

Orgalim contribution to the call for evidence for a new EU Innovation Agenda

Executive summary

Orgalim represents Europe's technology industries – key players in the innovation of Europe's economy and essential drivers of the continent's twin green and digital transitions. This position paper is Orgalim's contribution to the shaping of the European Innovation Agenda. Our recommendations:

Easier access to finance: confronted by the massive investment challenges related to the twin transitions, availability of risk capital for technology industries is crucial. Cooperation between government and private venture capital is particularly welcome as they are complementary. The European Commission should support the participation of businesses, especially SMEs, in EU programmes, and a roadmap is needed to ensure that the target of 3% of EU GDP in R&D spending will be reached at the latest by 2025.

Pro-innovation regulation: a deepened Single Market will facilitate investment growth, scaling-up of innovations and businesses throughout Europe, and will increase the chances of creating European unicorns. Avoiding extra administrative burdens, particularly for SMEs, is essential to support investment, including incremental innovations based on mature technology. Rules must be technology-neutral, flexible and ensure long-term stability and legal certainty.

Regulatory sandboxes and technology infrastructures: more and better sandboxes are needed in Europe to ensure companies have the means to innovate. An EU framework for sandboxes would increase transparency for businesses and strengthen the Internal Market. The availability of technology infrastructures is crucial to test, validate and upscale new and more complex products before they can be placed on the market.

Innovation ecosystems: the connections between Research & Innovation (R&I) and industrial policies should be strengthened, and innovation in advanced manufacturing should be better supported to maintain Europe's position as a global leader, with the potential for an additional funding programme for advanced manufacturing.

International collaboration: the goal of innovation policy must be to ensure EU technological leadership, to reduce strategic dependencies, and to make the European Union the leading location for the world's best researchers, innovative companies and start-ups. This objective will require better protection of intellectual property rights (IPR) and know-how in some areas.

Skilled workforce: action should be taken to provide for collaboration opportunities between businesses, research institutes and education and training institutes, and to design education and training systems which can flexibly respond to new market needs.

1. Introduction

On 12 April 2022, the European Commission launched a call for evidence¹ to gather the views of stakeholders in preparation for a new “European Innovation Agenda”. Orgalim, representing Europe’s technology industries, has been advocating for measures to foster the framework conditions for innovation in these globally connected industries, to incentivise private investment in Europe², to put innovation at the heart of the twin transitions³ and to make Horizon Europe fit for the industrial transition⁴. This position paper is Orgalim’s contribution to the shaping of the European Innovation Agenda.

To evolve from past Innovation Agendas, Orgalim recommends to focus on the following three aspects which apply to all the initiatives outlined in the call for evidence.

Firstly, future measures should **take into account SMEs’ needs and potential**. SMEs play a vital role in the European innovation landscape but, due to their capacity, they are usually unable to benefit from large-scale measures.

Secondly, the economic impact of any innovation measures and activities is the ultimate measure of success. Companies and the economy as a whole need to see positive short to midterm results to sustain and grow their business and be able to invest in Research and Development (R&D). Within the technology industries, most of the innovation projects in the technology industry are incremental or reactive to sustain the competitive position of the companies. Other innovations are disruptive and based on an active innovation strategy to create growth. **This symbiosis is fundamental for a sustainable development of technology industries**. Therefore, in the development of future measures both models require consideration.

Thirdly, **the EU’s Innovation Agenda needs to consider the whole spectrum of innovation drivers**. There are different drivers for successful innovations as well as research and scientific findings: new technologies, new business concepts, changing customer needs, new markets etc.

2. Easier access to finance: scale-up gap

Big leaps in the twin transitions require access to a variety of financial instruments, simplified application procedures and better distribution of grants. Businesses, Member States and the EU institutions now face the challenge of mobilising massive investments to meet the ambitious green and digital goals. Availability of risk capital is a crucial factor both in the start-up and in the growth phases, including for growth-oriented SMEs in established industries. **Cooperation between government and private venture capital** is particularly welcome as they are complementary. Private venture capital often has more market-oriented expertise and can better determine which innovation projects can be successfully commercialised, while government venture capital can bridge the finance gap in the early and demonstrator phases where the risk is judged to be too great by the private sector. Risk funding (grant, loan, equity) is needed for different purposes, including support for SMEs to implement innovative projects to take advantage of the opportunities related to the twin transitions. Particular attention should be paid to initiatives supporting SMEs’ access to first financing. In some cases, equity financing is not an effective measure to support SMEs as they might not be ready to give away equity. In these cases, focusing efforts on grants and framework conditions is a better option.

A **single online platform** where businesses, and particularly SMEs as the backbone of the EU economy, could **find all the information relating to the different financial instruments available** would help to facilitate the identification of the

¹ [A New European Innovation Agenda \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic_120221.pdf)

² [R&D and Innovation: Orgalim position on how to incentivise private investment in Europe | Orgalim](#), 2022

³ [R&D and Innovation: Putting innovation at the heart of the twin transitions and the EU recovery | Orgalim](#), 2021

⁴ [R&D and Innovation: Orgalim recommendations for the strategic planning in Horizon Europe and beyond to support the industrial transition in Europe | Orgalim](#), 2020

right tools and improve transparency. Particularly for SMEs, it is often difficult to find an overview of the different funding options, and the overall portfolio of instruments is seen as fragmented and administratively time-consuming.

To succeed in the goals set for the twin transitions, the public sector also needs to contribute with transparent long-term financing of R&D activities including technology transfer, pilot studies, testing and demonstration. In cases of clear market failures, this can also apply to a limited extent to the initial industrial deployment of new technologies through a well-defined and competitive process.

The EU and its Member States should prepare a concrete roadmap to show how the expected increase in R&D investment will be achieved. The rigorous monitoring of progress in R&D intensity, **ensuring that the target of 3% of EU GDP will be reached at the latest by 2025**, is necessary.

The **Commission needs to support the participation of businesses, especially SMEs, in Horizon Europe, Digital Europe and all other EU programmes**. Overall, there is a continuing need to pool resources together more effectively and efficiently at the regional, national and EU levels and to tie the funding more to achievements and outcomes instead of micromanaging the use of the funding. It is crucial that the programmes and instruments are regularly evaluated to ensure that they fulfil their purpose.

We believe that the **taxonomy** should redirect much-needed private capital into both sustainable technologies and the economic activities that produce them. It is crucial that investments in technology enabling the green transition remain possible under the new EU taxonomy framework. This is particularly important for SMEs and the development of **advanced manufacturing**, a key enabler of higher sustainability in technology and manufacturing industries. Especially in early stages of R&I, the contribution of technological innovation to sustainability might not yet be fully apparent. A strict taxonomy used as selection criteria will create additional requirements and could be detrimental to early-stage financing and start-up investments in Europe.

3. Framework conditions: more pro-innovation regulation

To support businesses, **the EU must work towards the completion of the Single Market and uphold its principles**. The European technology industries cover a wide range of advanced technologies, business models and use cases. The sector is comprised of large companies, a high number of SMEs, and a growing number of start-ups, which mostly work in a business-to-business (B2B) context in global markets, addressing customer-specific needs by developing customer-specific solutions. To stay competitive, companies must be proactive and efficient, serve specific needs and be able to scale-up quickly. A deepened Single Market will facilitate the scaling-up of companies throughout Europe and increase the chances of creating European unicorns. The rigorous application of EU competition and state aid rules is a key driver for an innovative, sustainable and globally competitive European industry.

The slow and ineffective decision-making process concerning the different permits needed for investments is currently a major barrier for investments in many countries. The Commission and the Member States should address this as a matter of the highest priority.

Innovation-friendly regulation is a key element to support investment. It must be technology-neutral, flexible and ensure long-term stability and legal certainty. The **New Legislative Framework (NLF)** is a proven example of how a regulatory instrument can be innovation-friendly. By leaving the definition of the state-of-the-art to the economic actors and foreseeing efficient conformity assessment procedures including the manufacturer's self-declaration, it supports the smooth introduction of new products into the market. Orgalim fully supports this approach and encourages policymakers to foster the NLF and its approach to new or revised regulation.

Similarly, an effective and efficient **standardisation** system allowing new solutions to reach the market quickly is crucial. Industry should remain a key driver of the standardisation process and should be involved at an early stage in pre-standardisation activities linked to research, development, innovation and exploitation.

4. Regulatory sandboxes and technology infrastructures

Setting up **European regulatory sandboxes** would make the EU more innovation-friendly and attract investment, world-wide operating companies, and industry talents. Some companies are forced to search for facilities to train artificial intelligence (AI) algorithms outside the EU because of the lack of locally available options. More and better sandboxes are needed to ensure companies can find everything they need to innovate and scale-up their innovations within Europe. A common framework for sandboxes across Europe would make it easier and more transparent for companies to take advantage of cross-border options, thus speeding up European innovation and strengthening the Internal Market.

Also, the availability of **technology infrastructures is becoming essential for innovative industries** who need to test, validate, and upscale new and more complex products before they can be placed on the market. We call for an EU strategy that focuses on investing in open technology infrastructures across Europe. Such a strategy should support the development of pan-European technology infrastructures, to be developed in close cooperation with all relevant stakeholders and ensure appropriate financing models. Technology infrastructure can also be used to test policies that change decision-making, such as systems thinking, regulatory greenhouses and real-time data analysis. From this perspective, technology infrastructures can be a useful tool for public authorities and improve knowledge-sharing between Member States.

Co-ordination between EU policies and different instruments would contribute to such strategy development. For example, the European Digital Innovation Hub (EDIH) proposals of the Digital Europe programme already include extensive information on the existing technology infrastructures, demonstration and testing facilities across the Member States. However, this information is currently not accessible to the EDIH's private or public sector customers. A smart European digital platform that would provide information about all EDIHs and the existing facilities and services would open a window for the joint development of services and facilities and effectively benefit SMEs.

5. European RDI needs international collaboration

The goal of innovation policy must be to ensure EU technological leadership, to reduce strategic dependencies⁵ and to make the EU the leading location for the world's best researchers, innovative companies and start-ups. This objective will require better protection of intellectual property rights (IPR) and know-how in some areas. Programmes and funding instruments such as Horizon Europe, Digital Europe, innovation funds and the Connecting Europe Facility play an essential role in achieving the green transition and maintaining the competitiveness of European companies. However, it should not be forgotten that research excellence is the result of cooperation between the best brains across borders and that the EU alone will not be able to fully meet the technological challenges lying ahead. In this context, we welcome the Commission communication on "Europe's Global Approach to Research and Innovation", insofar as it envisages the establishment of an RDI environment which is "**open by default**" and based on fundamental values (e.g. research ethics, gender equality, and evidence-based policymaking) while at the same time ensuring reciprocity, and a level playing field in international cooperation.

⁵ [Commission presents an updated in-depth review of Europe's strategic dependencies \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic_122022.pdf), 23 February 2022.

6. Innovation ecosystems

6.1. Strengthen the connection between R&I and industrial policies

Corporate R&I is a fundamental part of Europe's overall R&I activities; it is inextricably linked to industrial policies, and it is crucial to ensure the EU's competitiveness as well as the transformation of industry, which will continue to be a key element for achieving the green and digital transitions. Proximity and cooperation between production sites such as the numerous European networks of Digital Innovation Hubs and Competence Centres bring shorter lead times – therefore increasing competitiveness and speeding up market uptake. For these reasons, we believe that activities in the area of industrial research should continue to be supported by the EU institutions and Member States to further strengthen this connection.

More public effort should be put into the transfer of research results to encourage the **development of innovations that are already available** but need additional support to be developed and taken up by the industry. Such measures would unlock innovations' real potential to deliver value for the market and society as a whole.

6.2. Foster and support advanced manufacturing technologies

We welcome the Commission's recognition⁶ that **advanced manufacturing is strategically important for the EU's industrial future**. These transversal technologies (e.g. industrial AI, industrial IoT, digital twins, automation, robotics, interoperability architectures, microelectronics, new materials, additive manufacturing, quantum technologies, cybersecurity etc.) are essential to speed up industrial renewal, unlock value across different industry verticals and ultimately to enable the green transition. However, to maintain Europe's leading role and avoid future dependencies, a stronger European focus in this field is needed. Advanced manufacturing needs to be given a high priority in the implementation of the Horizon Europe and Digital Europe programmes, including partnerships and European digital innovation hubs. As mentioned in point 2, advanced manufacturing technologies and activities should be covered in the new EU taxonomy framework to allow them to unlock their full potential to drive the green and digital transitions.

The Commission and the Member States should pay special attention to fostering and supporting advanced manufacturing technologies which are, and will be, fundamental to achieve the twin transitions and make businesses more resilient. Both EU and national funding programmes should specifically target cross-border and cross-ecosystem collaboration involving advanced manufacturing. At EU level, the possibility of a specific programme providing additional funding for advanced manufacturing should be explored.

7. Address the shortages in the relevant skilled workforce

7.1. Provide for collaboration opportunities between businesses, research institutes and universities

Research and innovation in technology industries are increasingly being developed through the interaction between industrial companies, knowledge-intensive growth companies, research and technology organisations (RTOs) and universities. The availability of dynamic R&I ecosystems is a prerequisite for both start-ups and the established industry to be able to keep pace with international competition and be at the forefront of the green and digital transitions. While policymakers should not regulate the direction or the ways in which business should innovate, we believe they should

⁶ [Advanced manufacturing | European Commission \(europa.eu\)](https://ec.europa.eu/euro-observatory/en/advanced-manufacturing)

facilitate cooperation among all relevant stakeholders. Opportunities for industry's collaboration with top-level research groups and universities are also important factors when businesses decide on locations for R&I investments. By enhancing strategic collaboration and mobility between business and academia, the EU can be an attractive destination for skilled workers from European and third countries. Greater focus should be placed on supporting strong, primarily business-driven research and innovation environments/clusters. The challenges and costs for businesses to retain the expertise and wider benefits stemming from these collaborations should be taken into account, especially in the case of SMEs. We support the development of the Digital Innovation Hubs and Competence Centres networks as a way to gather and focus resources and collaborations.

7.2. Design education and training systems able to respond to new market and society needs

High quality education, together with private and public investments in reskilling and upskilling, are key prerequisites to form the required workforce of the future. Following the trends in the new working environment, the education and training systems must become much more agile to foresee and respond to the needs and challenges of the job market and society at large. This is another reason to encourage private-public collaboration by strengthening the link between academia and industry.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,480 billion, manufacturing one-third of all European exports and providing 10.97 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.

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