the Lisbon council
think tank for the 21st century

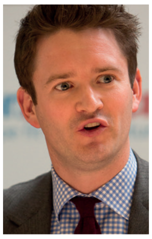
Nesta...

Reforming the European Commission

Interactive policy brief

Issue 17/2014

How Jean-Claude Juncker Can Deliver on Growth and Jobs

By Ann Mettler and Stian Westlake

Ann Mettler is executive director and co-founder of the Lisbon Council.

Stian Westlake is executive director of policy and research at Nesta.[1]

A new European Commission will assume power later in the year, led by Jean-Claude Juncker, who memorably vowed to be the first "digital president."[2] Struggling to emerge from the deepest recession in decades, it is not surprising that there is universal consensus among Europe's political guard that "growth, jobs and competitiveness" must be a top priority for the incoming leadership. But how should these elusive – and not exactly new – goals be translated politically and institutionally to ensure success and impact? How can we avoid European Council conclusions that perennially promise – but fail to deliver – to tackle unemployment, particularly among youth, kick-start growth and close the widening competitiveness gap, both within the European Union itself as well as vis-à-vis other advanced economies?

We laid out a concise seven-point plan in **Plan I(nnovation) for Europe: Delivering Innovation-Led, Digitally-Powered Growth**, published in October 2013 (you will find the seven-point plan summarised in the annex on page 12).[3] The recommendations put forward then focused on content, providing evidence on what policy areas deserve most attention going forward. These proposals are still valid and need no updating. We urge the new leadership to take them into consideration as the various directorates draw up their policy programmes for the incoming administration.

However, given the imminent formation of a new college of commissioners – the 28-member collegium that will lead the European Commission – this policy brief

This interactive policy brief seeks to make knowledge more accessible through online circulation and interactive features such as hotlinks to articles cited in the footnotes and a web-friendly format.

The opinions expressed in this special briefing are those of the authors alone and do not necessarily reflect the views of the Lisbon Council, Nesta or any of their associates.

1
This policy brief is, in every way, a collaborative project, growing out of the Plan I(nnovation) joint venture launched in 2013. The authors would particularly like to thank Sergey Filippov, Paul Hofheinz and Chrysoula Mitta of the Lisbon Council, as well as Albert Bravo-Biosca, Christopher Haley and Geoff Mulgan of Nesta, who contributed many ideas to this paper. As always any errors of fact or judgment remain the authors' sole responsibility.

2
Jean-Claude Juncker, "A 'Techie' Vision From a Fountain-Pen Head," *The Wall Street Journal*, 05 May 2014; See also Jean-Claude Juncker, *Response to the Open Letter from European Digital Champions*, Brussels, 05 May 2014.

3
Albert Bravo-Biosca, Louise Marston, Ann Mettler, Geoff Mulgan and Stian Westlake, *Plan I(nnovation) for Europe. Delivering Innovation-Led and Digitally-Powered Growth* (Brussels and London: The Lisbon Council and Nesta, 2013).

‘Evidence suggests that all good policymaking is underpinned by sound management, clear lines of responsibility and actionable processes.’

will focus on reform in the institutional set-up of the new European Commission. Evidence suggests that all good policymaking is underpinned by sound management, clear lines of responsibility and actionable processes. It is equally important that policy dossiers adapt to a new economic era, one where “growth and jobs” may very well not be powered by the old ways and outdated recipes for success.

At the same time, it will be crucial that existing programmes – including the European Semester, the country-specific recommendations and the Europe 2020 strategy – be better utilised, even retrofitted, to help overcome the economic crisis and accelerate the nascent recovery.

What Drives Value and Creates Jobs in the 21st Century?

As Jean-Claude Juncker and his team contemplate the set-up of the new European Commission, the quest for growth and jobs needs to be made much more concrete, with a sounder evidence base of what drives value and creates employment in the 21st century. Against this backdrop, seven key trends should be taken into consideration:

1. In advanced economies, innovation is by far the most important driver of prosperity and productivity, contributing between two-thirds and four-fifths of all economic growth.[4] In Europe, innovation accounted for 62% of economic growth between 1995-2007.[5] This means that any growth strategy not underpinned by an ambitious effort to improve innovation, will likely yield few results.

2. Because innovation is the key driver of growth, it is important to realise that the nature of innovation itself has been changing dramatically, particularly with the arrival of the Internet and digital technologies. Traditional levers of innovation, such as research and development spending, are as important as ever – but so are other areas, such as design, data analytics, business model and process innovation. It is vital that, despite budgetary pressures, governments do not cut back on research and innovation expenditures, but it is also key that they complement these efforts with steps to make the wider economy fit for a new era of innovation.

3. Disruptive innovation, which often generates the most gains when it comes to growth, jobs and gaining global competitive advantage, is disproportionately driven by young, technology-intensive companies.[6] This makes digital entrepreneurship a policy area of crucial importance. Europe has its share of digital disrupters, including Skype, Spotify and Zalando, but it has largely failed to build sizable, global companies that are younger than at least 25 years old.[7]

4. Young companies also power job creation, with enterprises five years or younger generating almost 50% of all new jobs.[8] This holds profound policy ramifications for a continent struggling to get more than 26 million unemployed people back

4
Ibid.

5
Ibid. Nesta calculation, using data from INTAN-Invest.

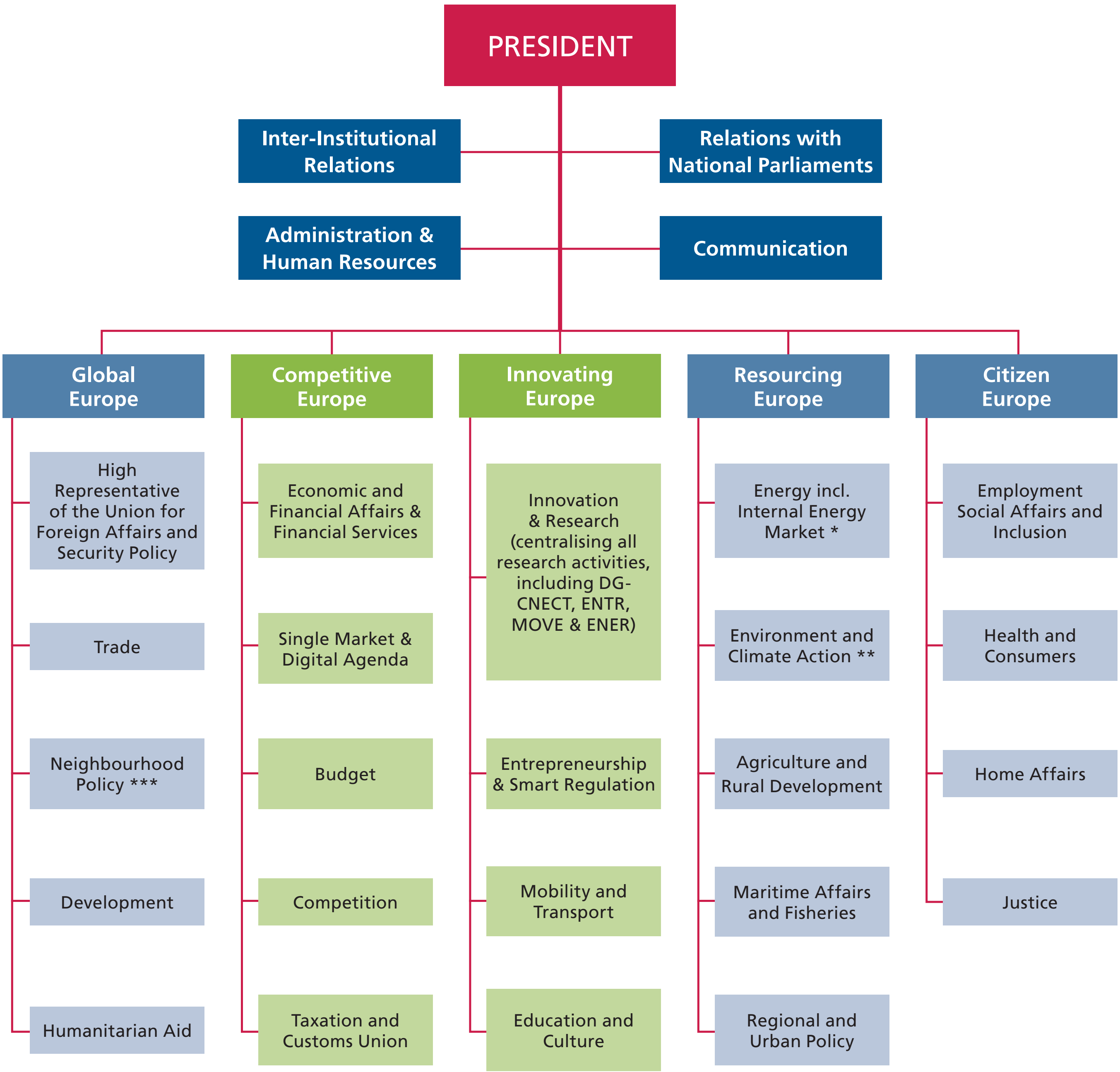
6
Clayton M. Christensen, *The Innovator’s Dilemma: When New Technologies Cause Great Firms to Fail* (Boston, MA: Harvard Business School Press, 1997); Paola Criscuolo, Nicos Nicolaou and Ammon Salter, “The Elixir (or Burden) of Youth? Exploring Differences in Innovation between Start-ups and Established Firms,” *Research Policy*, Vol. 41, No. 2 (2012), pages 319-333. For an interesting critique of the theory of disruptive innovation, see Jill Lepore, “The Disruption Machine: What the Gospel of Innovation Got Wrong,” *The New Yorker*, 23 June 2014.

7
Thomas Philippon and Nicolas Véron, “Financing Europe’s Fast Movers,” *Bruegel Policy Brief* Issue 2008/01 (Brussels: Bruegel, 2008); Nicolas Véron, “The Demographics of Global Corporate Champions,” *Bruegel Working Paper* Issue 2008/03 (Brussels: Bruegel, 2008).

8
Chiara Criscuolo, Peter N. Gal and Carlo Menon, *The Dynamics of Employment Growth: New Evidence from 18 Countries* (Paris: OECD, 2014).

Chart 1. A new European Commission structure

How responsibilites could be re-assigned to achieve better outcomes



* Given the complexity and importance of energy – as well as the dossier's unique nature which doesn't fit naturally with the single market for goods or services – we propose that the single energy market remains the responsibility of the commissioner for energy

** We propose that climate action and environment, two separate portfolios at the moment, be merged again

*** According to the stipulations of the Lisbon Treaty, this position also carries the rank of vice-president of the European Commission

Source: Lisbon Council and Nesta

'Policy dossiers must adapt to a new economic era where "growth and jobs" may not be powered by the old ways and outdated recipes for success.'

into work. So rather than being trapped in the traditional discourse over "big" versus "small" enterprises, policy needs to shift to "young" and "new" because Europe will need tens of thousands of new, fast-growing companies to make a serious dent in its sky-high unemployment figure.

5. Digital technologies are transforming the very nature of our economy, contributing disproportionately to growth and innovation, while changing the nature of the labour market.[9] Digital skills are now among the most sought-after competences by employers, which are currently faced with the prospect of more than one million vacancies going unfilled by 2020 due to a widespread lack of information and communication technology know-how.[10] The combination of high unemployment and severe skills shortages are toxic for the economy, adding to the urgency to connect the huge unmet demand for digital skills with the offerings of a generation of young, often unemployed digital natives.

6. One area where Europe continues to enjoy a formidable competitive advantage vis-à-vis other parts of the world is in manufacturing and industry. Using this strength – and complementing it with digitalisation – would result in many not easy-to-replicate innovations and economic capabilities, as well as the prospect of re-shoring and creating well-paying jobs in Europe.[11] Whether one calls this phenomenon "Industry 4.0," "advanced manufacturing" or "the Internet of things," it is an area where Europe can gain significant advantage and quickly improve its future economic prospects.

7. Finally, more than ever before, market size and the ability to quickly scale companies are of paramount importance for investment and location decisions.[12] When Europe's young entrepreneurs head to Silicon Valley, the coherence, size and regulatory predictability of the US market is key – along with the risk capital that can more easily be mobilised on the other side of the Atlantic. If Europe hopes to win the competition for entrepreneurs and investments, it needs a fully functioning single market – not only for manufactured goods but also for services, digital and (venture) capital. With the current fragmentation, particularly in the latter three areas, the single market is not "future-proof," which could impede the economic recovery and deter much-needed investment.[13] Without a quantum leap in market integration, for instance through the creation of a new EU-wide corporate 29th regime for digital entrepreneurs, it is unlikely that Europe can ever overcome its economic malaise of slow growth, declining productivity and rising unemployment.

9
Ann Mettler and Anthony D. Williams, *The Rise of the Micro-Multinational: How Freelancers and Technology-Savvy Start-Ups Are Driving Growth, Jobs and Innovation* (Brussels: The Lisbon Council, 2011). See also Matthieu Pélissié du Rausas, James Manyika, Eric Hazan, Jacques Bughin, Michael Chui, Rémi Said, *Internet Matters: The Net's Sweeping Impact on Growth, Jobs, and Prosperity* (San Francisco: McKinsey Global Institute, 2011); David Dean, Sebastian DiGrande, Dominic Field, Andreas Lundmark, James O'Day, John Pineda, and Paul Zwillenberg, "The Internet Economy in the G-20. The $4.2 Trillion Growth Opportunity," *BCG Perspectives* (Boston: BCG, 2012).

10
European Commission, *E-Skills for Jobs in Europe: Measuring Progress and Moving Ahead* (Brussels: European Commission, 2014).

11
Wilhelm Bauer, Sebastian Schlund, Dirk Marrenbach and Oliver Ganschar, *Industrie 4.0 –Volkswirtschaftliches Potenzial für Deutschland* (Berlin and Stuttgart: Bitkom and Fraunhofer, 2014).

12
Albert Bravo-Biosca, *Growth Dynamics: Exploring Business Growth and Contraction in Europe and the US* (London: Nesta, 2010).

13
Bart van Ark, *Productivity and Digitalisation in Europe: Paving the Road to Faster Growth* (Brussels and New York: The Lisbon Council and The Conference Board, 2014).

'The quest for growth and jobs needs to be made much more concrete, with a sounder evidence base of what drives value and creates employment in the 21st century.'

Focus on Priorities and Build Structures that Deliver

As these seven trends demonstrate, there is a new economic reality driving value and creating jobs in the 21st century. These insights need to be taken into account as the institutional structure and political priorities of the next European Commission are drawn up. While the temptation to simply replicate the old dossiers and well-established structures may be great, President-Designate Juncker should have the courage to re-imagine policy fields and competences in an effort to deliver better outcomes, greater impact and avoid duplication. This will mean that some dossiers need to receive an upgrade, while others need to be created from scratch or divided because they are currently too broad and unmanageable.

In the period leading up to the formation of a new European Commission, it is timely to recall that structure and design of an organisation to a large extent determines success and impact.[14] At the same time, portfolios signal priorities and give a sense of direction: a digital or energy commissioner may signal a president's interest in making progress in these areas. However, not giving commissioners assigned with these mandates the most important prerogative, namely advancing the single market in their respective areas, limits the impact.

By the same token, recent calls for a "vice-president for growth" should be treated with caution because growth is by definition an outcome of many policies, not a "policy" in and of itself. Growth in Europe will come from completing the single market, up-skilling the work force, unleashing entrepreneurship and digitising existing businesses, pursuing an ambitious trade policy, adopting future-oriented investment strategies and similar initiatives. It will be very important to deliver on these key objectives by assigning capable individuals to these portfolios and giving them the political mandate to make progress and deliver tangible results – and if necessary protect them politically when they encounter opposition, as they undoubtedly will if they are effective.

Against this backdrop, landmark decisions need to be taken early on, including;

Get back to basics: Re-commit the European Commission to its core business
The European Commission holds powerful levers to shape economic developments, particularly in three areas: the single market, competition and trade. It would be worthwhile to "get back to basics" and make market integration – particularly in the digital sphere – a top priority. President-Designate Juncker's call to have the "courage to break down national silos" is very encouraging in this regard.[15] At the same time, rethinking competition policy – and evaluating dominant positions from a global rather than strictly European perspective – is in order, while an ambitious

14
Derek S. Pugh (ed.), *Organisation Theory: Selected Classic Readings* (London: Penguin, 2007).

15
Jean-Claude Juncker, *A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change, Political Guidelines for the Next European Commission*, 15 July 2014.

'Any growth strategy not underpinned by an ambitious effort to improve innovation will likely yield few results.'

trade agenda, such as conclusion of the proposed Transatlantic Trade and Investment Partnership (TTIP) with the US, could increase the size of the EU economy by as much as €120 billion (or 0.5% of gross domestic product).[16] All things being equal, if President-Designate Juncker "only" delivered on the digital single market and TTIP in his mandate, that alone would have profound and tangible effects on growth, job creation and innovation. And it would come at very little actual cost, which is important given current budget constraints.

Connect the macro and the micro: Make innovation and the digital agenda part of mainstream economic policymaking

Until a landmark communication that Máire Geoghegan-Quinn (European commissioner for research, innovation and science) and Olli Rehn (vice-president of the European Commission for economic and monetary affairs and the euro) released in June 2014, little effort was made to directly link Europe's performance on – and investment in – innovation with economic outcomes.[17] For good reasons, the economic directorate of the European Commission spent recent years on fire fighting, addressing the fallout of the financial crisis with a slew of new governance mechanisms (two-pack, six-pack, fiscal compact, etc.) that at last managed to stabilise the situation.[18] However, a return to sustainable and quality growth cannot take place without a genuine reinvigoration of Europe's economies, driven by innovation and adoption of digital technologies across all sectors. That's why, much more than the Barroso I and II Commission, the Juncker reign needs to connect macro- and micro-economics. At the same time, and while budget consolidation is observed, a greater focus on quality of public finances, ensuring a sufficient focus on productive and future-oriented investment, is in order.

Make re-industrialisation about digital advancement and new business activities

President-Designate Juncker already announced a drive to re-industrialise Europe, pledging to deliver on the EU's target to increase industrial output to 20% of GDP by 2020. In order to achieve that, BusinessEurope, a major business representative, estimates that the sector will need to deliver 5.2% manufacturing growth and 4.4% productivity growth annually.[19] These figures suggest that "re-industrialisation" should be first and foremost about digitalisation and innovation, meaning the use of digital technologies to advance productivity, while relentlessly pursuing new business activities, often in collaboration with agile and disruptive start-ups.[20] A traditionally conceived "re-industrialisation" drive – picking winners, shielding incumbents from competition, showering vested interests with cheap loans and subsidies – would not only have devastating economic consequences but also lose precious time to incentivise industry to scale up and remake themselves.

16
European Commission, *Transatlantic Trade and Investment Partnership. The Economic Analysis Explained* (Brussels: European Commission, 2013).

17
European Commission, *Research and Innovation as Sources of Renewed Growth*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 10 June 2014.

18
Holger Schmieding and Christian Schulz, *The Euro Plus Monitor Spring 2014 Update* (London and Brussels: Berenberg and The Lisbon Council, 2014).

19
Jürgen Thumann, "The Role of Industry in this Industrial Renaissance," *Speech to the European Commission Industrial Policy Conference*, Brussels 06 June 2013.

20
Van Ark, *op. cit.*

'Traditional levers of innovation, such as research and development spending, are as important as ever – but so are other areas, such as design, data analytics, business model and process innovation.'

Better utilise existing reform levers and tie them to financial incentives
In the aftermath of the Great Recession, reforms are more needed than ever. On paper, Brussels should be well-positioned to drive these forward, as many new powers were transferred to the European Commission during the crisis. Policy tools such as the European Semester or the country-specific recommendations should put the European Commission in pole position to help member states conceive and adopt impactful reforms. In reality, however, the prescriptive nature of the European Commission's advice – coupled with an ineffective transmission process that, for example, prevents European Commission officials from directly putting forward their recommendations to national parliaments – has led to a lukewarm reception and poor implementation in capitals across Europe. Going forward, the country-specific recommendations should be less detailed and prescriptive, so that rather than spelling out the minutia of a recommended labour market reform, it should leave the nuts-and-bolts of design and execution to the member states themselves. This would ensure greater buy-in and exponentially improve the chances of success. As is often recommended but seldom done, the reforms put forward by the European Commission also need to be better explained to the public-at-large, particularly national parliaments which are at the heart of democratic legitimacy. These moves should go along with a wider reflection on how to incentivise better implementation, for instance by using EU funds, particularly structural funds, as a "carrot" to embrace reforms and modernisation.

Institutional Structures for the Modern Age

Once the institutional dossiers have been streamlined and focused on delivery, the underlying structure of the portfolios needs to be carefully designed to reflect lessons from past shortcomings and highlight new priorities and policy emphasis. Among the most urgent priorities to be undertaken:

I. Restructure and streamline the internal market portfolio

The next phase of European integration will need to see the completion of the single market in services, energy and digital. If the past decade – and three different Commission tenures – is anything to go by, the internal market portfolio needs to be fundamentally rethought. As currently conceived, it is simply too broad and unmanageable. Is it reasonable that a single commissioner hammers out the details on banking union, while also targeting copyright legislation and postal services?

One way forward is to split off financial services from the single market portfolio and add it to the portfolio of the commissioner for economic and monetary affairs, leaving the single market commissioner with a more tightly defined agenda based on goods, services and digital.[21] That dossier, in turn, could be renamed the "single market and digital agenda" – a reform that would in a stroke unite these two key pillars in the

21
We also believe DG Energy should continue to lead on the internal market in energy, though the dossier should be given much greater weight and political importance. For more, see Chart 1 on page 3.

'Young companies power job creation, with enterprises five years or younger generating almost 50% of all new jobs.'

minds of responsible administrators and the member states where the reforms will need to be undertaken. Previous under-delivery in these areas has at least partly been failure by design. Europe's digital economy is projected to grow seven times as fast as overall EU GDP in coming years.[22] Against that backdrop, more closely linking the digital agenda and the single-market agenda would help the European Commission make greater progress in the two areas where economic success is most likely to be determined. It would send a clear signal that, as growth and jobs so directly depend on opening up the single market in areas that will see the most expansion, the digital single market in many ways *is* the single-market agenda. It would also give the administration a clear and focused mandate to move quickly and decisively in these key areas.

II. Give entrepreneurship an institutional home

Given the importance of entrepreneurship – the pursuit of new activities – not only to start-ups but also to existing companies, a new portfolio with this explicit mandate should be created. Focusing on entrepreneurship rather than "enterprise" would go a long way towards giving start-up entrepreneurs a real home in the European institutions. It would also signal to larger corporations – especially the ones that are sometimes referred to as "vested interests" or "dinosaurs" – that they are expected to embrace innovation, productivity and digitalisation as the primary path to gaining competitive advantage vis-à-vis competitors. This portfolio could be combined with the task of better regulation, a priority already announced by President-Designate Juncker.[23] Combining the two would send an important signal: the European institutions are prepared to tackle red tape but in exchange expect entrepreneurial zeal and innovative prowess from the corporate community – whether it's big or small companies. Another way to firmly anchor entrepreneurship within the institutions is to appoint an "entrepreneur in residence," giving an opportunity to an outstanding individual with strong business and innovation acumen to be embedded in the European institutions, lend advice to different directorates and ensuring that real entrepreneurs – and not just organised business interests – have a stake and say in European policy deliberations.

III. Divide the portfolios into five intuitive and easy to grasp clusters, with rotating vice-presidencies

It has been widely bemoaned that as the EU has grown in size, more and more dossiers have been added to the European Commission because each member state insists on representation in the college. Each commissioner in the past has of course tried to be an activist leader, which often translated into micro-management of issues where European-level action was either not needed or downright counter-productive – a move that rightly led to recent calls for the European Commission to focus on "big" issues.

Faced with the political reality of a 28-member college – and the potential backlash among its members of being divided into junior and senior commissioners – an

22 European Commission, "On Content in the Digital Single Market," *Communication from the European Commission* COM(2012) 789 final (Brussels: European Commission, 2012).

23 Juncker, *op. cit.*

‘Europe will need tens of thousands of new, fast-growing companies to make a serious dent in its sky-high unemployment figure.’

elegant solution might be to group the existing Commission portfolios into five clusters: **Global Europe, Competitive Europe, Innovating Europe, Resourcing Europe** and **Citizen Europe** (See Chart 1 on page 3 for a description). In addition, each cluster would have a “vice-president” in charge, with a single commissioner from within the cluster holding that title for a one-year term. The vice-president would lead a group of other commissioners, before handing over the reigns to another commissioner from within the same cluster. The move would boost collegiality, give commissioners greater buy-in for the wider cause of the cluster (i.e. competitiveness and innovation) and add focus to otherwise disperse directorates-general around key policy deliverables.

At the same time, the idea voiced in some quarters to have vice-presidents or commissioners who do not have a portfolio needs to be carefully examined. Reducing a commissioner’s role to coordination and liaising between various functions is akin to the hapless “Lisbon coordinators” who were tasked to drive growth and jobs at member-state level by merely coordinating various functions – without the political clout or financial and staff support necessary to make a difference.

A new mandate for the chief scientific adviser

When President Barroso first announced that he would appoint the European Commission’s first chief scientific adviser, expectations were high. But the tenure of Anne Glover, the professor of molecular biology who became CSA in January 2012, was not an unmitigated success. There were many reasons for this. For starters, Prof Glover had limited access to the president, few resources (a policy staff of three) and was uncomfortably embedded in the Bureau of European Policy Advisers (BEPA) alongside President Barroso’s political advisers (by contrast, in the United Kingdom, the chief scientific adviser has a staff of about 80 and plays a significant public role). Despite the modest achievements, one should not conclude that the function should be eliminated. To the contrary, we believe the post should be kept and strengthened. The chief scientific adviser needs sufficient resources, which could for instance be ensured by placing the person within the Joint Research Centre (JRC) rather than BEPA. With over 3000 employees and a budget of almost €400 million, this body would ensure sufficient manpower and resources. He or she needs to garner strong research and speak matter-of-factly about issues that require extensive expertise and have the potential to be politically controversial and sensitive. This is particularly needed in Brussels where a slew of vocal and well-organised interest groups can make objective and calm deliberation of policy issues – whether it’s genetically modified organisms, fracking or data protection – virtually impossible. He or she should have a remit to improve the use of scientific advice and evidence-based decision-making throughout the European Commission.

> 'Recent calls for a "vice-president for growth" should be treated with caution.'

IV. Bring clarity to the "innovation" and "research" dossiers

In the current set-up, both the research and enterprise commissioner are responsible for "innovation," while the formidable research budget of €80 billion from 2014-2020 is scattered over – and managed by – a plethora of directorates, making it difficult for the current research and innovation commissioner to pull it all together and ensure policy coherence and impact. To illustrate, under the current design, energy research – obviously a key area of concern given Europe's ambitious climate targets, not to mention the geostrategic challenges posed by volatile energy producers and transit areas – is the responsibility of the research commissioner, *as well as* the energy commissioner. The lack of a clear mandate and confusing lines of responsibility are serious management shortcomings that impact success and return on investment. That is why we propose the creation of a more powerful and coherent innovation and research portfolio that would concentrate all research spending in one commissioner's hands. This step would go a long way to ensure greater policy focus, eradicate duplication and increase the prospect for success and impact. Horizon 2020 is the largest research programme in the world: it is time to use it to make real economic headways and pave the way for ground-breaking scientific advances.

V. Give clear indications what a commissioner should do – and consider giving a mandate to do less

In the past, appointment letters to new commissioners were often an open-ended, blanket invitation for activism and new projects. As every member of the college sought to leave his or her mark on European policymaking, many were naturally inclined to initiate new projects – rather than build on existing ones – and identify additional areas of engagement. This led to a tendency to "reinvent the wheel" as new commissioners took office. This time around – and following a backlash across Europe against too much interference in domains that are considered of regional or national competence – commissioners should first be asked to take stock. What's the state of play in my field? What are the bottlenecks to making progress? Might delivery in some fields be better enabled by fewer policy initiatives? Rather than enacting new initiatives, perhaps it makes sense instead to deregulate or better regulate, giving meaning to the European Commission's REFIT (Regulatory Fitness and Performance programme) initiative? Only when stock-taking, identification of bottlenecks and possible deregulation / better regulation has been considered should new projects be initiated. And in line with the first recommendation (return to the European Commission's core business), focus on the "big" things, and make sure the institutional set-up is designed to deliver results. This would go a long way to restoring credibility and trust in the European Commission. However, where innovation clearly is needed, the European Commission should consider the "i-teams" approach, now in effective use in places like Denmark and Spain (see the box on the "i-teams" approach on page 11).[24]

24 Ruth Puttick, Peter Beack and Philip Colligan, *I-Teams: The Teams and Funds Making Innovation Happen* (London: Nesta, 2013).

‘Growth is by definition an outcome of many policies, not a “policy” in and of itself.’

Europe’s Challenges are Political – the Solutions Must Be as Well

Jean-Claude Juncker once famously said, “We all know what to do; we just don’t know how to get re-elected once we have done it.” The statement points to the deeply political nature of Europe’s economic challenges: the stubborn failure by some to embrace structural reforms despite many years, even decades, of sclerotic growth; the inability to move up the global value chain through the relentless pursuit of innovation and digital advancement; the tendency to blame “globalisation” or more recently “the EU” for problems that are entirely home-made. The hope for Europe is that a long-standing and experienced leader like Jean-Claude Juncker is deeply aware that political problems require political solutions – grand bargains that involve and commit all the key actors, a political rhetoric that is inclusive but decisive, and stewardship of key dossiers by the top leader himself. After all, Jacques Delors didn’t outsource Europe 1992 to one of his commissioners – he made it his personal mission and staked his legacy and reputation on the pursuit of this major milestone in European integration. By the same token, President-Designate Juncker should not shy away from taking full ownership of key dossiers, such as completion of the digital single market – and early signs are very promising in this regard. Curiously, if he fails, he could prove his own “curse” to be wrong: it is difficult to see how he would get another mandate from the European Council and the European Parliament if the economy still lies in tatters five years from now, if low growth succumbs millions of Europeans to the ranks of the unemployed, if vital markets continue to be fragmented and unworkable for Europe’s entrepreneurs and consumers. The stakes have never been higher, but herein lies the opportunity. Europe’s new political leadership – first and foremost President-Designate Juncker – ought to seize it.

I-teams: Pockets of innovation in public administration

There are brilliantly innovative public servants all over the world. But the very nature of bureaucracy can hinder experimentation and change, and stifle ideas. To combat this, many public bodies are experimenting with innovation teams (or “i-teams”), distinct units created to promote and enable innovation within government. Examples include the Barcelona Urban Lab and MindLab in Copenhagen. What distinguishes i-teams is that they often adopt approaches and methods that are unique within government. They have a bias towards action. They thrive best with close ties to their authorising powers, but with sufficient distance to avoid lowering ambitions and creating a culture of incrementalism. Often, they combine insiders and outsiders, merging sufficient charisma to generate energy and excitement, with strong management skills and institutional understanding to push ideas into implementation. Many i-teams strive to create a culture more conducive to innovation in government by running workshops, conducting training sessions, and helping other civil servants to design pilots. I-teams work best if they are clear about what they are trying to achieve with a detailed logic model or theory of change. Measurable results can be crucial to winning over sceptics – especially if savings can be quantified. Equally, they need to admit when a project is not working and end it. This builds credibility and focuses scarce resources on what is effective.

Annex: Plan I(nnovation) for Europe

RECOMMENDATION	SPECIFIC ACTIONS
1 Create a single market where digital businesses and technology-savvy entrepreneurs can thrive	a) Harmonise regulations to create a truly single market for services, especially digital ones
	b) Create a new, low-regulation corporate structure for EU digital businesses
2 Make public innovation funding bold, experimental and open to all	a) Experiment and embrace new funding methods for Horizon 2020, such as challenge prizes and systemic innovation
	b) Back small innovative firms, using the model of the United States Small Business Innovation Research programme
	c) Simplify processes to encourage more smaller firms to participate
3 Invest in the infrastructure of the 21st century	a) Rebalance infrastructure investment from transport to broadband and energy grids, using the European Investment Fund, the European Investment Bank and European Regional Development Funds and taking advantage of new community-led models
	b) Make monitoring of 21st century infrastructure investment plans part of the EU's surveillance powers
	c) Develop technological standards that influence the world
	d) Introduce a European City of the Future designation
4 Educate a technology-savvy workforce	a) Make use of technological innovation to develop and spread EU-based training opportunities, guided by evidence of what really works
	b) Drive "digital making" through a Europe-wide initiative to improve practical skills
5 Embrace social innovation	a) Direct 15% of European Social Fund funding to social innovators
	b) Make European Commission data an exemplar of openness
	c) Increase opportunities for public service innovation through contestability, accelerators and startup investment
6 Make innovation open to EU citizens and the world	a) Target small- and medium-sized enterprises in a European drive towards internationalisation
	b) Make internationalisation a central aspect of Horizon 2020
	c) Build a public movement for innovation through practical opportunities to take part – from schools and cities to businesses
7 Reform European institutions so they better support innovation	a) Underpin policy with a cross-directorate focus on innovation, led by the European Commission president
	b) Re-think Council of the European Union formations and interest group representation
	c) Harness big data to better understand Europe's innovation performance
	d) Set targets for hidden innovation as well as research and development

Plan I(nnovation) for Europe: Delivering Innovation-Led, Digitally-Powered Growth is a joint venture of the Lisbon Council and Nesta, which sets out a seven-point programme for "making Europe the best place in the world to innovate, the place where entrepreneurs, visionaries and optimists tackle the future." Download the full report on the Lisbon Council and Nesta websites.

The Lisbon Council asbl
IPC-Résidence Palace
155 rue de la Loi
1040 Brussels, Belgium
T. +32 2 647 9575
F. +32 2 640 9828
info@lisboncouncil.net
www.lisboncouncil.net
twitter @lisboncouncil

Nesta
1 Plough Place
London EC4A 1DE
United Kingdom
T. +44 20 7438 2500
F. +44 20 7438 2501
information@nesta.org.uk
www.nesta.org.uk
twitter @nesta_uk

ISSN: 2031-0935

Published under the editorial responsibility of the Lisbon Council and Nesta. The responsible editor is Paul Hofheinz, president, the Lisbon Council asbl.

Design by karakas