

## Fostering Innovation - Better Management of Risk

Innovation is the single most important driver of growth in a mature economy. It flourishes when societies create conditions in which investors, managers, and entrepreneurs are encouraged to take risks and hence create new sources of wealth and work. Over the past 20 years, growth in productivity in the EU has lagged that in the USA and Japan. One cause of this is a regulatory environment at EU-level that has become increasingly characterised by risk avoidance rather than risk acceptance and a preference for social concern rather than science when making risk management decisions.

One way of restoring confidence and incentives to innovate, whilst ensuring a high standard of protection for citizens and the environment, is for the EU's institutions to adopt the "Innovation Principle". A simple, straightforward idea, **the Innovation Principle requires that whenever the EU's institutions consider policy or regulatory proposals, the impact on innovation should be fully assessed and addressed.** It would increase the chances of reaping the synergies between Better Regulation, industrial policy, and Europe 2020 strategies.

To be effective in informing the EU's decision-making processes, the Innovation Principle must be embedded, at all levels of government, in a framework of policies, guidelines and institutional structures. Requirements to make extensive use of high quality scientific advice must form part of this framework. A new monograph from the ERF identifies ways of achieving these objectives<sup>1</sup>. It emphasises the importance of establishing a more coherent institutional focus on innovation at the highest level of the Commission. Other recommendations include:

- All three EU institutions should issue political statements stressing the importance of ensuring the proper consideration of productivity, innovation and wider impacts, such as jobs, growth, and competitiveness, in the legislative and regulatory decision-making process;
- The scope of the Better Regulation portfolio of Commission Vice-President Timmermans should be expanded to require the wider impacts of regulation to be understood and managed, including the impact of risk management on innovation;
- The European Commission should establish institutional structures close to the centre of decision-making with responsibility for assuring the quality of scientific advice used, throughout the Commission, to inform risk management decisions;
- A formal European Commission Communication should be issued establishing and defining the Innovation Principle as one of the main factors to be considered whenever the EU institutions consider policy, legislative or regulatory interventions. The Commission should also set out the procedural and analytical arrangements necessary for the implementation of the Innovation Principle;
- The European Commission should establish a revised policy for the use of scientific evidence when making risk management decisions. This should be based on scientific evidence that is obtained using internationally respected and validated scientific methods, taking into consideration both 'bias' and 'conflicts of interest'; that uses excellence as the main criteria for selecting and using scientific evidence; and that provides a comprehensive set of key concepts and definition. These requirements should be set out in a Commission Communication.

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<sup>1</sup> European Risk Forum 'Better Regulation for 2020, Managing Harms and Fostering Innovation' (ERF Monograph, 2015)



## European Risk Forum

The European Risk Forum (ERF) is an expert-led and not-for-profit think tank with the aim of promoting high quality risk assessment and risk management decisions by the EU institutions, and raising the awareness of the risk management issues at EU-level.

In order to achieve this, the Forum applies the expertise of a well-established network of experts to 'horizontal', cross-sectoral issues. In particular, it addresses regulatory decision-making structures, tools and processes, as well as the risks and benefits of new and emerging technologies, of climate change, and of lifestyle choices.

The Forum believes that:

- High quality risk management decisions should take place within a structured framework that emphasises a rigorous and comprehensive understanding of the need for public policy action (risk assessment), and a transparent assessment of the workability, effectiveness, cost, benefits, and legitimacy of different policy options (risk management).
- Risk management decision-making processes should ensure that outcomes are capable of meeting agreed social objectives in a proportionate manner;
- Risk management decisions should minimise negative, unintended consequences (such as new, unintended risks, economic losses, reduced personal freedoms, or restrictions on consumer choice);
- The way in which risk management decisions are made should be structured, consistent, non-discriminatory, predictable, open, transparent, evidence-based, legitimate, accountable, and, over time, subject to review.

Achieving these goals is, the Forum believes, likely to require extensive use of evidence (especially science); rigorous definition of policy objectives; clear and comprehensive description and assessment of problems and their underlying causes; realistic understanding of the costs and benefits of policy options; and, extensive consultation.

The Forum works with all of the EU's institutions to promote ideas and debate. Original research is produced and is made widely available to opinion-formers and policy-makers at EU-level. As an expert group, the Forum brings together multiple sources of evidence (such as the experience of practitioners and policy-makers; non-EU good practices; and academic research) to assess issues and to identify new ideas. Indeed, direct engagement with opinion-formers and policy-makers, using an extensive programme of conferences, lunches, and roundtables, is a feature of the Forum's work.

The ERF is supported principally by the private sector. The ERF does not seek to promote any specific set of values, ideologies, or interests. Instead it considers high quality risk assessment and risk management decisions as being in the public interest. An advisory group of leading academics supports the ERF's work.

For more information visit [www.riskforum.eu](http://www.riskforum.eu) or contact:

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