

# The innovation value chain:

- Context: where is the demand for demand-side innovation policy at in Europe?
- Lead Market Initiative:
  - And lessons learned
  - And future directions

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# Context: where is the demand for demand-side innovation policy in Europe?

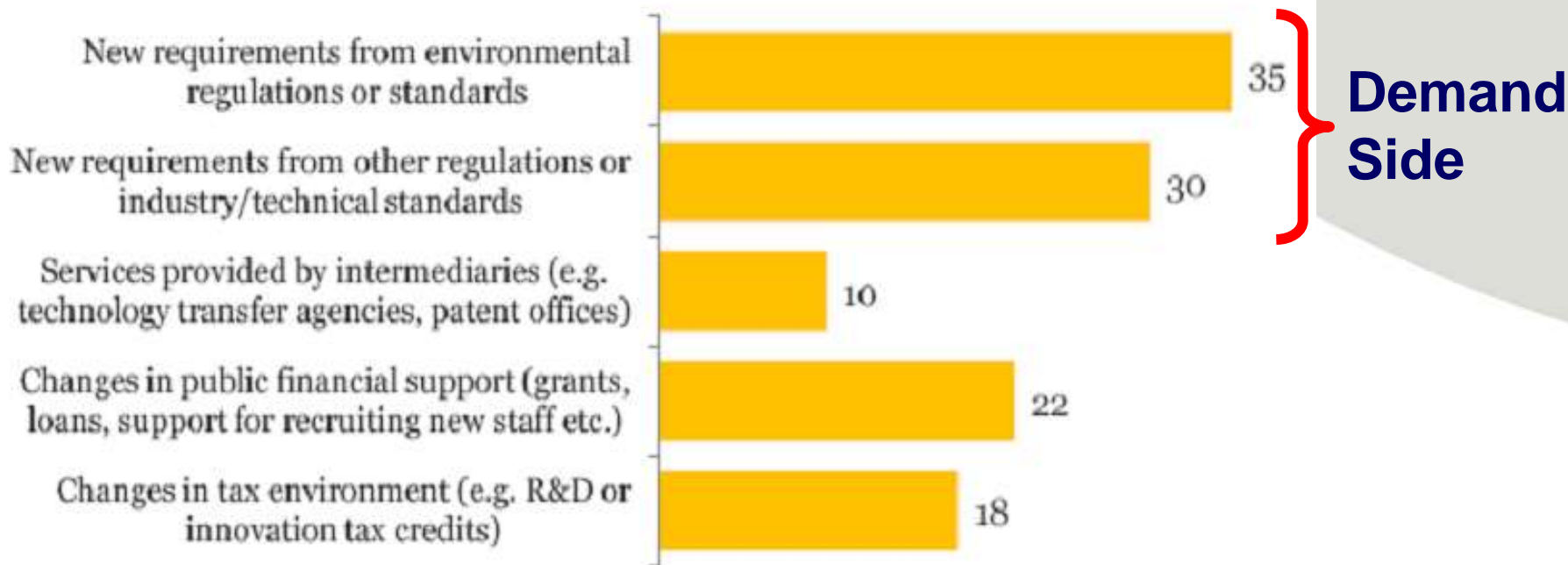
- **companies**
- **policy makers**

# 'lead markets' – a company view

- companies say: 'my home country is my lead market' (70%)
- companies look across the borders if:
  - doing cross-border manufacturing activities (50%)
  - Active in manufacturing (20%)
  - Earn most revenue from the sales of innovative product and services (16%).

# Companies like demand-side innovation measures:

## Policy-related areas that have had a positive effect on innovation



Q15. Have significant changes in the following policy-related areas introduced since 2006 had a positive effect on innovation in your company?

Base: all EU27 enterprises  
% of "Yes"

# But demand-side innovation policy is under-used in practice:

## Example: 16% of EU GDP is public expenditure

- ✓ 27% of companies won at least 1 public procurement contract since 2006
- ✓ 29% of these contracts provided an opportunity for innovation

### But:

- *Low cost (30%) was considered to be more important than the inclusion of innovative products (9%) in securing a public procurement contract*
- 42% of companies are not interested in public procurement

# **Member State policies: Trendchart analysis 1/3**

**Demand side innovation policy in EU Member states:**

**EC-funded Trendchart made snapshot analysis (spring 2009) of demand-side innovation policy measures in EU MS and a selection of other countries**

**See <http://www.proinno-europe.eu/>**

## Member State demand-side policies 2/3

Little specific debate: such as Estonia, Greece, Hungary, Italy, Slovakia, Slovenia, Luxembourg

Debate is beginning to consider the need for demand side innovation policies: Bulgaria, Czech Republic, Latvia, Lithuania, Malta, Poland, Cyprus, Portugal

Debate has focused on related demand-side aspects: Austria, Denmark

Strong and ongoing debate on linking demand side policies to innovation policy: Belgium, Finland, France, Germany, Ireland, the Netherlands, Norway, Spain, Sweden, UK

*NB: "snapshot analysis" made in spring 2009*

## Member State demand-side policies 3/3

- Sectoral focus is important in many EU Member States: *environmental technologies, ICT, health, transport and construction.*
- Public procurement is increasingly used and recognised as a tool in demand-side innovation policy
- Innovation-related organisations mostly implement demand-side measures


***NB: “snapshot analysis” made in spring 2009***

**Policy response:**

**Lead Market Initiative for Europe**

**Launched in 2008**

# Lead Market Initiative – the aims:



*Facilitate the uptake and diffusion of innovative products and services in the EU and in world markets*

*Quicker return on R&D & innovation investments, leading to more investments*

# Why?

- EU has invested greatly in R&D and innovation, but...
- EU needs more innovation friendly-markets and to stimulate demand for innovations.
- The 2006 Aho Report and EU's Broad-based Innovation Strategy:  
“develop both supply and demand side innovation policies in the EU”



# The Lead Market Initiative (LMI) is complementing supply-side innovation policy

## Demand-side measures

- regulation
- procurement
- standardisation
- clusters?

Package  
= LMI

- R&D funding
- Equity support
- Fiscal measures
- ...

## Supply-side measures

# Lead Market Initiative

=

**action plans: coherent, short-term,  
demand-side mix (85 actions in total)**

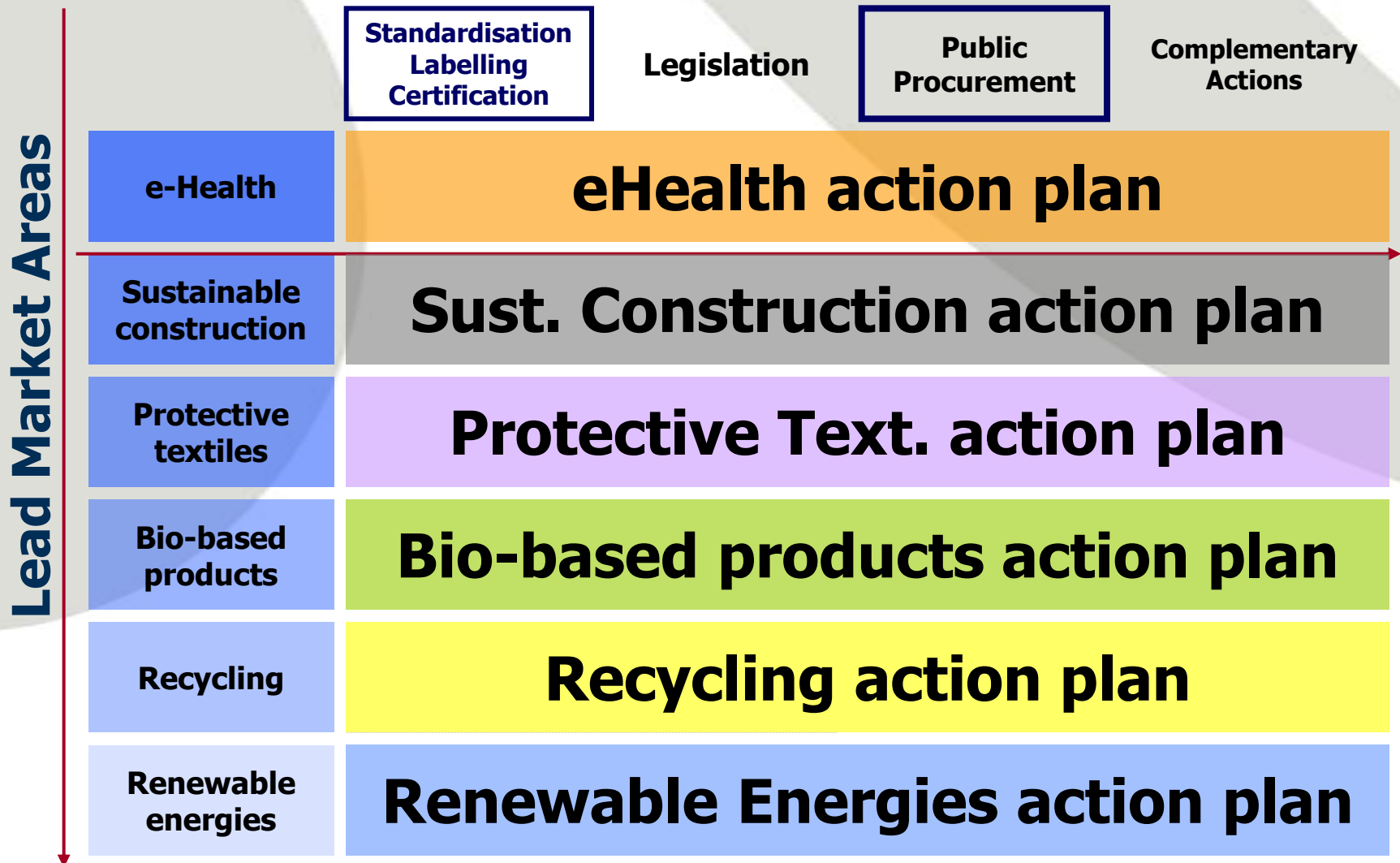
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**6 sectors**

+

**governance structure**

# LMI in 6 sectors



**Action plans address main barriers to getting innovations to the EU market –**

**some examples in the sustainable construction action plan:**



# Sustainable construction - public procurement (1/4):

Too much focus on initial costs:

many key decisions are taken on the basis of the lowest costs instead of quality, safety and environmental criteria and life-cycle costs.

**Action: Established 2 networks between public authorities in charge of procuring sustainable construction**

## Sustainable construction – legislation (2/4)

- Highly fragmented landscape of national and EU legislation
- Different legislation in energy, environment, internal market and health

**Action: Screening of national building regulations**

## **Sustainable construction - Standardisation/ certification (3/4)**

Over 3000 standards in EU apply to the construction sector, whereby only 300 are commonly used.

Actual standardisation process is very fragmented and adapting slowly to technological progress and market development.

**Action: assessment and widening the scope of Eurocodes for construction design (with CEN)**

# Sustainable construction - other issues (4/4)

- Fragmentation of the supply chain
- Lack of adequate education and skills for innovation uptake
- Liability issues and risks linked to the long-term consequences of failures (insurance industry)

## Actions:

- **SMEs guide on collaborative working schemes in construction projects**
- **Alternative warranty/label schemes related to construction insurance**
- **EU-wide strategy to facilitate the up-grading of skills and competencies in the construction sector**

# Governance structure of the LMI



# Time frame

LMI: 3 year initiative

- Jan '08: Launch of the LMI
- Publication of the action plans
- May '08: Endorsement by the Member States
- Sept. '09: Mid-term progress report
- Key-findings of the first half of the initiative
  - Opportunities for second half of the initiative
  - Evaluation methodology for LMI's final report
  - Future directions
- 2011: Final report by external experts

# Conclusions of the LMI mid-term progress report

- Implementation of the action plans is on track
- Novel tools mobilised new actors and networks
- Impact of the LMI can be improved by increasing visibility and commitment of stakeholders
- No new markets proposed for now, but criteria for expansion should be discussed

# 4 key lessons learnt in the Lead Market Initiative:

- 1) Building bridges takes time
- 2) In practice, there are few existing tools for demand-side policy
- 3) Greatest impact may be medium-long term
- 4) Obtaining good visibility is essential for success

## Possible future directions for the LMI:

- Add other market sectors and/or combine national/regional LMI actions
- Add and develop new instruments
- Connect LMI better to R&D&I funding
- Use LMI as a tool for addressing societal challenges

*Very important for the European Innovation Plan*

**Thank you for your attention!**

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