Smart Specialisation Strategies

2017 Survey Results

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Directorate G: Smart and Sustainable Growth and Programme Implementation IV
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1. Method

As in earlier years, the data for the Fraunhofer ISI RIS3 Survey was collected with QuestBack's EFS software that allows researchers to collect, review and filter data while at the same time keeping the survey anonymous. With a view to coverage, the 2017 round of the survey followed the same approach as those conducted in earlier years: **policy makers and, if relevant for RIS3 policy, external stakeholders** were invited by email directly. The first invitations were sent out in early July 2017, based on a list of over 1,000 potential respondents that has been compiled and maintained since 2013. Reminders followed in July, August and September. The survey was closed in late September 2017.

Hence, the list of potential respondents invited draws on that established for earlier surveys, composed of emails collected from the JRC's RIS3 platform, other RIS3 related publications, such as those identified through own as well as emails of stakeholders that Fraunhofer ISI researchers have engaged with. While the list thus contains a "stable core", it is continuously extended and updated, while outdated or non-accessible emails as well as those of persons that indicated that would no longer like to be contacted are being removed.

In 2017, about 150 respondents began to answer the survey upon personal email invitation and about 100 of them completed it. From late July onwards, moreover, a non-personalised link was advertised online on the JRC's RIS3 Platform's website and through their internal mailing list (which reaches broader than the list of contacts openly published on the RIS3 platform). While it must remain unknown how many additional potential respondents received invitations through this channel, the online survey system documented that 500 looked at least briefly at the detailed invitation. Subsequently, more than 90 began to answer the survey and more than 40 completed it.

From a technical perspective, this year’s **survey results are thus based on about 140 full responses and a number of partial ones covering a significant number of questions.** Partial responses that only covered very few answers at the beginning were removed to avoid counting information from questionnaires that had not really been engaged with. Overall, the number of responses is the highest to be achieved in any of Fraunhofer ISI's RIS3 surveys so far. As in prior years, duplicate answers from specific regions did occur in some cases but remained comparatively limited. Where they occured, it was often in the form of one full and one or more rather partial answers, suggesting that, after an initial review, it was decided the most knowledgeable person should complete the survey. Where this was obvious, further cleaning took place. After this, **most individual questions can in the following be substantiated by between 150 and 110 answers** – again the highest level so far[1].

2. Sample: Geographical Coverage

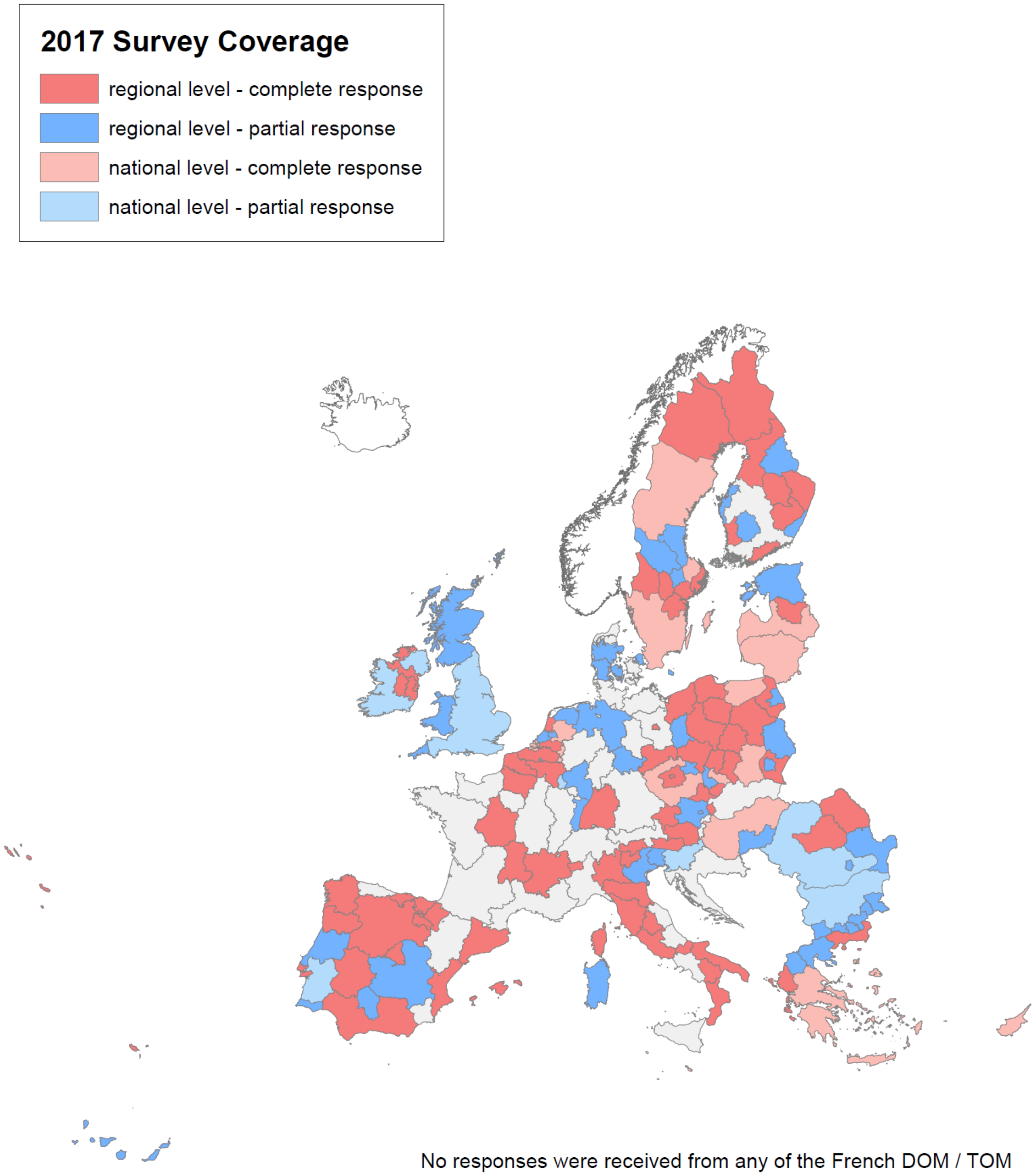
Geographical location can with certainty be determined for those answers that have been received in response to direct email invitations. In case of responses based on the non-personalised link published by JRC, the exact location of the respondents is usually unknown, unless they provided this information in an open question. If so, it has been included in the documentation of coverage.

In terms of Member State coverage, the survey includes responses from all EU countries with the exception of Croatia. There is a **relatively balanced representation of countries, more or less in line with their relevance in terms of populatio**n: 30% from Southern Europe (vs. 23.5% population), 23% from Central Europe (vs. 36% population), 20% from Eastern Europe (vs. 14.5% population), and 8%

[1] as it was not compulsory to answer all questions, even full answers do not contain answers to all questions

from South-Eastern Europe (vs. 8.5% population). Only the British Isles are notably underrepresented with 2% (vs. 14% population) while Northern Europe is overrepresented with 17% (vs. 4% population). This high number of responses from Scandinavia has to do with an above average number of actors responsible for RIS3 at local levels while the low number of responses from Britain has to do with centralization. The slight emphasis outside of central Europe may in part have to do with the fact that regions in Germany and, since the administrative reform, in France are relatively large.

Figure 1: 2017 Survey Coverage



Source: own survey, Map created using ESRI ArcGIS

3. Sample: Further Structural Characteristics

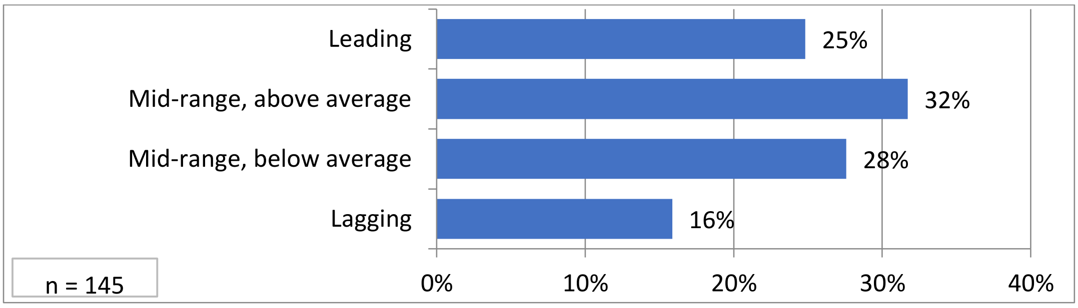
As in earlier years, **more than 80% of all respondents represented regions rather than nation states** and **more than 70% were answering from within an administration directly**. In close to 50%, their area of reference (irrespective of whether region or nation) had a population between 1-5 million while 22% answered from larger and 31% from smaller constituencies.

Furthermore, the surveyed regions can be profiled as follows:

- A classification in terms of **economic development** (within Europe), in four steps leading (25%), upper mid-range (32%), lower mid-range (28%), lagging (16%)
- A classification in terms of **geographic accessibility** (within Europe), in four steps central (21%), well connected (38%), some issues of accessibility (21%), peripheral (21%)
- The strength of the **local business sector**
    - leading/if need be independent (18%),
    - leading/dependent on value chains (48%),
    - viable business sector but need for external investment (22%),
    - weak, lack of investment (11%).
- The **up-to-dateness of the local production system**
    - most equipment up-to-date and sourceable from region (14%),
    - most equipment up-to-date but need to externally source (46%),
    - need for modernisation, but capacity given (35%),
    - obsolete equipment and limited capacity (6%)
- The **degree of development of local markets**
    - international lead market (24%),
    - relevant, but not leading (42%),
    - market for advanced products limited (34%).

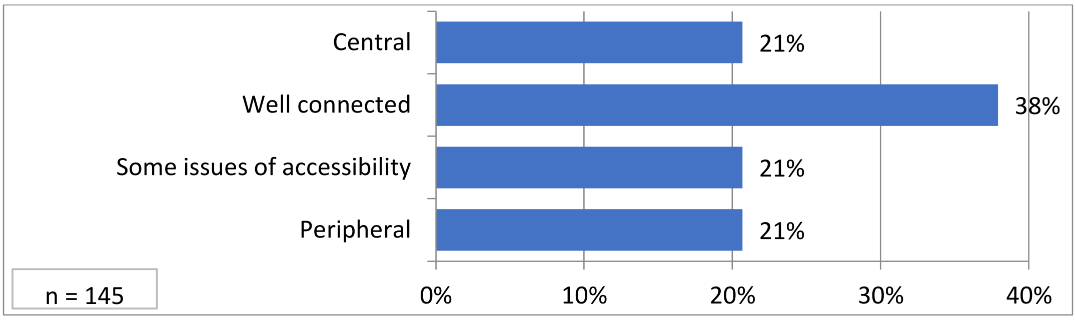
In order to be concise and align with earlier studies, however, this report will in the following limit itself to differentiating results by "Degree of Economic Development" and Member State Group.

Figure 2: Share of respondents by degree of economic development of region



Question: "Please indicate the degree of economic development of your region (within Europe)2
Source: own survey

Figure 3: Share of respondents by accessibility of region



Question: "Please indicate the positioning of your region in terms of accessibility (within Europe)"

4. General Survey Results

Background and Starting Conditions

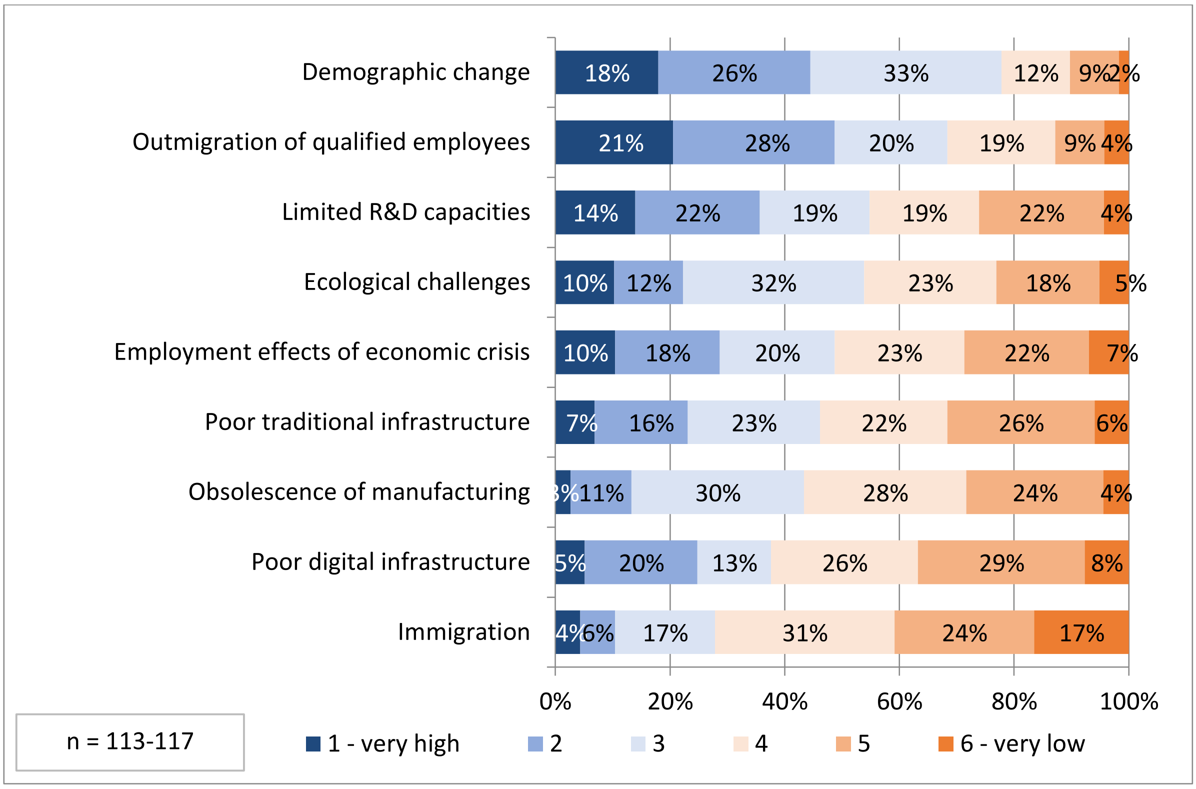
Unequivocally, a **large share of European regional policy makers see their geographic area in need of "economic transformation"**, as originally stated in the RIS3 agenda. 17% see a "strong need" in this regard. Overall, close to 60% place themselves in the upper two categories on a five-point scale.

Likewise, a notable majority believes that public investment can play a relevant role in this process with 25% seeing a "strong role" in this regard and close to three quarters placing themselves in the upper two categories on a five-point scale.

The **most commonly mentioned challenge was "demographic change" (77% in upper three categories), followed by "outmigration of qualified employees" (69%)** and, only in third place, by "lack of R&D capacities" (55%) and "ecological challenges" (54%). Slightly less prevalently felt are "employment effects of the economic crisis" (48%) and "poor traditional infrastructure" (46%). In particular with a view to regions that feel them "strongly", the "obsolescence of manufacturing" (44%), "poor digital infrastructure" (38%) and "immigration" (27%) are less important on average, probably, as they are more regionally. Most importantly, **this underlines that "R&D related challenges" must always be seen in context of equally or even more important issues in other fields.** Apparently, demographic change and outmigration of qualified employees, classic topics of lagging regions, matter on aggregate. More specific and R&D driven themes like "additive manufacturing", in contrast, are less prevalently considered as relevant.

Somewhat unexpectedly, respondents **most commonly mentioned "agro-food and bio-economy" as a technological trend with "*very* positive impact" on regional development** (38%). When additionally considering those confirming a **"positive impact" the most commonly mentioned trend becomes, as to be expected, digitalisation** (75% vs. 62% for agro-food and bio-economy)**.**

Figure 4: Main future challenges, as perceived by the respondents



RIS3 Process and Entrepreneurial Discovery

As in earlier years, from the second survey round onwards, **more than half of the respondents state that the results of RIS3 processes have outweighed the investment in them** and about one third at least sees a break-even situation with benefits equaling costs. While only 12% report that the initiated process continues to gain further momentum, 55% at least see it as stable. **Together, this adds up to a total of more than two thirds seeing the local resilience of RIS3 efforts as positive**. Even more importantly, **about 85% of all respondents would see merit in the continuation of the existing processes**, about half of this merit "strongly". Evidently, there is thus a generally positive view on the RIS3 agenda even in those regions, where the required processes could not satisfactorily be initiated or maintained in the first round. While there is undoubtedly also some frustration, it is apparently more commonly attributed to the local framework conditions than to the RIS3 idea as such.

With a view to the future emphasis that most would appreciate, it is interesting to see that **even about five years after the evidence-based foundations of the participatory processes should have been completed, many still see need for action in that area and a potentially strong future contribution of RIS3 in making strategy processes more evidence based**. Furthermore, they indicate that they see the strongest **need for future action in the area of connecting the process better with the local business sector whereas an improvement of contacts to the research sector appears less needed** and an improvement of contacts to broader civil society is still less important on the agenda. That said, there are a substantial number of respondents calling for an emphasis on many aspects, so that in all dimensions but one, a robust need for activities is expressed by at least half of all respondents ("1" or "2" on a one-to-six-scale). Likewise, around two thirds of respondents indicate that they would like to see and welcome further external support for RIS3 processes, both through coaching and financially.

Figure 5: General satisfaction with RIS3 process and its outcomes

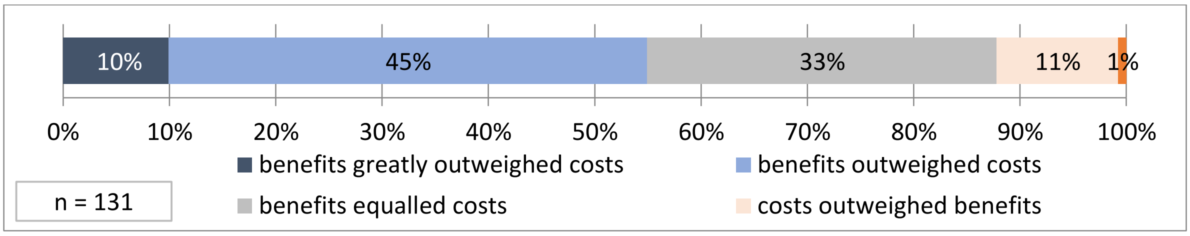
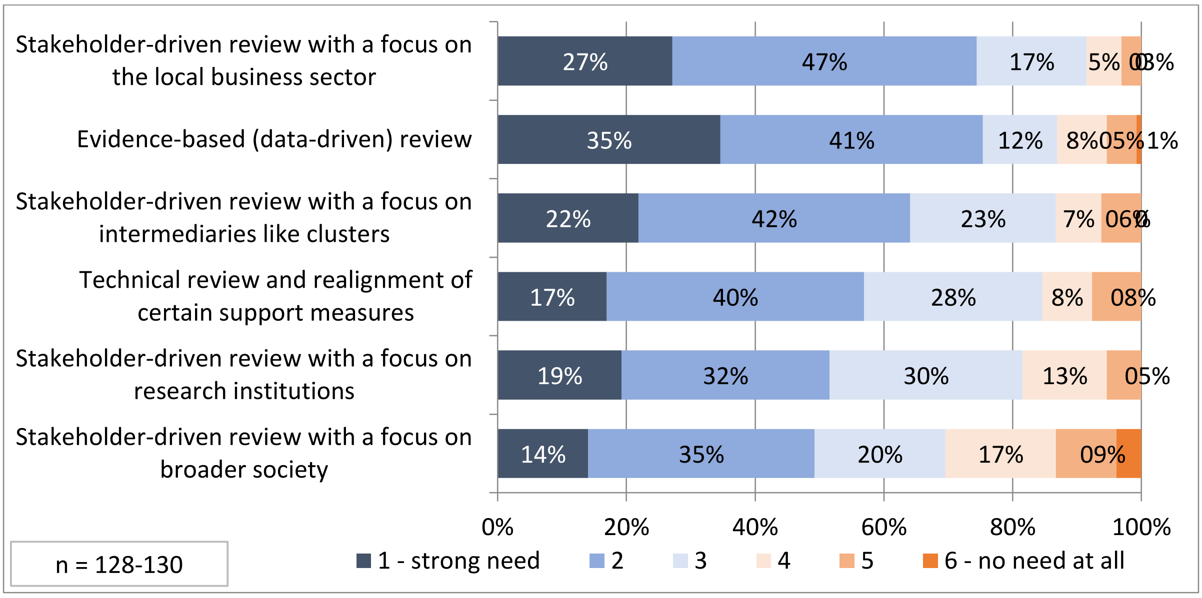


Figure 6: Where would you suggest future processes of strategy review to focus?



RIS3 Implementation

With a view to the implementation dimension, few would consider the practicality of current ESIF regulations for policy making as very high. Still, the distribution of positive and negative assessments comes close to a normal distribution with no particularly negative tendency. When asking more specifically about current regulations' suitability to allow for the design of place-based measures and innovative funding approaches, the assessment even becomes slightly more positive.

However, there is unanimous agreement that future ESIF regulations should make clearer reference to different local starting conditions i.e. make provisions that enable policy makers to intervene in a way appropriate to the actual challenges their region is facing. In their detailed answers, many respondents refer to the extent of required reporting as problematic for smaller newcomer entities whose participation a more challenge-driven approach would require and the approach of demanding, project specific controlling as impeding the design of flexible consortia. The below figure illustrates the need to acknowledge different regions' starting conditions - in terms of the actor portfolio they need to involve - as arguably the clearest answer to any question asked in this survey. Additionally, many respondents feel that it can be practically very difficult to combine different sources of funding that are tributaries of larger regulatory systems (H2020 with requirements on excellence and distance from market vs. ESIF with strict limitations imposed by de minimis, state aid, etc.)

The current policy mix is seen as positioned between classic subsidies and financial instruments. Quite clearly, there is **a preference for large investments in single projects rather than fragmented spending on many small projects**, **a preference to enable technology adaptation rather than technology creation.** The policy mixes include measures enabling external sourcing and local capacity building, with a slight emphasis on sourcing in knowledge and technology from other countries or regions. Also, there is a slight preference for supporting firms directly rather than via involving intermediaries.

Figure 7: View on whether future regulation should make clearer reference to local conditions

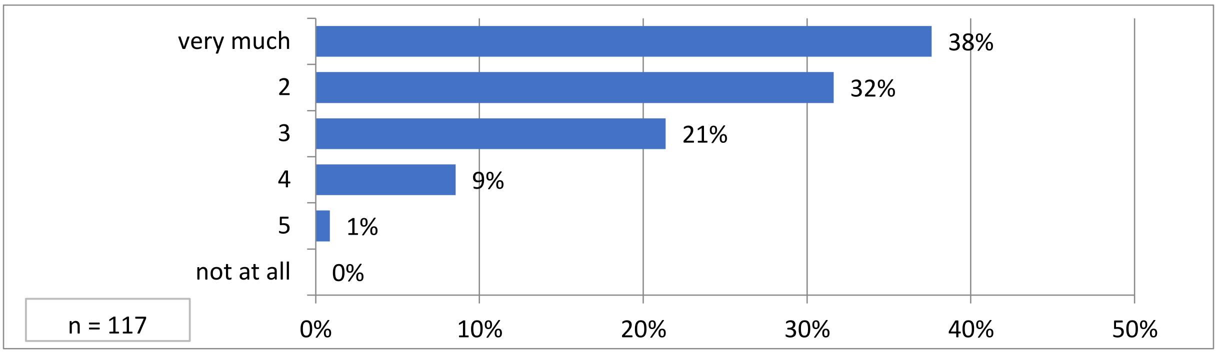
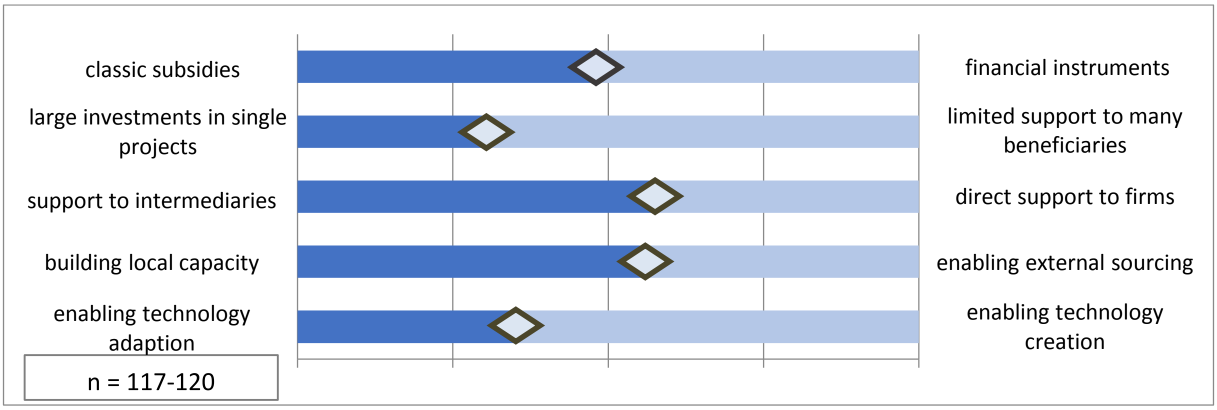


Figure 8: Orientation of current policy mixes



Effects of RIS3 on Implementation

New policy measures during the 2014-20 support period were most commonly introduced in the areas of research and innovation (89%) and SME competitiveness (79%) while other areas like environment and energy (53%), access to ICT (48%), and building a low carbon economy (45%) saw less changes. Most remarkably, new efforts to address employment and labour market issues – which this survey identifies as key challenges in many regions – have been made in hardly more than one third of all regions (37%). This could be due to the distribution of competences or a lack of coordination between responsible ministries and/or to the focus of the different ESI Funds (R&I, Digital and SME issues are covered in the ERDF while labour market and employment issues in the ESF).

With a view to the attribution of actual policy changes to RIS3 efforts, **about 50% indicated that recent launches of new policy programmes & measures could be attributed to RIS3** while hardly more than 10% felt that there was no influence of RIS3 on new policy measures. **About 43%, report reallocation of ESIF resources and 36% of other resources as a result of RIS3 efforts**, (only 9%

consider the ESIF changes as "strong"and only 3% consider the non-ESIF changes as "strong"). Along similar lines, only 29% suggest that changes in private co-investments in new policy programmes & measures can be attributed to RIS3. **33% of all respondents say that the RIS3 process has caused adaptations in the orientation of their region's policy mix** (only 2% consider them strong); somewhat in contrast with the originally stated ambitions of the RIS3 agenda.

Figure 9: Agree that the RIS3 process has affected the launch of policy measures

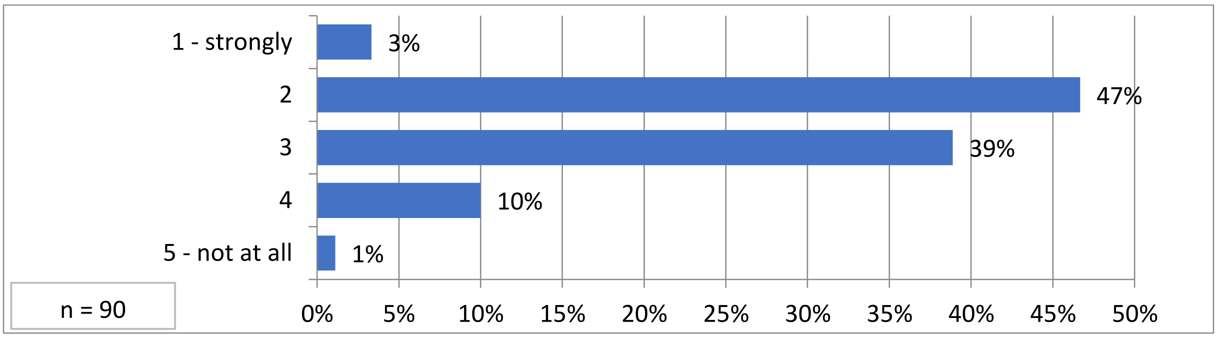


Figure 10: Agree that the RIS3 process has affected financial allocations

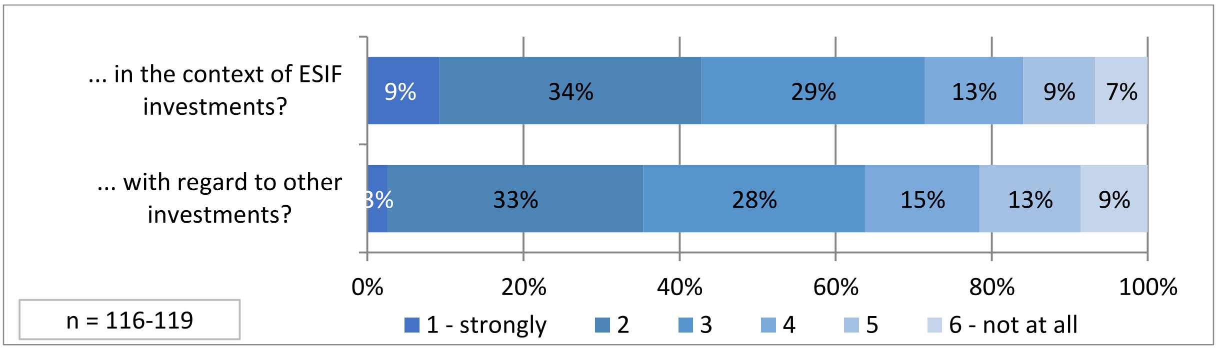
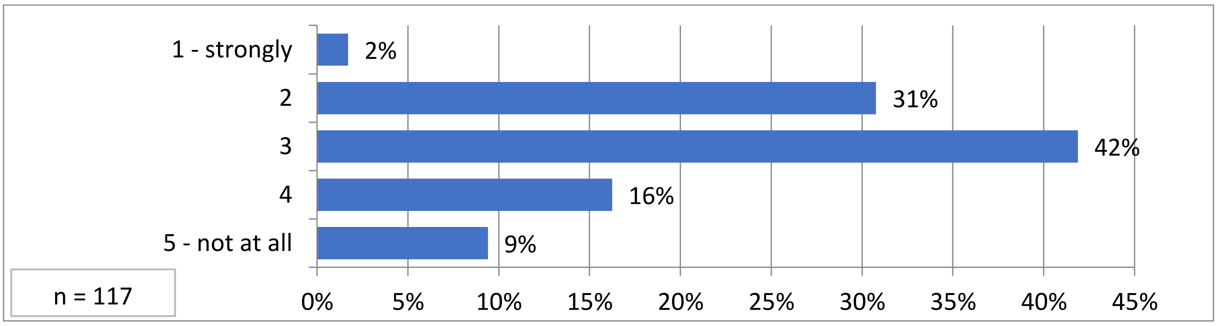


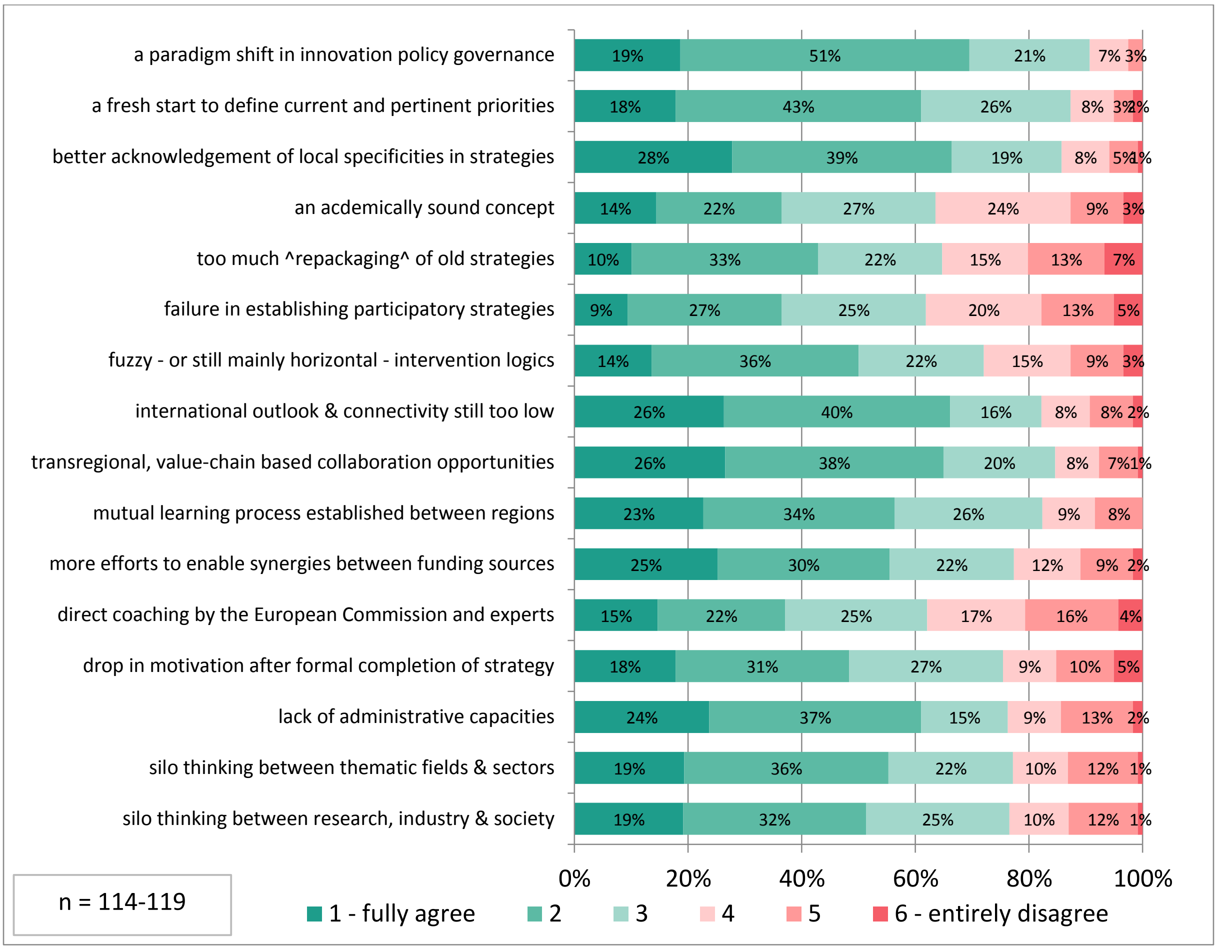
Figure 11: Agree that the RIS3 process has affected the overall policy mix of my region/area



Approval of European Commission’s Current Assessment

The European Commission’s SWOT analysis of past and present RIS3 activities receives general approval ratings of about 70-90%, although hardly more than 20% of respondents would “fully agree” on any point. Below average approval rates around 60% are found on the issue whether RIS3 is based on an "academically sound concept", the question of whether external coaching really constitutes an opportunity and those issues that involve self-criticism (repacking, failure in establishing processes) and with regard to. Thus, the European Commission’s diagnosis can be considered by and large validated. Overall, there is somewhat more agreement on the suggested strengths than on the criticized weaknesses.

Figure 12: Agreement with the European Commission's current analysis of the situation



Interregional Collaboration

The de facto economic collaboration of their region with others is considered as strong by about 40% of respondents with a view to the provision of solutions developed in the region to external users and by about 45% with a view to the use of solutions developed and provided outside of the region. A very similar share in either dimension confirms that collaborating regions on average also benefit from the collaboration there is.

Close to two thirds (64%) of all respondents would support the notion that external firms could benefit from market and other contextual knowledge held by socio-economic stakeholders in their region. More than half of those (35%) would also agree that there is substantive openness ("1" and "2" on one-to-six scale) among their local stakeholders for such new approaches. However, less than a quarter (23%) suggest that such new types of approaches are already gaining ground in their regions at this moment. More often than not, novel ideas seem to remain theory.

Figure 13: Agreement that external firms could benefit from market and social knowledge held by firms, users and civil society in the respondents' area

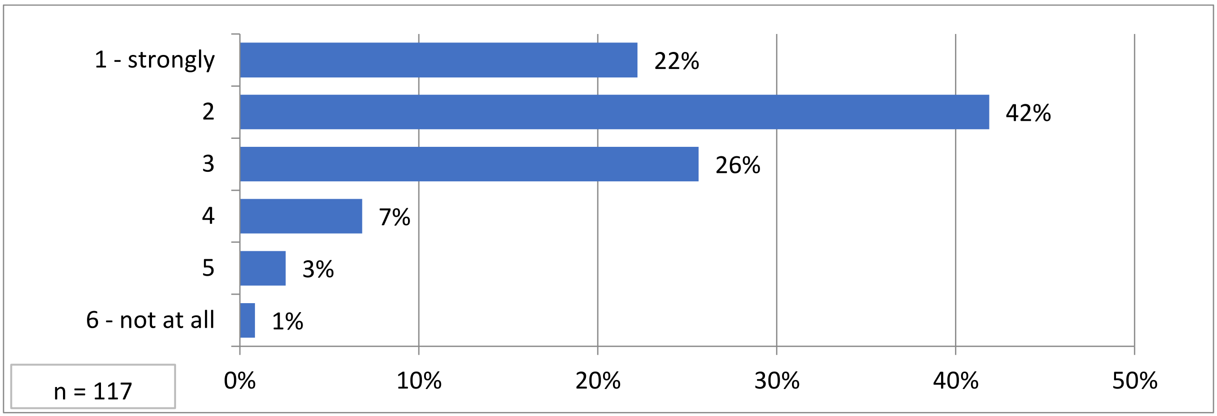
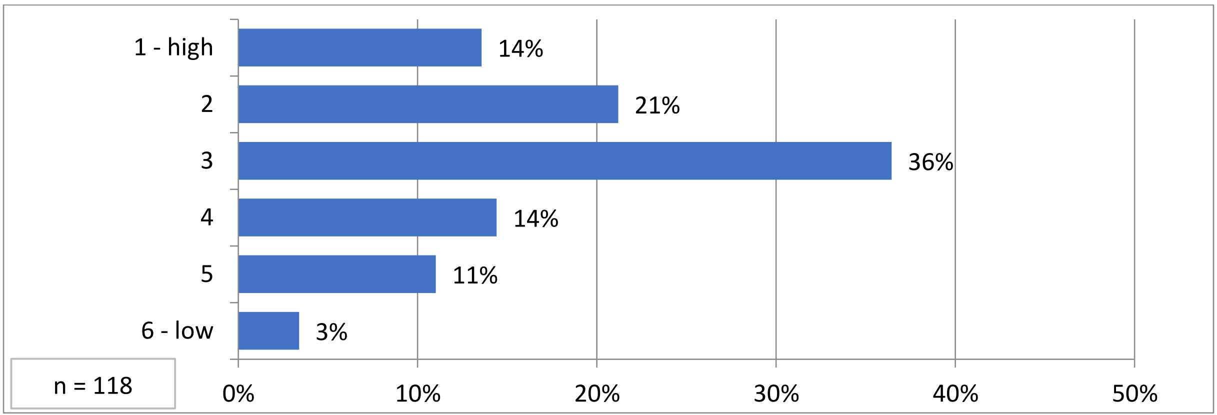


Figure 14: Assessment of current stakeholder openness to engage in collaboration on that premise



While more than **half of all respondents say that some funds from their local operational programme have been invested in interregional collaboration and close to 40% confirm that more investments are planned** for the second half of the current support period, more than **60% underline that there is limited commitment to invest outside of the region under Art. 70(2)** or similar, potentially succeeding ESIF legislation (rank 1-3 of 6). Close to 50% say so unequivocally (rank 1-2 of 6). This represents one of the most unequivocally negative answers to any question asked in the survey.

About 75% of all respondents would welcome additional budgets for 'traditional' cross-border (incl. sea borders) collaboration (rank 1-3 of 6). 28% support this to the highest extent possible. Additionally, there is an equally to slightly more pronounced interest in **more budget for inter-regional collaboration between non-adjacent regions**. Again, about 75% agree with this in principle (rank 1-3 of 6), while 33% support this to the highest extent possible. In the eyes of those advocating such intensified funding for future support periods, the most prominent group of beneficiaries would be regional intermediary organisations and local small and medium sized firms that serve larger original equipment or brand manufacturers.

During the last support period, the most common ESIF sponsored activities in the field of matching funds regional collaboration were attempts to **help innovation actors to link into international research and innovation networks (about 70%)** or to **commercialise research results (about 50%)** – whereas actual attempts to **match ESIF with H2020 funded projects were only mentioned in between 35% and 40% of all cases.** An actual replacement of H2020 funding with ESIF sources (Seal of Excellence) was found relevant in a mere fifth of all cases.

Figure 15: Expenditure for interregional collaboration during ongoing ESIF support period

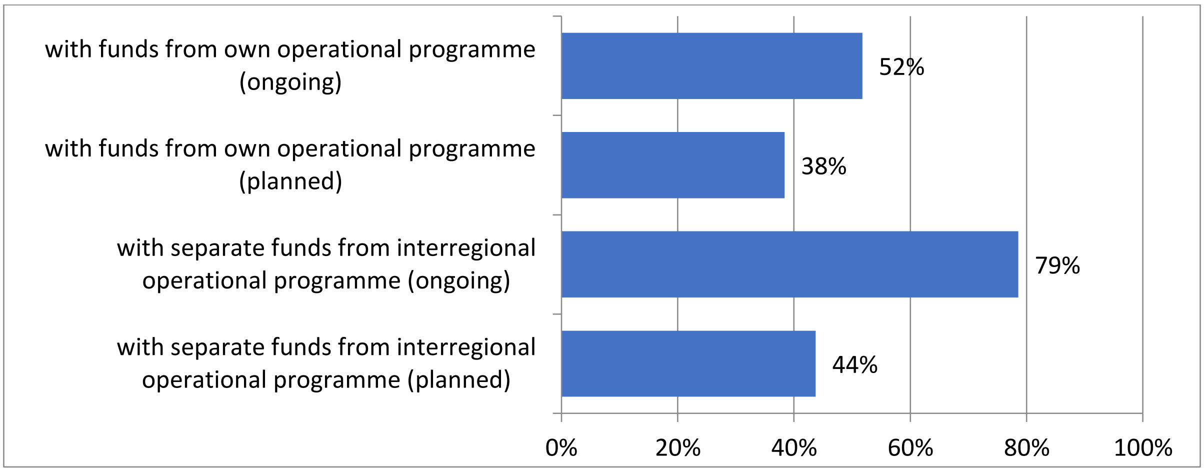


Figure 16: Perceived political readiness to spend own funding outside of the region

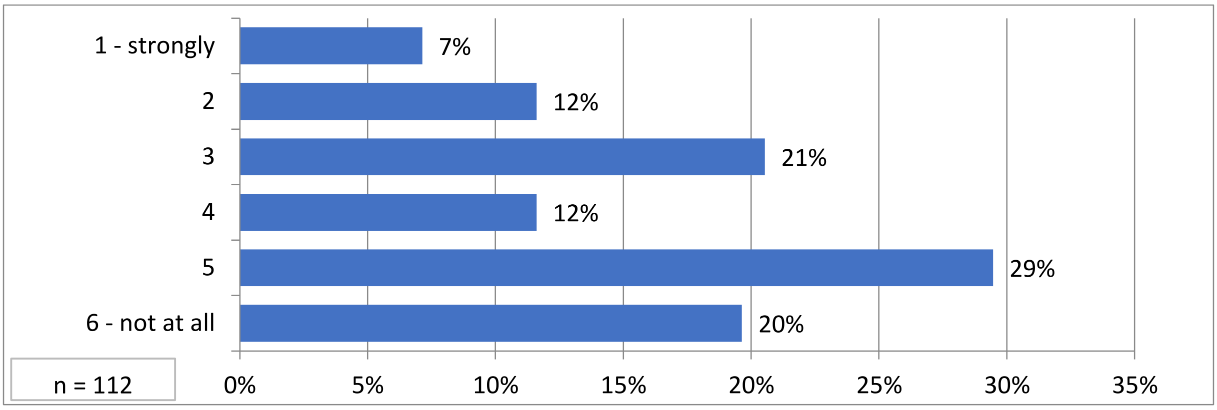
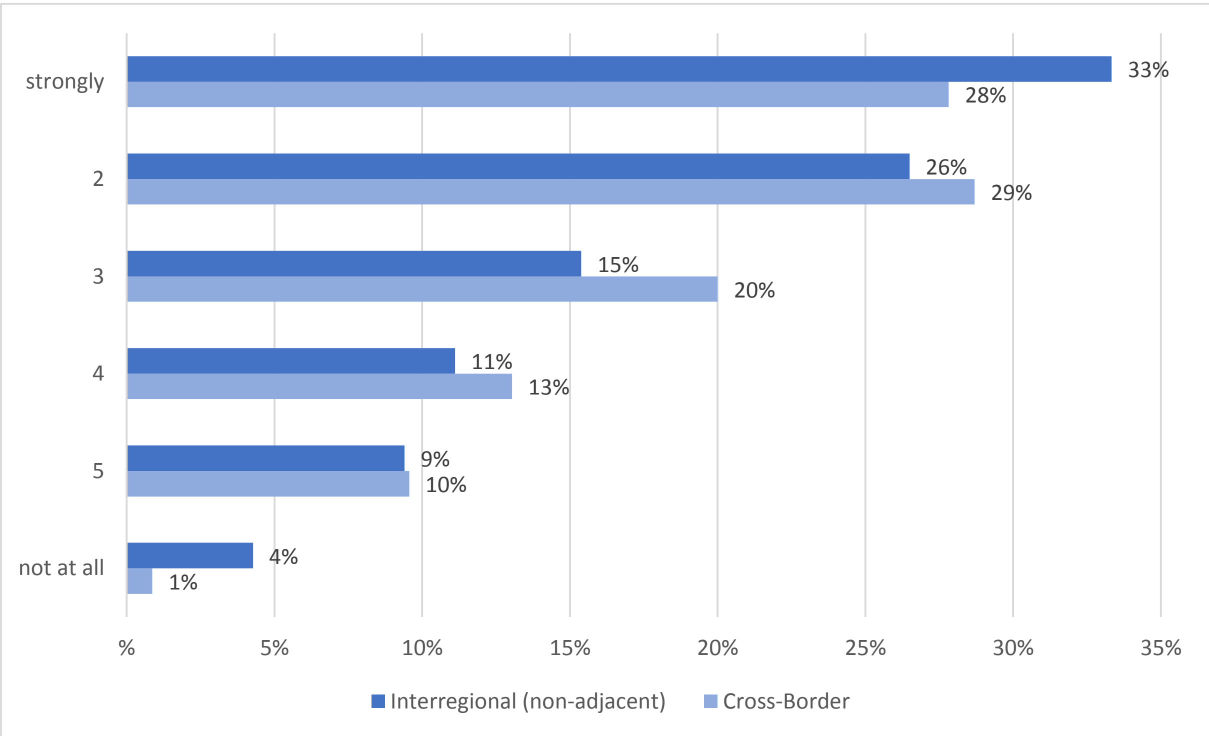


Figure 17: Feeling that additional funding should be offered in the coming ESIF support period



Monitoring

With regard to monitoring, the survey suggests that since last year the situation has not improved much. About two thirds of all respondents state that their region has some monitoring concept, but only half of those allow an informative tracking of RIS3 priorities (34% out of 65%). A similar share of monitoring concepts remains 'mostly horizontal' in nature and thus unfit to support future processes of strategy development. Likewise, a mere 43% of all respondents confirm that a monitoring report has been submitted to relevant authorities. With their assessment of time horizons, most respondents confirm earlier studies' findings that **effects of investments in applied R&D or SME competitiveness take about three to five years to materialise, at times longer**. In areas related to sustainability, the environment or even climate change, time horizons are naturally even longer, commonly exceeding five years. Among all target dimensions, enhancing access to ICT seems the only one that appears easily measurable by short-term indicators.

Figure 18: Nature of current monitoring system

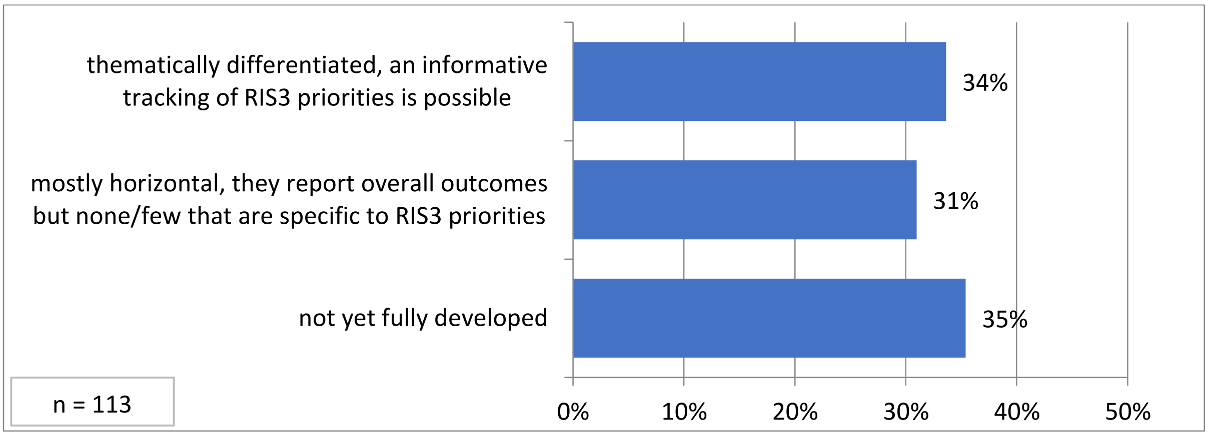
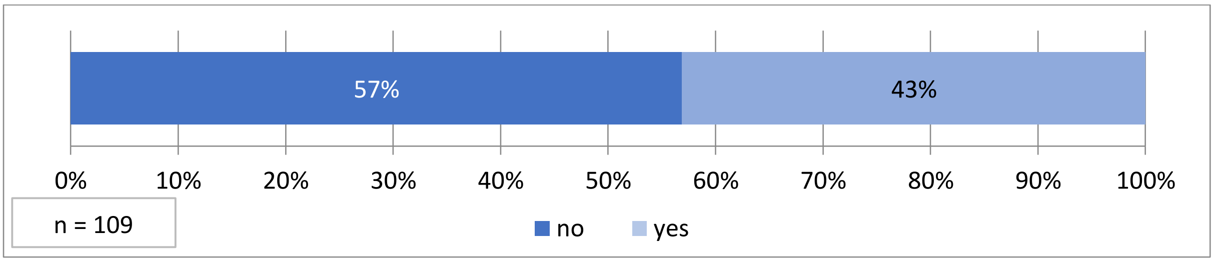


Figure 19: Has a report been submitted to the relevant authorities?



5. Differences by Member State Group, Degree of Economic Development

Background and Starting Conditions

As could be expected, **the less economically developed a region is, the higher is the perceived need for economic transformation** and the perception that public investment could help alleviate that situation. In line with earlier years' survey findings, moreover, respondents from the **East and South East of Europe** continued to see the **strongest need for economic transformation**. Compared to those from the East, respondents from **Europe's South and South-East are slightly more confident that public investment can make a difference.**

Overall, it is possible to see identify three main groups: Leading regions (with limited issues and focused needs for public investment), a broad group of mid-range regions (with some issues and some need for public investment) and truly lagging regions (where strong issues are present and public investment is strongly required).

Figure 20: Perceived need for economic transformation (by Economic Development)

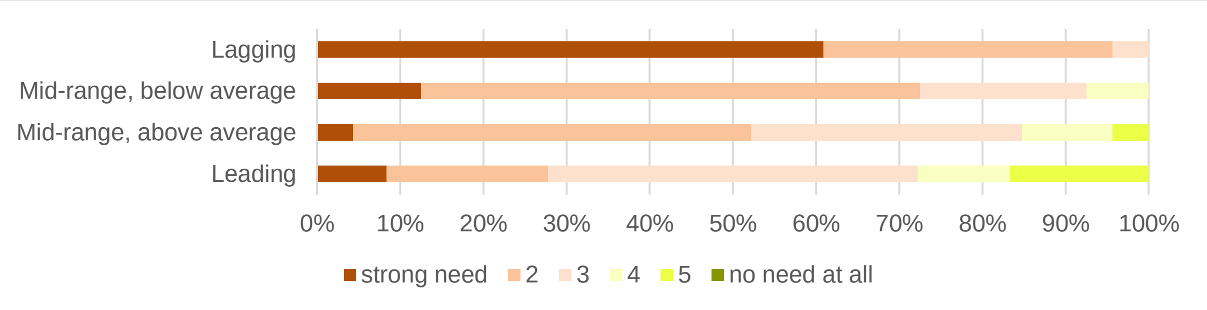


Figure 21: Belief that public investment can make a difference (by Economic Development)

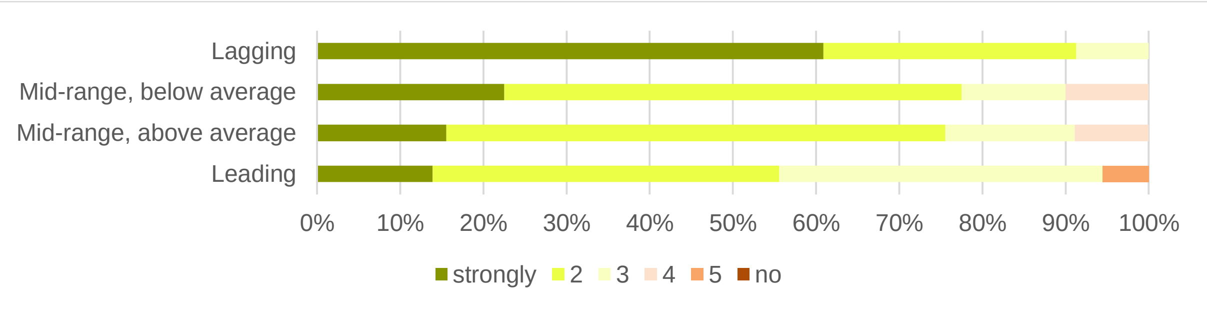
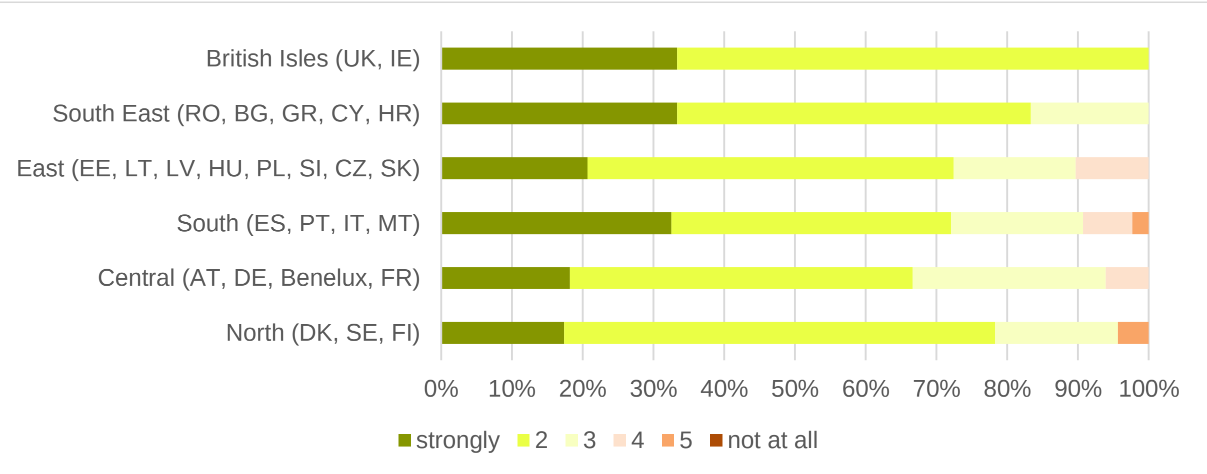


Figure 22: Belief that public investment can make a difference (by Member State Group)



In economically lagging regions employment effects triggered by the crisis, outmigration and demographic challenges are generally felt stronger. At nation state level, the picture is less clear, as regional challenges differ within nations. Employment effects triggered by the crisis are most strongly felt in Southern and South-Eastern Europe while Eastern and Northern European regions feel the strongest demographic challenges**.**

With regard to the **challenge of industrial transition**, the survey shows that **obsolescence of manufacturing is to a certain extent an issue in more than 50% of all lagging regions, more than 40% of all mid-range regions and even 30% of leading regions.** Moreover, hardly a third of the leading regions state that their local industries commonly use locally produced cutting-edge technologies (i.e. feature a co-location of producers and users of technologies).

Figure 23: Relevance of Employment Effects of the Crisis (by Member State Group)

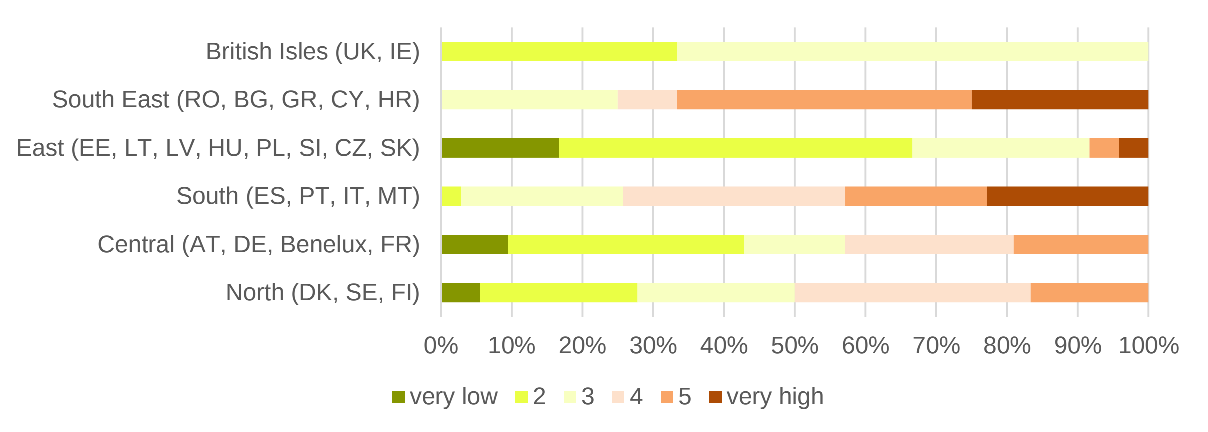


Figure 24: Urgency of the Issue "Obsolescence of Manufacturing" (by Economic Development)

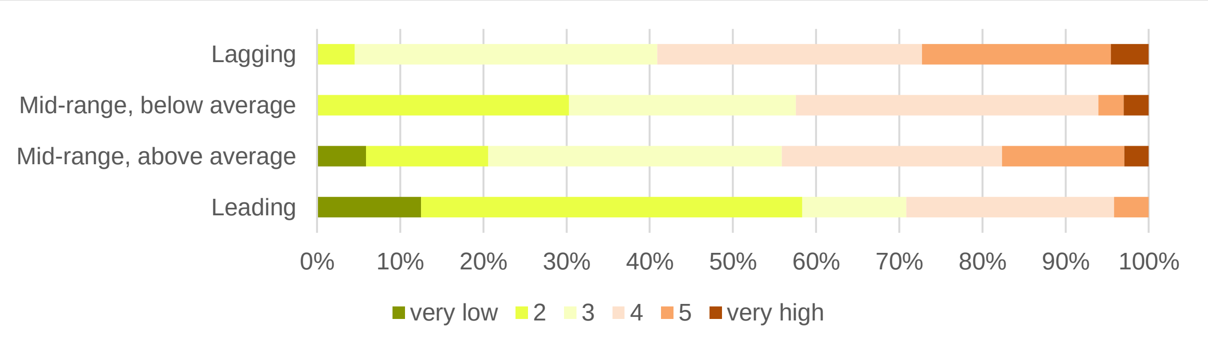
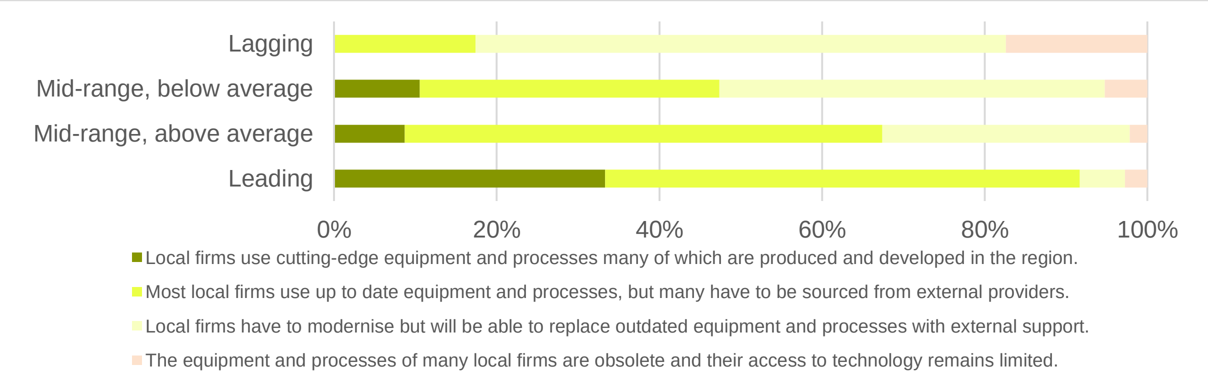


Figure 25: Level and Origin of Production Technology in Local Industry (by Economic Development)



RIS3 Process and Entrepreneurial Discovery

As mentioned above, **more than half of the respondents state that the results of RIS3 processes have outweighed the investment in them** and about one third at least sees a break-even situation.

Moreover, **the pronounced differences in overall assessment of the RIS3 process by Member State Group observed in previous years seems to have changed somewhat**. Differences in perception between Southern and Eastern Europe seem to have levelled out (now in both more than half stress the benefits), they have increased between Northern and Central Europe (the North strongly stressing the benefits, while in Central Europe only half the respondents share this view).

Figure 26: General satisfaction with the RIS3 Process 2016 (by Member State Group)

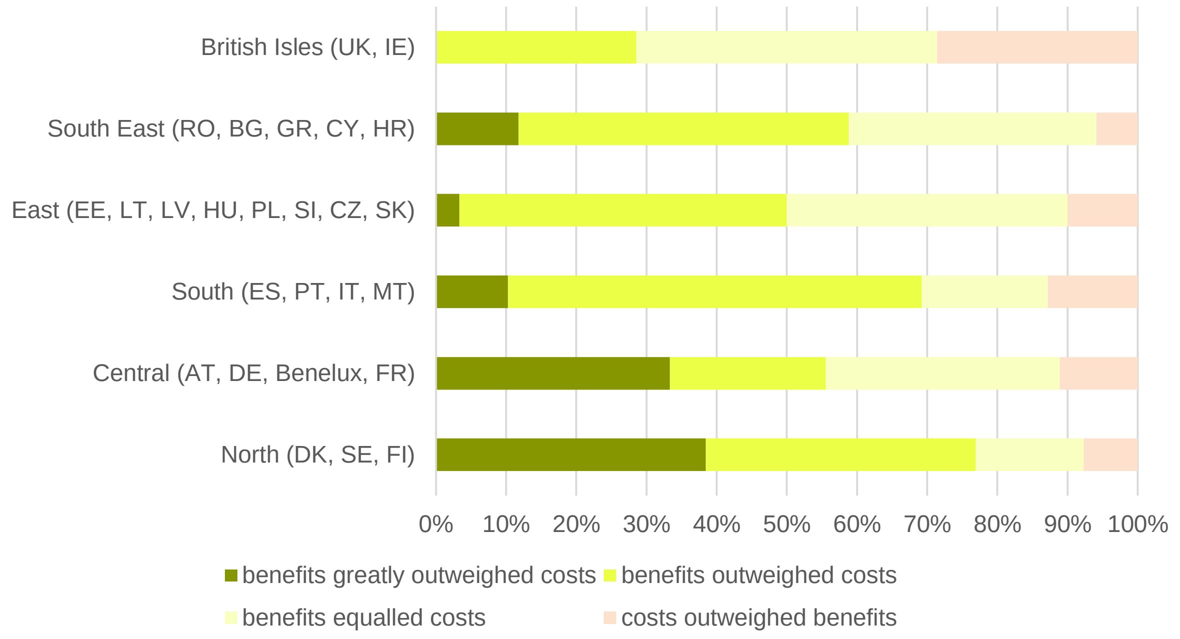
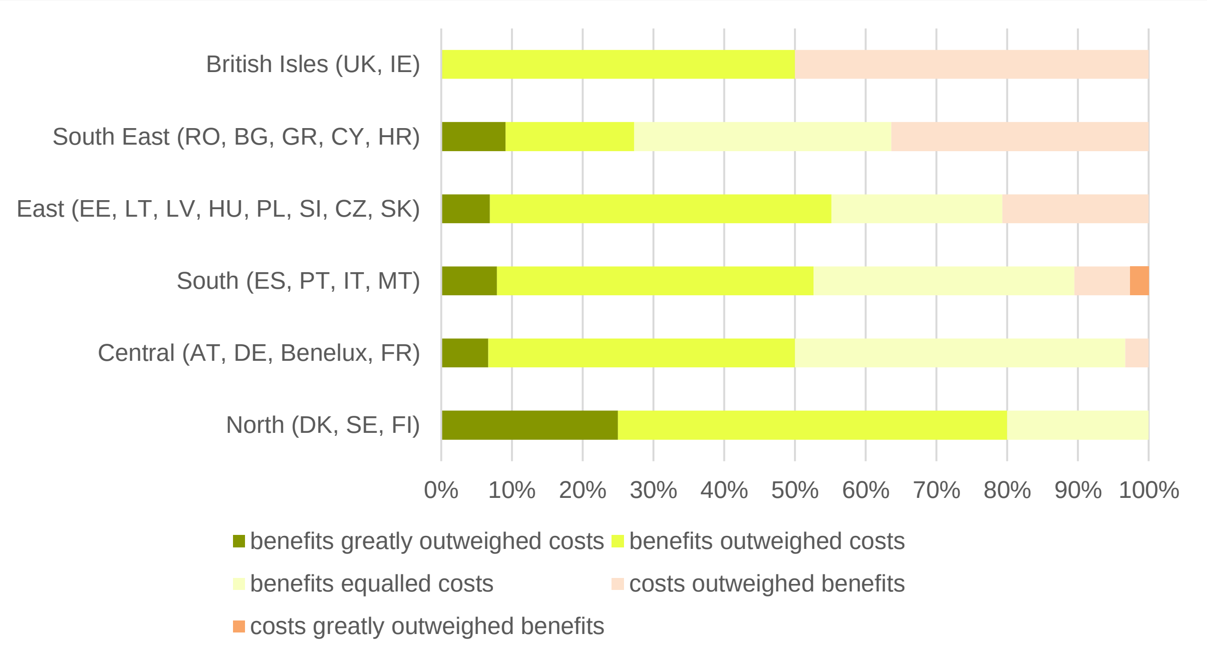


Figure 27: General satisfaction with the RIS3 Process 2017 (by Member State Group)



In general, **economically lagging regions report less successful processes with less remaining momentum**. While more than 60% of all regions still report stable processes, dynamically developing efforts remain rare (below 10%) outside of Central and Northern Europe.

On average, **stakeholders from the Nordics but also Germany, Austria, Benelux and France (Central Europe) report better processes than others**. Different from earlier survey findings, however, there is **no longer an indication of significant differences between Eastern and Southern Europe**.

As mentioned above, 70% of all respondents are unequivocally in favour of continuing the RIS3 process (level 1-2 of 6). In general terms, **those that report the weakest processes are most commonly in favour of re-starting or re-invigorating them to complete what remains incomplete**. While some merit to continue the RIS3 effort is mentioned across the board by at least 60% of respondents, those from the South, East, and South-East of Europe most commonly see a "strong need" (~50-60%).

Figure 28: Perceived state of play of the local RIS3 process (by Member State group)

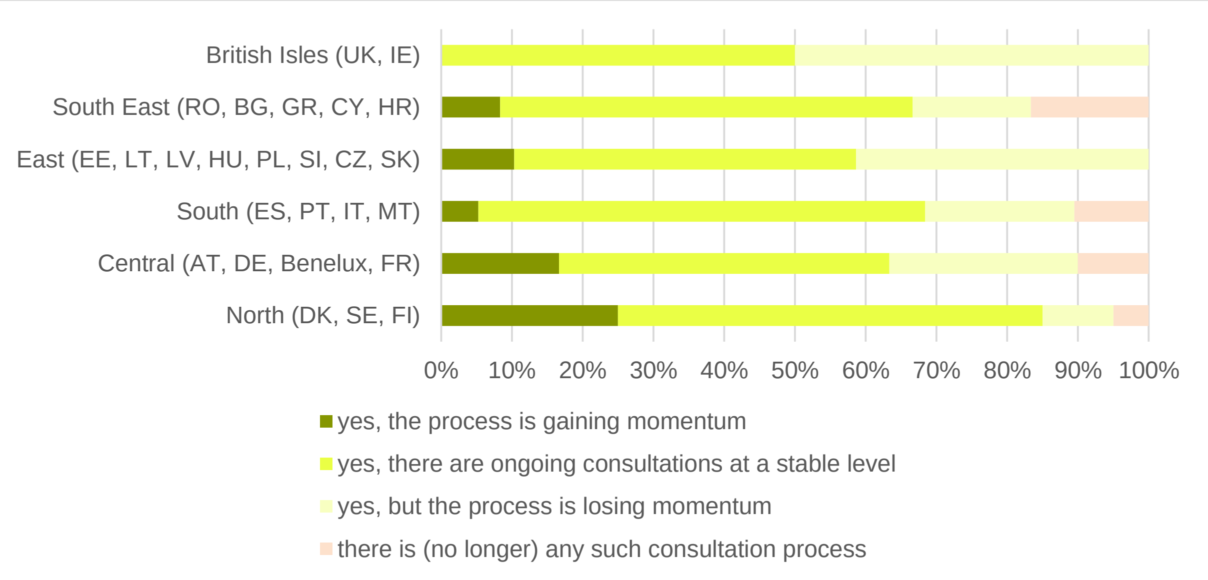
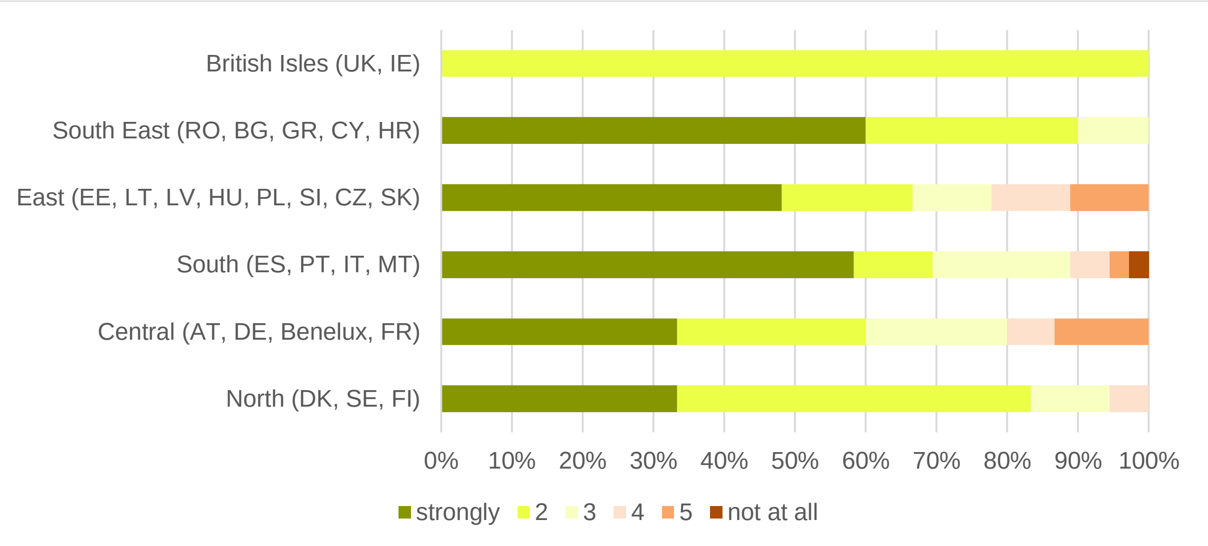


Figure 29: Perceived merit in the continuation of the RIS3 process (by Member State group)



Interestingly, **close to all country groups, except for the Nordics, continue to emphasise a need to conduct further data-driven strategy reviews.** As the capacity to do so should have been acquired at the early stages of RIS3 and the added value of data-analyses decreases at the later stages of strategy development (when 'domains', more than NACE are considered) this finding gives mixed testimony of many processes which had in Figure 14 been qualified as "stable and running".

Beyond this, there is a general difference between future needs seen in Southern and Eastern Europe on the one hand and those identified in South-Eastern Europe on the other. **While the perceived need for better processes in Southern and Eastern Europe seems to have somewhat converged, regions from South-Eastern Europe still identify an above average need for action with regard to participatory processes,** most notably regarding business involvement. In line with earlier findings, there is no great differentiation between country groups with regard to involving research organisations - probably as they are often already on board.

Among those from a lagging region or area, more respondents emphasise the need to involve local businesses and intermediaries and, eventually, to change the actual local policy support offer as a result of the strategy process.

Figure 30: Perceived need to improve data-driven strategy reviews (by Member State group)

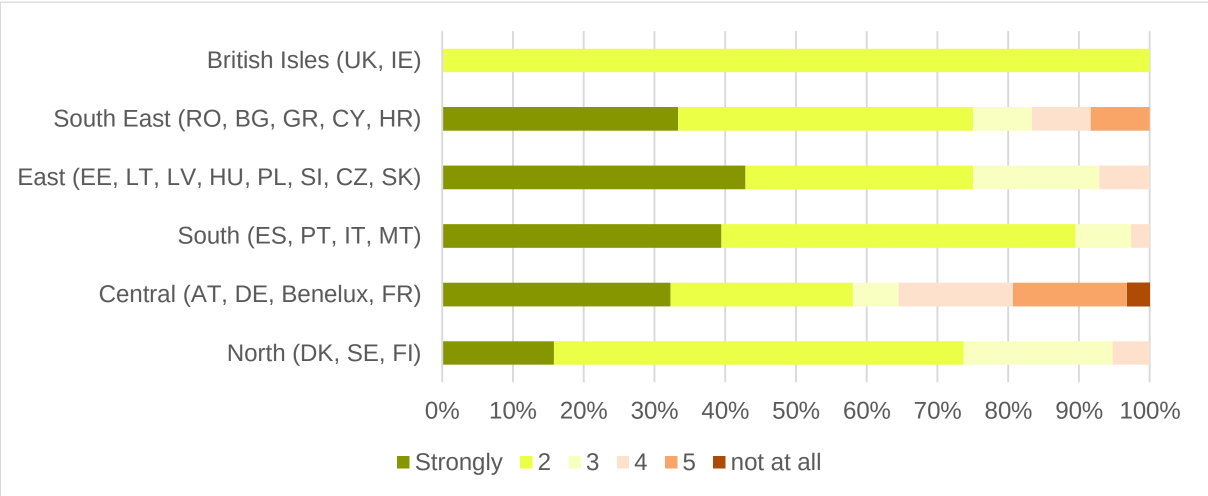
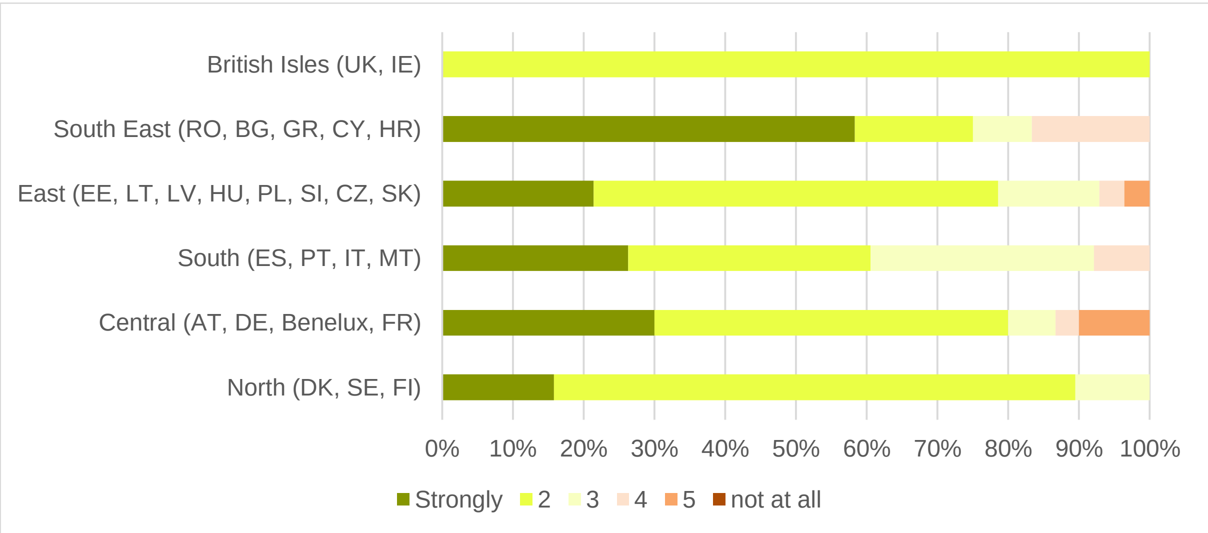


Figure 31: Perceived need to improve participatory processes with business (by Member State group)



As before, a lack of resources and limited competences are mentioned most commonly by respondents from Eastern Europe, followed by those Southern Europe and, not to forget, a number of other regions across the continent including several from the Nordics and Central Europe.
In the South-East, limitations in resources and competences are less openly stated, but indirectly conceded through this country group's most pronounced interest in future external coaching.
Interestingly, respondents from Nordic regions seem to face resource issues as well.
In this, they differ notably from their Central European counterparts which may have to do with the often municipal governance set-up of processes in Nordic countries, compared to substantive administrative resources in e.g. German Länder or French régions. In general terms**, future financial support and coaching are considered more crucial in lagging regions than elsewhere**, even if administrative resources and competences are not per se reported as substantially different.

Figure 30: Administrations resources for future RIS3 (by Member State group)

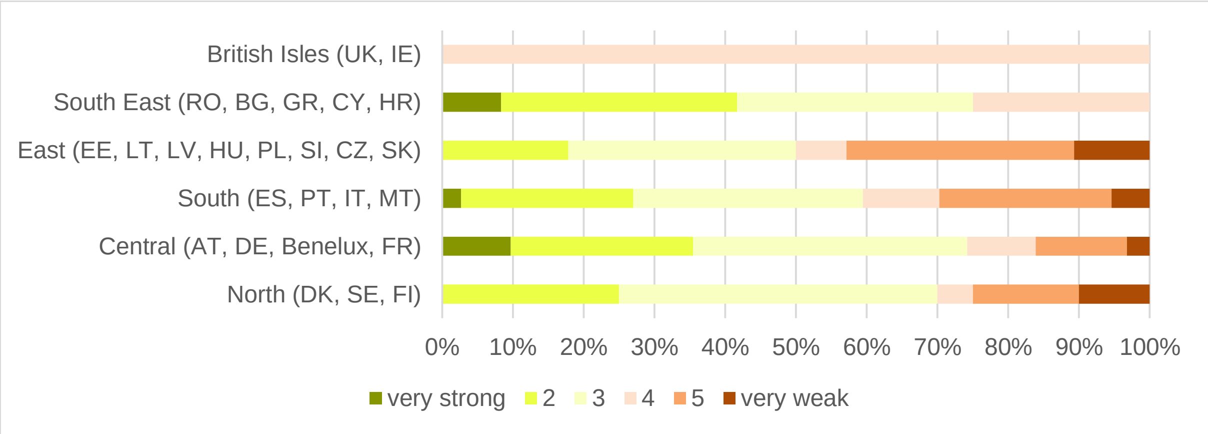


Figure 31: Interest in future financial support (by Economic Development)

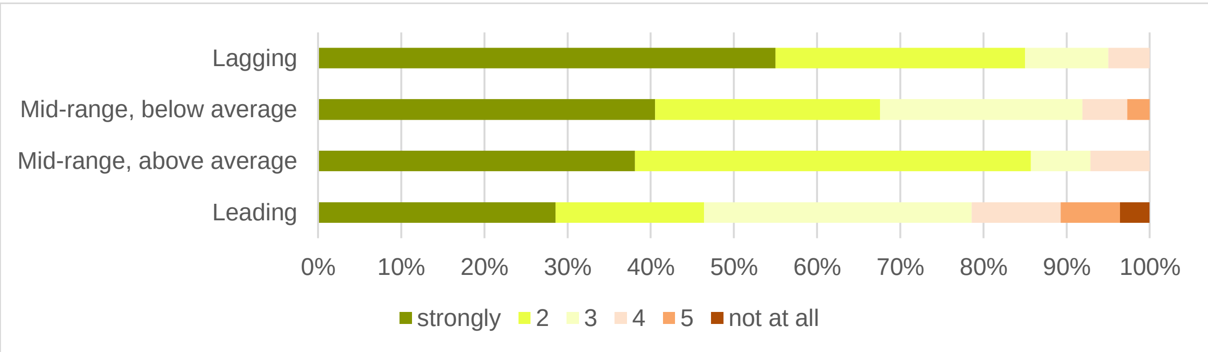
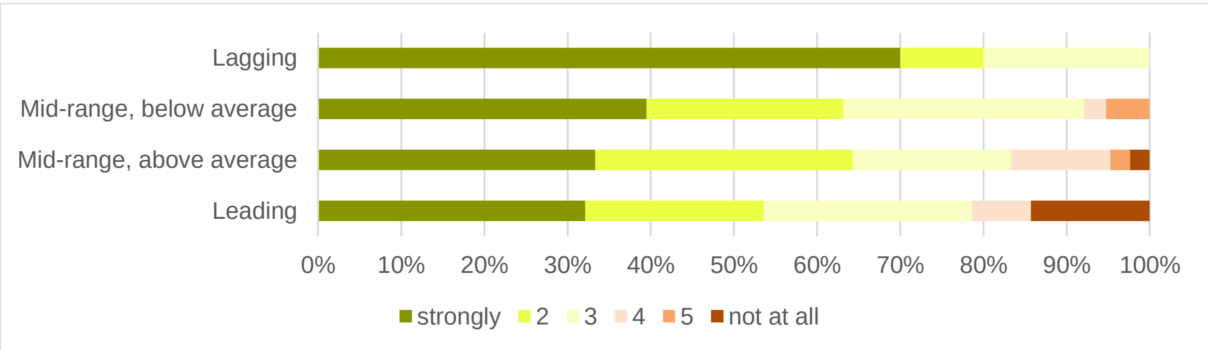


Figure 32: Interest in future support through external coaching (by Economic Development)



RIS3 Implementation

While lagging regions have more often seen the launch of new policy measures, changes in allocations are not more common than elsewhere and the changes in local policy mixes have not been fundamentally more pronounced.

With regard to the suitability of current ESIF regulations for designing place-based approaches, **policy makers in different Member States seem to agree on the need to consider the different starting conditions more strongly in future ESIF regulations**. Likewise, there are no pronounced differences with a view to the actual impact that RIS3 efforts have triggered with a view to the current policy mix and funding streams. In **lagging regions, a larger share of respondents see a need to consider starting conditions in future legislation** (60-70% of respondents underline this point). Once more, this greater need for a consideration of framework conditions would have eluded our attention, had the data only been analysed by Member State Groups - between which no notable differences can be identified.

With regard to the current ESIF regulations' perceived suitability to enable the launch of innovative measures and the pursuit of place-based approaches to regional development, **many respondents from lagging regions remain indeed skeptical while a not insignificant number of policy makers with a similar background seem to think quite the contrary**. If anything, it seems that the views on ESIF regulations' become more split in lagging regions (cf. dotted lines) – possibly not least as a function of the greater variance in administrative and institutional capacity in these areas.

Figure 33: Perceived need to consider starting conditions in future regulation (by Econ. Development)

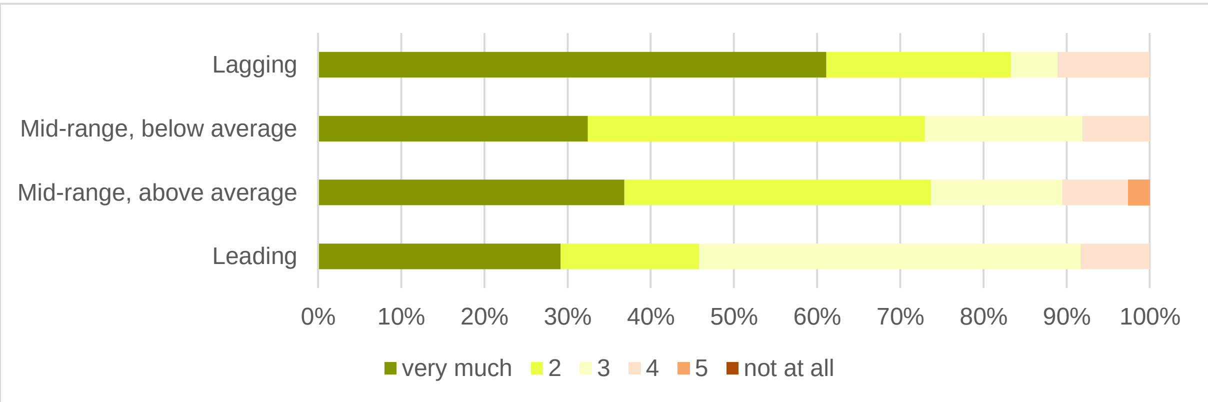
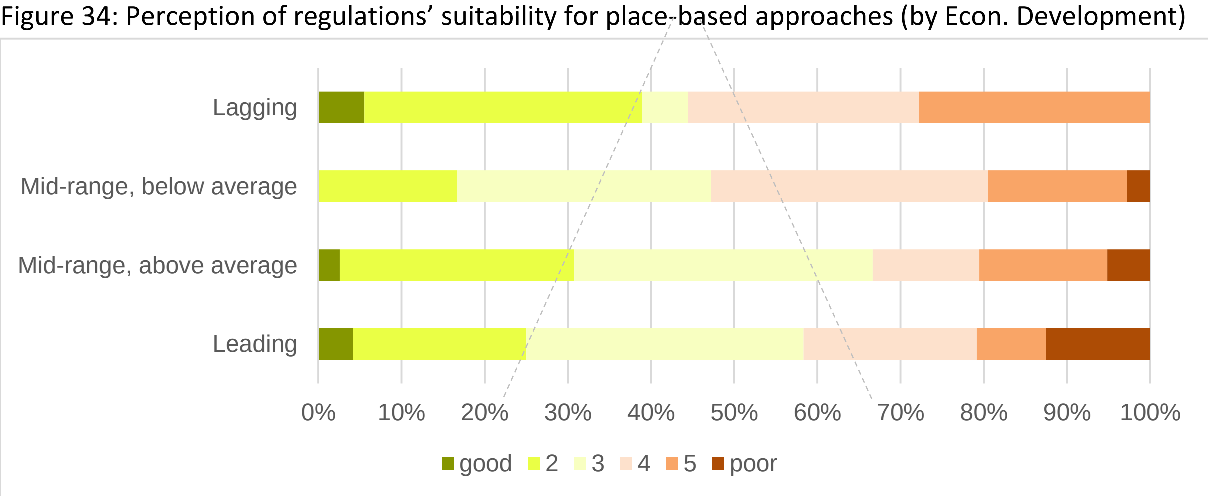


Figure 34: Perception of regulations’ suitability for place-based approaches (by Econ. Development)



On average, it **is reported that there is indeed a stronger focus on external sourcing and technology adaptation in those Member State groups where this would appear intuitively commendable**, i.e. the South, the East, and (except for external sourcing) the South-East.

At the same time, **regional policy mixes in Southern, Eastern and South-Eastern European regions are reported to be less characterised by single, large projects than elsewhere**. The image emerging for these Member State groups is that of a broad-based allocation of small-scale funding to firms. To a certain extent, this difference may result from the fact that these countries have larger ESIF budgets to distribute broadly. In contrast, many more advanced regions in Central Europe have better access to national sources of funding for individual small-scale support (e.g. German ZIM).

Put differently, economically lagging regions tend to focus their support **on the external sourcing of adaptation of technology** (which is in line with the RIS3 approach) but at the same time seem to distribute low-threshold funding in small packages to many beneficiaries (which is not).

While the former of these messages is encouraging, the latter resonates with earlier survey's findings with respect to broad-based priorities and limited actual changes to the concentration of funding as a result of the strategy processes.

Figure 35: Orientation of policy mix in terms of technology creation or adoption (by Development)

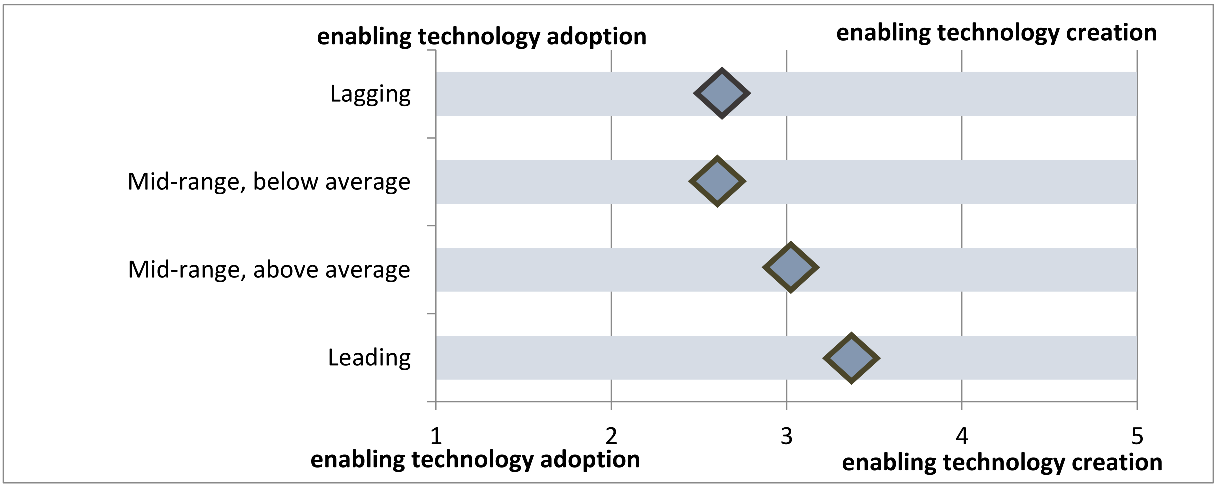
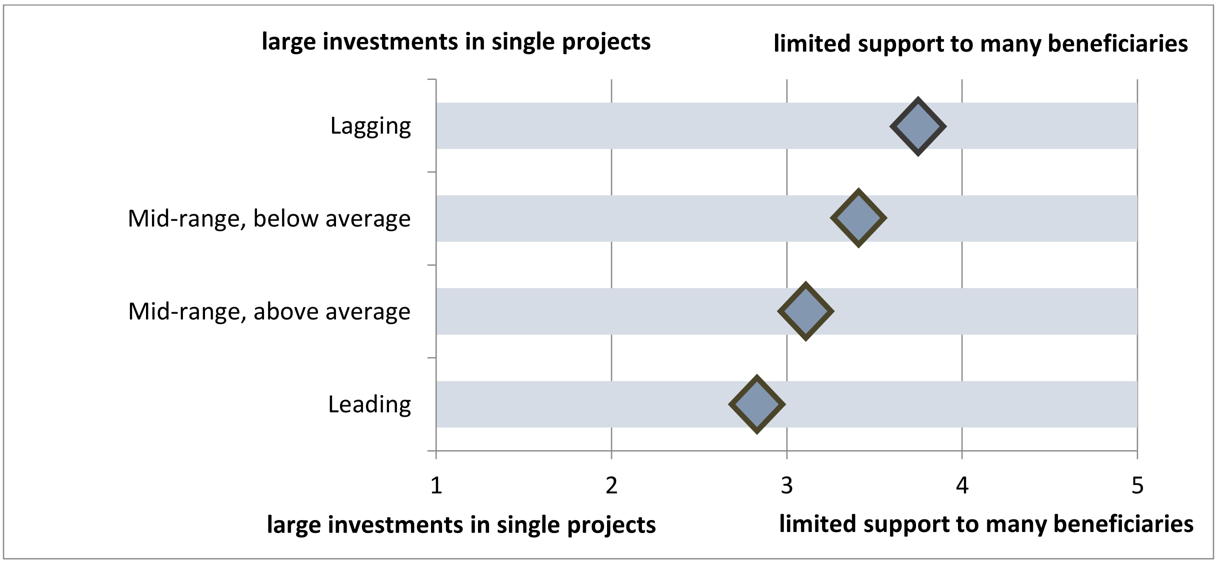


Figure 36: Orientation of policy mix in terms of focus of funding (by Development)



Approval of European Commission's Current Assessment

In line with earlier findings, **policy makers from Southern and Eastern Europe are somewhat more prone to consider RIS3 efforts a "paradigm shift in governance"** than those from the Nordics and Central Europe. A "fresh start" to define priorities is most often perceived in the Nordics. Consistent with their answers elsewhere, **policy makers from the South-East most commonly see a failure of participatory processes and a drop in motivation after formal compliance, followed by those from the East and those from the South**. Again, Eastern and South-Eastern European respondents are also more likely to report a persistence of horizontal funding approaches. Those from the South and East confirm a generally low international connectivity and a lack of administrative resources. In contrast to their Central European counterparts, **respondents from the Nordics most commonly take a positive view on the potentials of value-chain based collaboration and the mutual learning activities**. However, they suffer from thematic silo-thinking and lack of administrative capacities. Although they do not report many issues, finally, respondents from the South-East stand out by emphasising the need for continued external policy coaching.

Lagging regions respondents tend to emphasise particular aspects differently from others including a **more positive view on the processes' nature of a paradigm shift**, its **ability to better acknowledge local specificities**, its academically soundness, its potential role in providing opportunities of value chain collaboration, its ability to enable synergies with other funds and the external coaching they received. At the same time, they more commonly concede failed processes, drops in motivation, poor interregional connectivity, lack of administrative capacity and silo thinking both between thematic fields but also, more generally, between science, industry and society.

By and large this resonates with earlier findings insofar that respondents from lagging regions tend to see greater potential in the RIS3 process than others, but it has not yet materialised.

Figure 37: Agreement with the notion that RIS3 constitutes a paradigm shift (by Econ. Development)

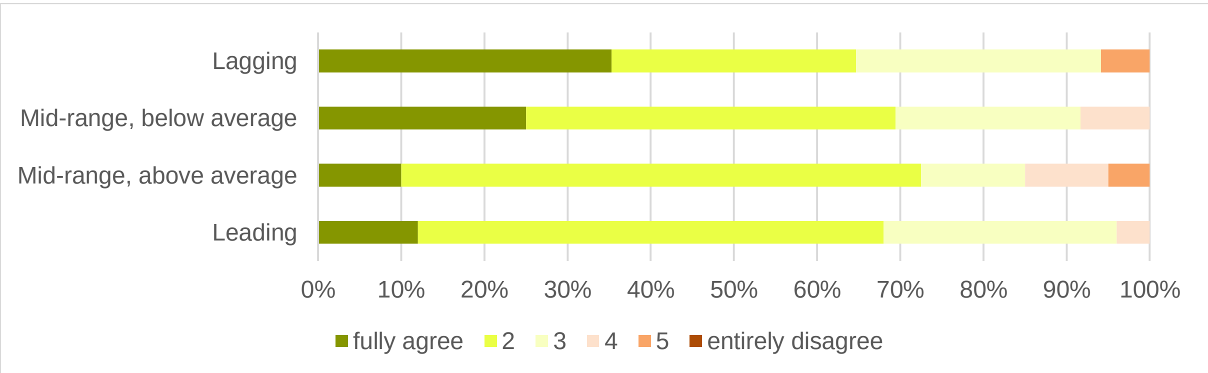
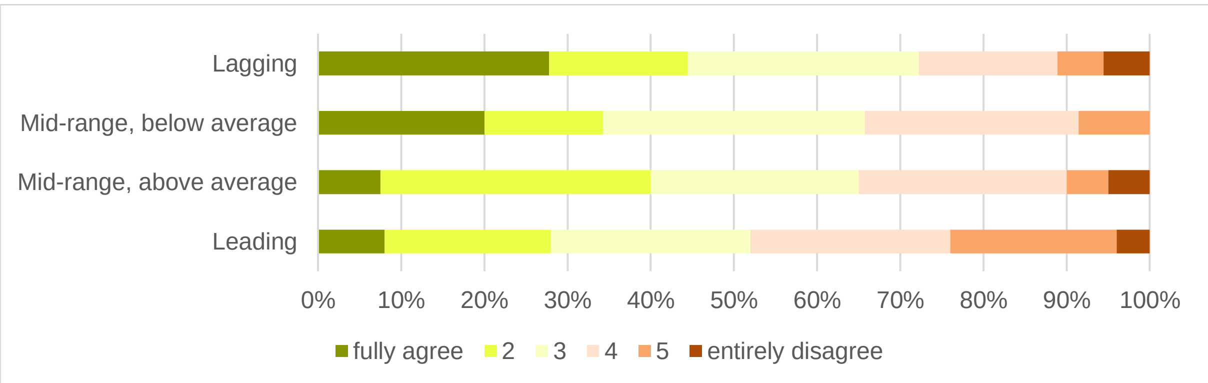


Figure 38: Agreement with the notion that RIS3 is academically sound (by Econ. Development)



Interregional Collaboration

In general, the most developed regions are also best connected both as providers and as users of technological solutions. In the mid-range group, many may not provide solutions, but are at least well connected as users. **Many truly lagging regions, finally, are disconnected with regard to both the provision and use of technological solutions.** Put differently, reports on good connectivity - either way - most commonly emerge from the Nordics or Central Europe (i.e. Germany, Austria, Benelux or France). **In short, many of those regions needing it most remain least well connected**.

The **generally low readiness to spend under Art. 70(2)** is even more pronounced in the South, East and South-East. Generally, the willingness of lagging regions to spend budget outside of their constituency is more limited than elsewhere.

At the same time, lagging regions more commonly express a need for additional interregional budgets. For example, more than 40% of respondents from Southern Europe see a "strong need" to increase budgets for both cross-border collaboration and for interregional collaboration projects between non-adjacent regions. Leading regions, in contrast, are not strongly interested in additional budgets for cross-border collaboration (<15%). More commonly, **leading regions express interest in budgets for collaboration between non-adjacent regions (25%**, even more than 35% among regions from Germany, Austria, Benelux and France).

Finally, there is **no visible indication that the "wrong" beneficiaries might profit in lagging regions**, or more specifically, in Europe's South, East or South-East. If additional funding for international collaboration was granted, respondents see intermediaries and SME as likely beneficiaries.

Figure 39: Need for additional/increased cross-border budgets (by Econ. Development)

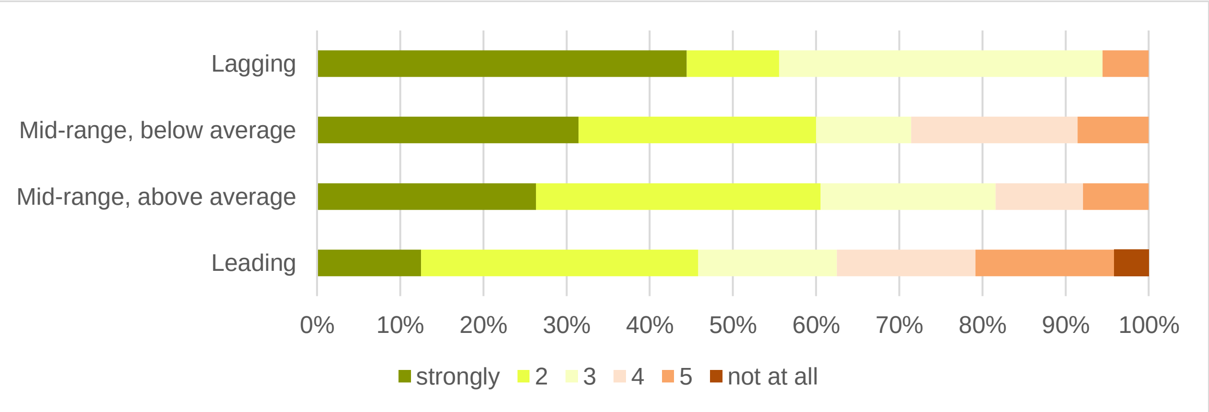
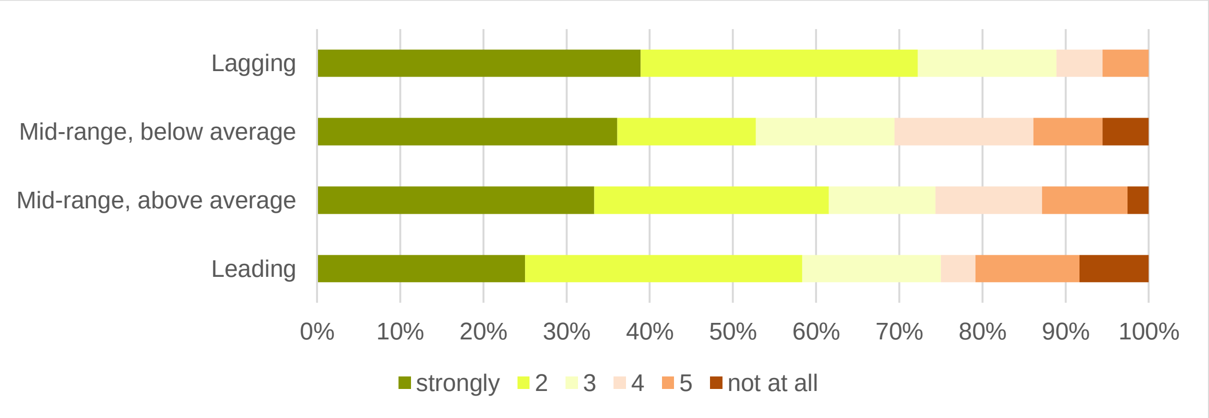


Figure 40: Need for budgets for collaboration between non-adjacent regions (by Econ. Development)



Furthermore, respondents from many relevant regions expressly support the notion that external stakeholders could benefit from the specific market and social knowledge held by local firms, users and civil society in their region – even in Southern, Eastern and South-Eastern Europe. Likewise, respondents from leading and lagging regions come to fairly similar conclusions, apart from a slight head-start for more developed regions.

Interestingly, **the perceived openness of local actors to engage in collaborations with external stakeholders in e.g. living labs or a context of market pilots is at least as high in the South as it is in the Centre.** However, this whole notion of application environment, living lab or test-bed approaches remains a mostly latent opportunity for now. If at all, such approaches are so far most commonly reported from Central and Northern Europe and even there, less than 10% describe them as prevalent.

Figure 41: Perceived latent potential of region/reference area to serve as a test-bed, piloting or application environment (by Member State group)

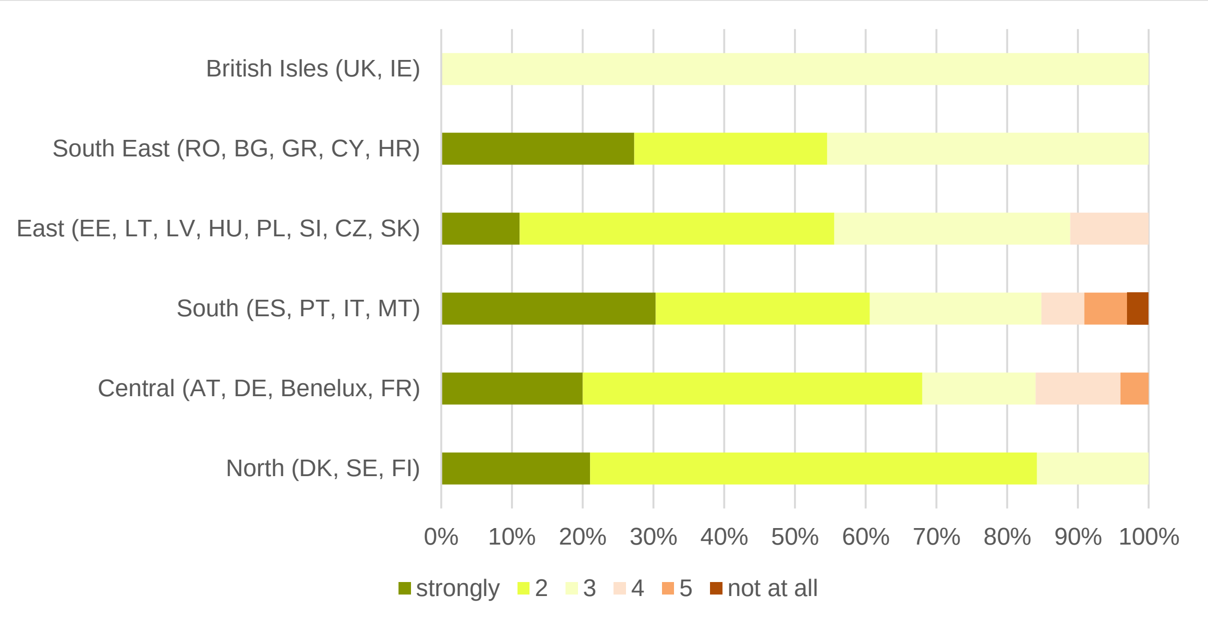
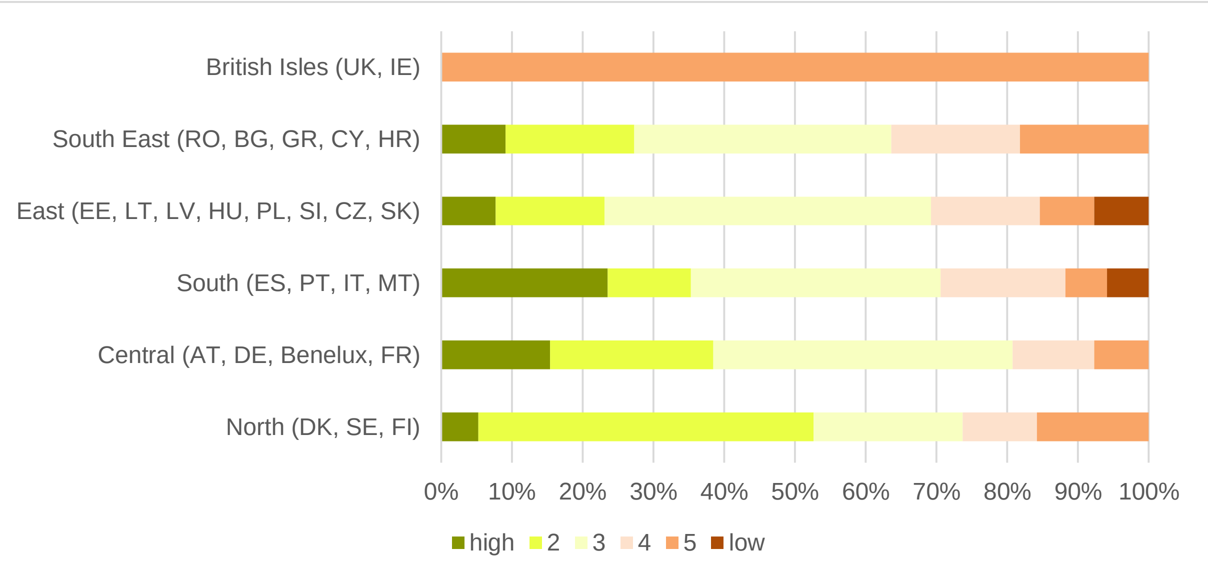


Figure 42: Openness of local stakeholders to participate in activities to develop regions as test-beds, piloting or application environments (by Member State group)



Monitoring

With regard to RIS3 monitoring, it appears noteworthy that the established mechanisms in Eastern and Southern Europe are commonly claimed to be at least equally good than those in Central Europe (i.e. Germany, Austria, Benelux, France). However, **Central European respondents remain the only group of which a majority of close to 70% report to have submitted a respective document to relevant authorities**. In most other Member State groups, this seems to have been achieved by hardly more than 40% of all regions.

In line with this, respondents from **lagging regions do not as such report less suitable monitoring systems more commonly. However, a significantly larger share of them concedes to not having submitted a monitoring report, yet**.

Figure 43: Character of monitoring mechanism (by Member State group)

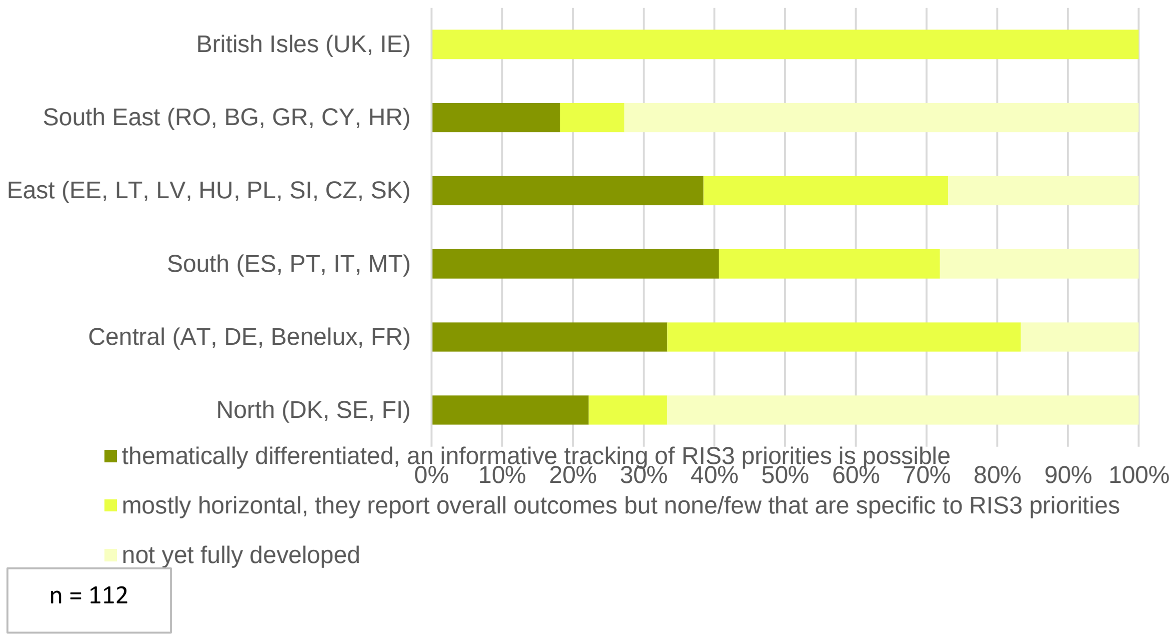
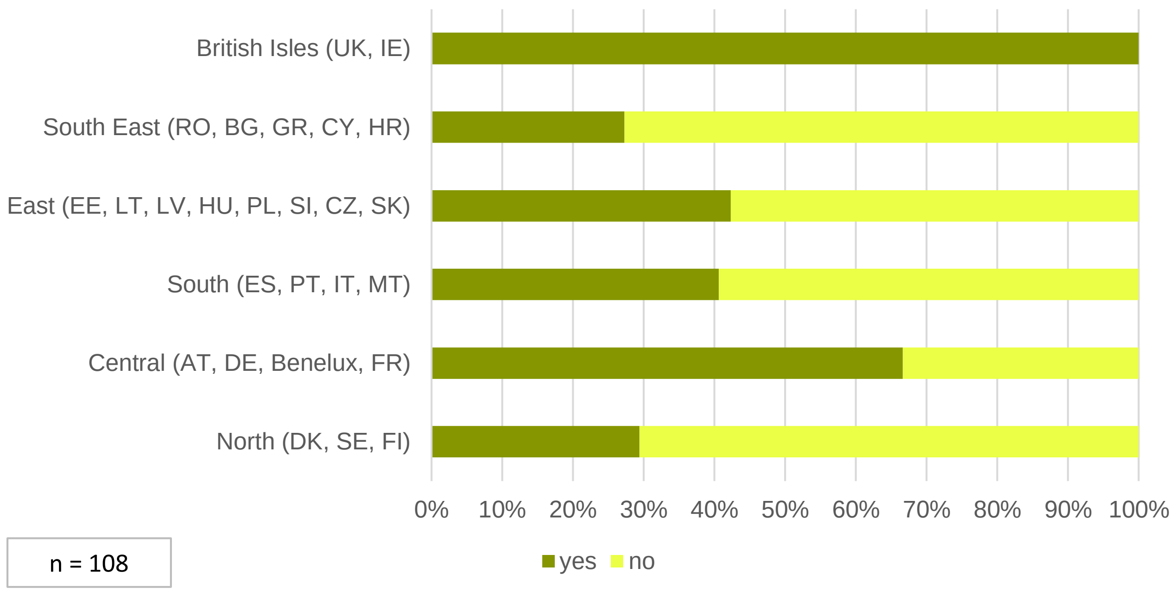


Figure 42: Has a monitoring report been submitted? (by Member State group)



6. Conclusions & Key Findings

BASIC NEEDS AND CHALLENGES FOR REGIONAL POLICY

- There is an unambiguous recognition of a "need for economic transformation". It is particularly pronounced in lagging regions (e.g. in South-East European Countries) and in geographically peripheral regions of wealthier member states (e.g. Scandinavia),
- The most prominent bottlenecks for economic development are on aggregate found in the areas of qualification and local demographics - which are particularly crucial in lagging regions. R&D capacity is thus neither the only, nor the most prominent challenge and bottleneck,
- Industrial transformation is a real challenge, not only among Europe's lagging regions but broadly across the middle group[2]. Even among the leaders, only one third reports a strong match of technology produced and used in localised clusters,
- The survey confirms the differentiation in leading, middle-ground and lagging regions that was established during its earlier rounds and the different needs and concerns between these types of regions.

OVERALL PERSPECTIVES - ON THE PROCESS

- There is a continuously positive view on RIS3 efforts by a majority of the respondents and a fairly unambiguous call for its continuation. Regions in which RIS3 processes have not yet advanced very far or stalled are particularly favourable to RIS3,
- Support for the RIS3 development and processes remains welcome, both through financial means and by means of coaching and advisory services (e.g. from the Commission policy advisory services). Lagging regions call for such support most commonly, despite not flagging specific resource or competence issues,
- RIS3 processes that are gaining dynamism are most commonly reported in Nordic regions and those from Germany, Austria, Benelux and France. Stable processes, however, are reported fairly frequently across most Member States, in a majority of regions,
- While, about a year ago, RIS3 activities found above average appraisal in both the Nordics and Central Europe, the overall assessment of the RIS3 process by stakeholders from Germany, Austria, Benelux and France now seems to have deteriorated.

OVERALL PERSPECTIVES - ON IMPLEMENTATION

- In terms of their common orientation towards technology adoption and external sourcing, most policy mixes appear fairly adapted to regions' capacities. However, many lagging regions still tend to spend on many small projects rather than larger actions with strategic potential,
- ESIF regulations are seen as allowing innovative and place-based policy design, but it becomes equally clear that these opportunities are not perceived equally by all regions, even if these generally pertaining to the same category of economic development,

[2] cf. "An analysis of the drivers, barriers and readiness factors of EU companies for adopting advanced manufacturing products and technologies"; http://ec.europa.eu/growth/content/analysis-drivers-barriers-and-readiness-factors-eu-companies-adopting-advanced-1_en

- RIS3 activities are increasingly seen as having triggered the launch of some novel innovation support measures or prompted some reallocation of funding,
- Even in lagging regions, however, they are notably less commonly seen as having triggered structural changes in the overall policy mix.

FUTURE NEEDS AND PREFERENCES

- A large majority of respondents states that RIS3 should be continued with emphasis on several dimensions of analytical preparation and stakeholder involvement,
- At the same time, institutional challenges like a lack of administrative capacity and issues with the RIS3 processes seem to persist in Eastern and South-Eastern Europe,
- The initial evidence-collection component of RIS3 is mentioned among the most promising (future) benefits of the exercise, i.e. many regions still seem to see a need for more data collection (including via the RIS3 monitoring mechanisms) to shape future innovation strategies and measures.
- In lagging regions, most prominently in South-Eastern Europe, the need to engage businesses in participatory processes remains an important challenge. Also, some lagging regions specifically emphasise a need to launching new, innovative measures,
- There is unanimous agreement, in particular among lagging regions, that future regulations should make clearer reference to local starting conditions. Qualitative information suggests that this need often refers to difficulties in the combination of funding sources (ERDF and ESF or ERDF and H2020) as well as also to the detailed ESIF reporting requirements that deter some of the actor groups that in particular lagging regions have to engage.

INTERREGIONAL COLLABORATION

- Generally, interregional collaboration remains weakest among regions that would need it most. While mid-range regions remain reasonably connected, many lagging regions state that their connectivity is limited, even with a view to the use of technology,
- The readiness to invest own funds outside of the region remains limited, in particular among socio-economically lagging regions.
- There is a strong interest in additional funding for different types of interregional collaboration - most prevalently among lagging regions that need to connect to external resources,
- While less than 15% of leading regions express a strong interest in more funding for cross-border actions, more than 25% are strongly interested in additional funding for collaborations between non-adjacent regions (inter-regional cooperation), this applies particularly to Germany, Austria, Benelux and France,
- There is a general openness (also) in lagging regions to have external stakeholder benefit from locally specific market and social knowledge held by firms, users and civil society e.g. in the context of market pilots, living labs or application environments. So far, however, this does not really happen, in particular in lagging regions.

MONITORING

- More effort needs to be put in an "analytical monitoring" of the ongoing RIS3 implementation. Despite the ex-ante conditionality to set-up a RIS3 monitoring mechanism, it seems that there is still no sufficient empirical basis to provide policy-makers with suitable evidence to adjust their strategies,

- In line with earlier findings in the literature, most respondents agree that RIS3 investments' socio-economic outcomes and impact can earliest be captured reliably 3-5 years after project conclusion.

7. Policy Recommendations

1. It seems advisable to continue the RIS3 effort, as there is continued and widespread support for RIS3. Several rounds of surveys show that only a limited number of regions has fundamental issues with RIS3, the overall label of "smart specialisation" should be maintained,
2. The achieved progress in building capacity and "changing governance paradigms" in particular in Eastern Europe should be acknowledged and further supported,
3. As emphasised in the European Commission's recent Communication[3], the survey results underline that RIS3 is an enabling approach, with distinct potential for different types of regions and fit for place-based policy design. Despite this, there seems to be interest in differentiating the ex-ante requirements by type of region,
4. Demographic and labour market challenges as well as issues of industrial modernisation were reported to play a crucial role[4]. This needs to be taken into account in the development of future RIS3 strategies. To that end, the scope of RIS3 should be broadened beyond Thematic Objective 1 of the European Regional Development Fund and coordination with the European Social Fund would appear desirable,
5. In line with the European Commission's recent commitments[5], the survey results suggests that there is a continuous demand for providing policy support to regional and national authorities.
    a. Those regions committed to re-launching and/or re-animating their failed or fading Entrepreneurial Discovery Process should receive further support,
    b. More support for exchange of experiences concerning concrete changes in intervention systems, to move RIS3 from a strategy for the launch of selected new policy measures to a strategy for structural change and industrial transition,
    c. There seems to be a persistent lack of capacity to collect evidence and to design relevant monitoring systems which should be addressed urgently before new strategies for the 2014-20 period are drafted or existing RIS3s are adjusted,
6. There should be additional support opportunities for institutionally well-developed lagging regions to get support for pilots regarding intervention logics and support programmes for less well-endowed environments, as is currently happing for regions in industrial transition[6],

[3] COM(2017) 376 final: http://ec.europa.eu/regional_policy/sources/docoffic/2014/com_2017_376_2_en.pdf
[4] 'less developed regions require specific attention with regard to human capital, skills development and a more inclusive innovation process' (COM(2017) 376 final:7)
[5] 'to put at the disposal of national and regional authorities, upon demand and in close cooperation[,] support to facilitate the design, implementation and evaluation of policy reforms.' (COM(2017) 376 final:5)

7. At the same time, EU policy should seek to invite persistently critical stakeholders from leading regions back into the RIS3 effort by identifying and offering them opportunities to participate in the design of funding opportunities that they can identify with. The new pilot actions for interregional partnerships[7] could provide a basis for such involvement,
8. Selected lagging regions should be supported in becoming part of interregional partnerships. Where possible and economically rational, future interregional partnerships should integrate user-driven market pilots for the take-up of innovations in lagging regions,
9. Analytical, implementation oriented monitoring systems that inform local strategy design need to be put in place to produce feedback as soon as possible,
10. Efficiency controlling monitoring systems need to maintain reasonable timelines and leave sufficient leeway for subsidiarity in place-based policy design.

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[6] Call for Expression of Interest for R**egional Authorities to Participate in a Pilot Action on Industrial Transition**
http://ec.europa.eu/regional_policy/sources/tender/pdf/expression/industrial_transition_pilot_en.pdf

[7] **Thematic Partnerships to Pilot Interregional Innovation Projects**
http://europa.eu/rapid/press-release_IP-17-5108_en.htm

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