research community. But don't forget the opportunities that can be seized by developing a European dimension to your policy. The more closely your "Top Sectors" take account of research and innovation actions at European level, the easier it will be to attract private R&D investment in the Netherlands.

The Netherlands can also help achieve its research and innovation goals by investing in people. You do have a particular challenge in that the share of science and engineering graduates among the important 25-34 age group is markedly lower than the EU average. This requires determined action to avoid a shortage of skilled professionals. But we should not forget the excellent record of Dutch scientists in winning European Research Council grants against stiff competition - this is proof of the quality of your researchers.

I hope you will continue to shape your strategies around these issues and in the process you will achieve good alignment with European policies and actions. This is a two-way process - we also need to keep learning from you.

The challenges that I have mentioned are certainly shared by other Member States. We are all in this together. We, in the Commission, are fully committed to working with you to achieve your innovation goals.

Innovation is everyone's business and we must champion it in all areas of the economy, indeed in all areas of society. This is the way to turn a critical period for Europe into her biggest opportunity - to turn an innovation emergency into economic growth.

As President Barroso said in his State of the Union address last September, "The crisis is a test of our willingness to act together". I am convinced that if we act together we will achieve more together, for everyone in the Netherlands and for everyone in Europe. Thank you.