Strengthening Innovation in Europe's Regions

Strategies for resilient, inclusive and sustainable growth
Regional Innovation Scoreboard 2017

Significant disparities both between and within Member States

- No "One-size-fits-all" approach possible
A modern economy and fair transition for EU regions

Europe is experiencing a period of profound changes brought by globalisation, new emerging and digital technologies, automation and decarbonisation. The benefits of globalisation are unequally spread. It is indispensible to help Europeans adapt to these profound changes and to help the EU economy to become more resilient.

Therefore the EU will need to:
- activate the innovation potential of MS and regions
- adapt its industry to new models
- boost competitiveness and access to new markets
- reduce the gap among regions
- create new jobs

Reflection Paper on Harnessing Globalisation
Smart specialisation in reformed cohesion policy

The *smart specialisation* approach was integrated into the reformed cohesion policy (2014-2020) to maximise the positive impact on growth and jobs. It also helped regions and MS in:

- developing a **strategic approach** to innovation (*ex-ante Conditionality*)
- **prioritising** public R&I investments
- building on **competitive advantages**
- facilitating new **market opportunities** and the access to **new value chains**

**KEY FIGURE** over the period 2014-2020:

- **EUR 40 billion from ERDF** to finance R&I projects (EUR 65 billion including co-financing)
  + **EUR 1.8 billion from ESF**
- over **120 smart specialisation strategies** whose implementation is supported by the **S3-Platform**
- more than **15 000 enterprises** will be able to introduce new products into the market
- **140 000 start-ups** will be offered financial support
- **350 000 new jobs** will be created
Examples of S3

✓ **Emilia-Romagna (Italy):** the regional partnership has identified health and well-being as a priority and is bringing different key enabling technologies together with biomedicine to develop customised precision grafting and implants.

✓ **Extremadura (Spain):** farmers and researchers are addressing the lack of capacity to meet market demand during peak season by participating together in a European network which develops high tech farming.

✓ **Lapland (Finland):** smart specialisation contributed to develop the region's leading position in exploiting and commercialising Arctic natural resources while delivering sustainable development and job creation.

More examples:
- Smart Regions' Stories [video](#)
Lessons from smart specialisation for regional policy

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Moving beyond regional smart specialisation in innovation

| Broad innovation and structural reforms                  | - Smart specialisation in less developed regions  
|                                                         | - Stairway to excellence                           
|                                                         | - Increased focus on broad-based innovation        |
| Cross-border                                            | - Policy area innovation in Baltic Sea (Innovation Express, Clean Growth) |
|                                                         | - Interreg Central Europe – cooperation between regions working on thematic areas |
| Industrial Policy                                       | - Thematic Smart Specialisation Platforms          
|                                                         | - Pilot on interregional investment                
|                                                         | - Strengthening EU Value Chains                    |
| Economic and social transformation                      | - Industrial transition regions pilot project      |
| Energy policy                                           | - Dedicated initiative to support transition in coal and carbon-intensive industrial regions |
|                                                         | - Build on smart specialisation to promote energy transition and promote innovation |
The Communication identifies **four challenges** for boosting innovation-led growth

- Reforms of R&I Systems
- Innovation investments across regions
- Less-developed and industrial transition regions
- Synergies and complementarities between EU policies and instruments

**S3 as a response**

Regional Policy
The European Semester process has shown that reforms of R&I systems have a clear **regional dimension**.

**So far, smart specialisation has contributed to:**
- Put in place reforms in about half of the EU MS
- Help address many R&I challenges
- Break down silos between administrative bodies and improve multi-level governance

**Challenges ahead:**
- Intensify **efforts for reforms** in R&I systems
- Create an enabling **business environment**
- Improve **conditions** for the creation and growth of start-ups
- Encourage **investments** in skills and human capital
Reforms of R&I Systems (2)

In response to this challenge the Commission will:

- Step up efforts to provide EU support for policy reforms, including through the Digital Skills and Jobs Coalition and the cluster policy excellence discussions under the European Cluster Policy Forum
- Provide support to the implementation of RIS3 through the S3-Platform
- On demand, the Horizon 2020 Policy Support Facility will help EU MS address obstacles in their R&I systems, including those related to the effective implementation of smart specialisation strategies
- Make available on request assistance in improving the business environment, labour market and education and training through the Structural Reform Support Service
- Encourage MS to reinforce dialogue with their stakeholders in the course of the European Semester process and to increase the quality and openness of research
Stronger strategic inter-regional cooperation and sustainable linkages between regional ecosystems along smart specialisation priority areas can increase competitiveness and resilience.

Already existing model of cooperation:

**Thematic Smart Specialisation Platforms**: joint EC’s initiative set up in December 2015. They focus on industrial modernisation, energy and agri-food. More than 80 regions around 17 partnerships.

**Vanguard Initiative**: a network of 30 EU regions with strong political commitment to use their RIS3 to boost new growth. It seeks to help regional clusters and ecosystems to focus on priority areas for transforming and emerging industries.

Challenges ahead:

Further efforts are necessary to:

- **integrate other large European initiatives with these platforms** and their regional partnerships
- **facilitate the commercialisation and scale-up** of inter-regional innovation projects
- **build on clusters to incentivise joint business investment**
Innovation investment across regions (2)

In response to this challenge the Commission proposes to:

Launch a **pilot action** by the end of 2017
(5-10 partnerships) supported by ERDF

This action aims at:
- **testing approaches** to commercialise and scale-up interregional investment projects
- developing **bankable** projects for support from financial instruments
- attracting **private investments** by backing projects that may need **risk-coverage**
- developing **new value chains**

This work will build on the close working relationship developed between the Commission services and the **partnerships developed in the context of the Thematic Smart Specialisation Platforms** and on **relevant EU innovation initiatives**.

Connections will be made with EIT-KICs, EIB, EFSI.

# Less-developed & industrial transition transition regions (1)

## Current obstacles:

### Less-developed regions:
- R&I infrastructure still very fragmented and not sustainable
- Difficulties in building institutional legal environment open to innovation
- Lack of appropriate human capital and skill development
- Lack of connection with innovation communities and global value chains

### Industrial transition regions:
- Lack of appropriate skill-base
- High unit labour costs
- De-industrialisation
- Unable to attract extra-regional investments
- Weakness in the capacity of exploiting funding opportunities (notably, Horizon 2020, COSME)
- Less funding than less-developed regions under cohesion policy

**EU support so far:** TAIEX Peer 2 Peer, S3 Platform, ESF, Horizon 2020 Teaming, Twinning, ERA-Chair, COST actions, Stairway to Excellence and Lagging Regions project, EIT-RIS, Digital Innovation Hubs, etc..

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Need for more targeted support
Regional Policy

Targeted policy measures can help to address the specific needs of these regions and to successfully implement their smart specialisation strategies, with a particular focus on mutual learning and sharing of good practices in innovation policy implementation, governance and monitoring.

For less-developed regions the Commission will support Member States in better addressing their needs for broad-based and open innovation, new collaborative governance, new interregional partnerships, increasing capacities for absorbing new technologies and widening participation in global innovation networks.

For industrial transition regions the Commission will launch a pilot action by the end of 2017 covering a limited number of "test regions" expressing their interest to work on common RIS3. Support will be provided by ERDF with targeted advisory support from the European Observatory for Clusters and Industrial Change.
Synergies and complementarities (1)

A substantial number of regional, national and European policy programmes and instruments exist. To increase their impact in delivering key European priorities it will be necessary to improve synergies and complementarities. Smart specialisation provides a strategic framework to develop them.

Actions already taken by the EU:
- Combination of EU funds in a single project (cohesion policy, EFSI, Horizon 2020)
- Alignment of rules for simplified cost options (cohesion policy and Horizon 2020)
- Increased possibility to spend cohesion policy funding outside programme areas
- Guidelines for combining cohesion policy funds and EFSI
- Initiatives: Stairway to Excellence, Seal of Excellence
Synergies and complementarities (2)

Despite the improvements in coordination at the level of the cohesion policy programmes, at project level there is still a need for a greater clarity of roles, responsibilities and coordination, notably in relation to eligibility rules, procurement and state aid and with transnational projects.

The Commission proposes to:

- Further address complexities in combining funds
- Facilitate and clarify the combined use of different funds in relation to state aid rules, public procurement and interregional cooperation
- Provide local assistance through investment envoys to maximise the impact of different EU funds
- Provide stakeholders with a comprehensive mapping of support actors and R&I facilities across Europe
- Continue discussions on the Omnibus Regulation to facilitate transnational investments
Conclusions

- Europe is facing a multiple set of challenges which are closely related
- These challenges have a strong territorial dimension to them, and we need to adequately addressing the geography of these challenges
- We will not find solutions without engaging public actors and citizens at all levels, by engaging sub-national actors
- We cannot simply spend, we need to innovate at all levels and all sectors of society
- We need to work with regions in all parts of Europe
- By building more resilient, more adaptable regions with workers who have the skills to face the future we can prepare for globalisation, disruptive industrial change and the energy transition
- Our regional policy will need to continue further along the path set out by smart specialisation – not compensation, but building capabilities and capacities
Conclusions

Smart specialisation represents a new way of working together, which ensures stronger local and regional participation in decision-making, and whose potential can be scaled-up for the benefit of the EU as a whole.

This approach may be replicated and used in a broader context as a useful tool to implement the future EU budget.

Reflection Paper on the Future of EU Finances