

# CAN WE CREATE INNOVATION THROUGH REGULATION ?

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**Although it sounds oxymoronic, the answer is - yes. While regulators cannot create innovation themselves, they can still establish an enabling innovation environment. In order to assess which regulatory approaches have innovation enhancing potential we must bear in mind how innovation happens. It requires challenging those things we think we know with certainty. It's about having individuals take risks and change the established perceptions. And here is where regulation comes in play.**

Regulators can enable innovation by developing education in a way that stimulates skills like imagination, creativity, digital skills for work with new technologies, critical thinking and complex problem solving. This is a cause I have been working for passionately. In 2015 we launched Education Bulgaria 2030 together with public and social partners. The initiative aims at mapping the way for quality education and training systems which makes young people competitive on the evolving labour market and provides them with the skills needed not only to find decent jobs but also to be the next innovators.

« Public regulation can be a powerful stimulus to innovation »

Innovation happens from challenging the established, commonly believed truths and myths. Regulation can stimulate this process by giving enough incentives of people to do so. One way is to reduce the administrative burden for starting a business. Thus we allow many more people to enter the market but in order to benefit they must come up with a better product than the existing ones. They must offer something new and innovative. It's a well proven fact<sup>1</sup> that cartels undermine innovation and this point is not made frequently enough. In the comfort zone of their illegal agreements, cartelists have lower or no incentives to invest in innovation. In this respect EU competition regulation is a crucial enabler of the innovational environment.

We all know the basic truth that no-one is as smart as everybody. Regulation on technology transfers from university to industry can ease the implementation of innovative ideas through patenting, acquisition and transfers of innovative ideas from the university to the

private sector. Patents foster ex ante innovation by inducing people to invent because of the prospect of profiting from those inventions. But patents also improve the allocation of resources by encouraging rapid experimentation and efficient ex-post transfer of knowledge across firms.

A perfect example of EU policy making efforts in this regard is the recently announced plan of the European Commission to create European Open Science Clouds, which will offer researchers and scientists and professionals in the technological industry a digital environment to store and re-use their data.

It is of utmost significance to maintain the incentives for businesses, universities and research institutes to invest in research and innovation. It is equally important that we ensure availability of funding – especially for those research fields that are less appealing for the industry because they do not provide imminent added value for the company. The EU is doing quite well in this aspect funding research and innovation under the Horizon 2020 program. It is the biggest EU Research and Innovation programme ever with nearly €80 billion of funding available from 2014 to 2020.

All this shows us that, under certain circumstances, public regulation can be a powerful stimulus to innovation. It is our duty as regulators to identify these circumstances and use the right measures to pave the way for innovation to become the new norm in European economy. (May 2016)

<sup>1</sup> For example, the OECD "Report on the nature and impact of hard core cartels and sanctions against cartels under national competition law" of 2002 concludes that "a cartel

shelters its members from full exposure to market forces, reducing pressures on them to control costs and to innovate".