

EU Budget for the future The Future of Smart Specialisation in the European Union

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#CohesionPolicy
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Smart specialisation post-2020

1. What do we need to change?
2. What have we proposed?
3. How are we preparing?

Smart Specialisation 1.0 - 2014-2020

- Place-based transformation embedded in local economy
- Dynamic entrepreneurial discovery process uniting key stakeholders around shared vision
- Evidence-based
- Mobilisation across different departments and governance levels – triple/quadruple helix
- Concentration of resources on priorities

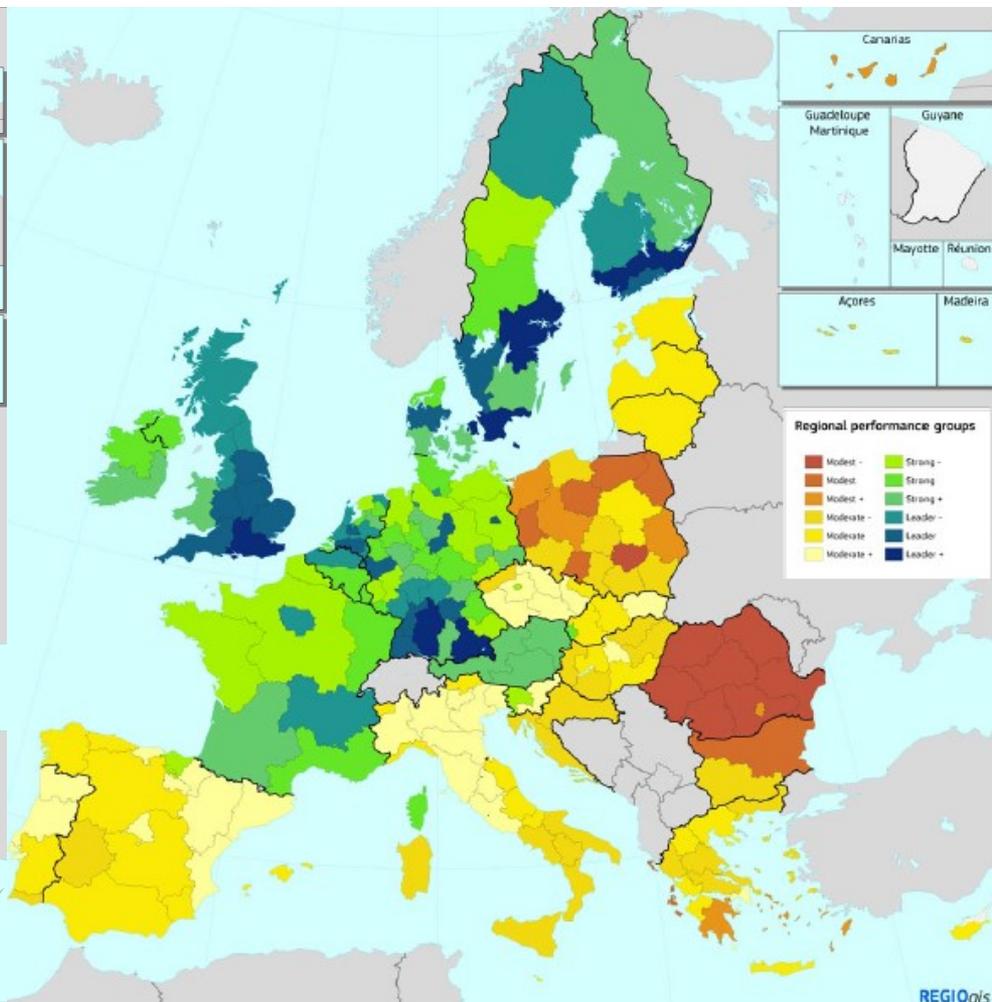
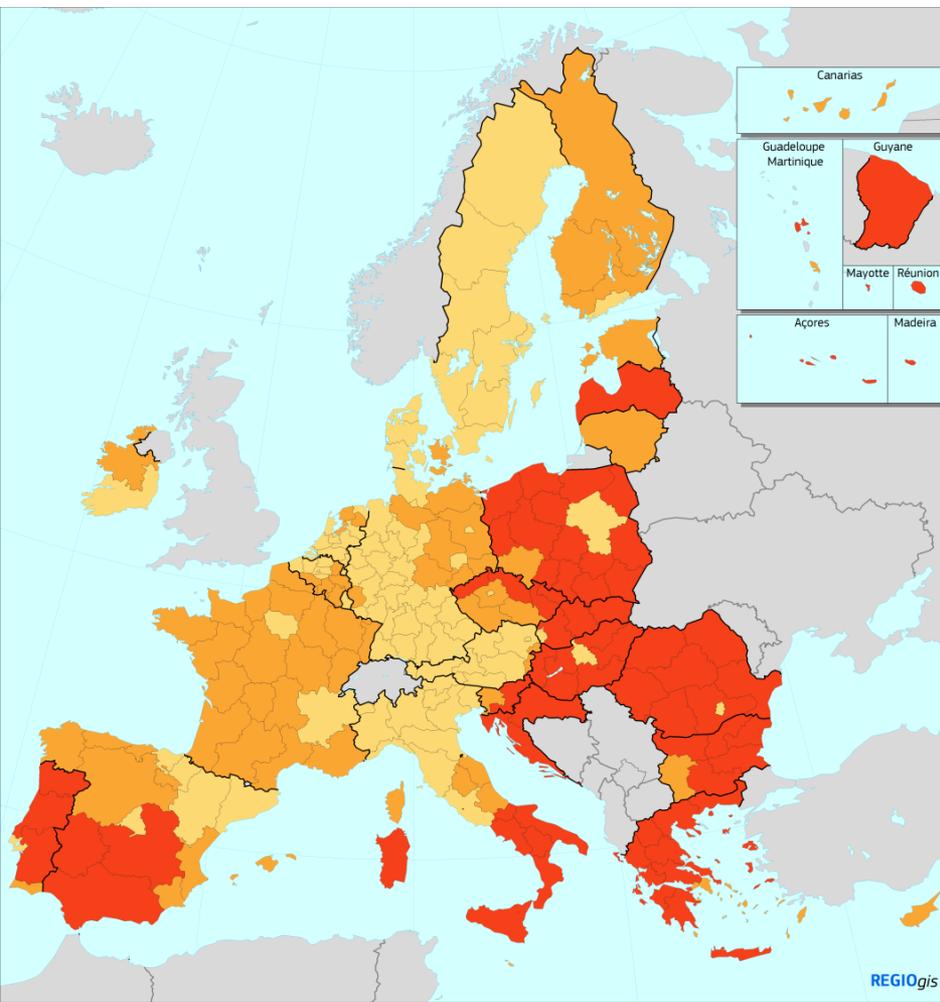
Integrated into Cohesion Policy (2014-2020) as ex-ante conditionality:

- EUR 40 billion from ERDF to finance R&I projects (EUR 65 billion including co-financing)
- Over 120 smart specialisation strategies supported by the S3-Platform

It helped regions and MS in:

- developing a strategic approach to innovation
- prioritising R&I investments
- breaking down silos

Europe's regional diversity



GDP/head (PPS) by NUTS2 region, average 2014-2015-2016

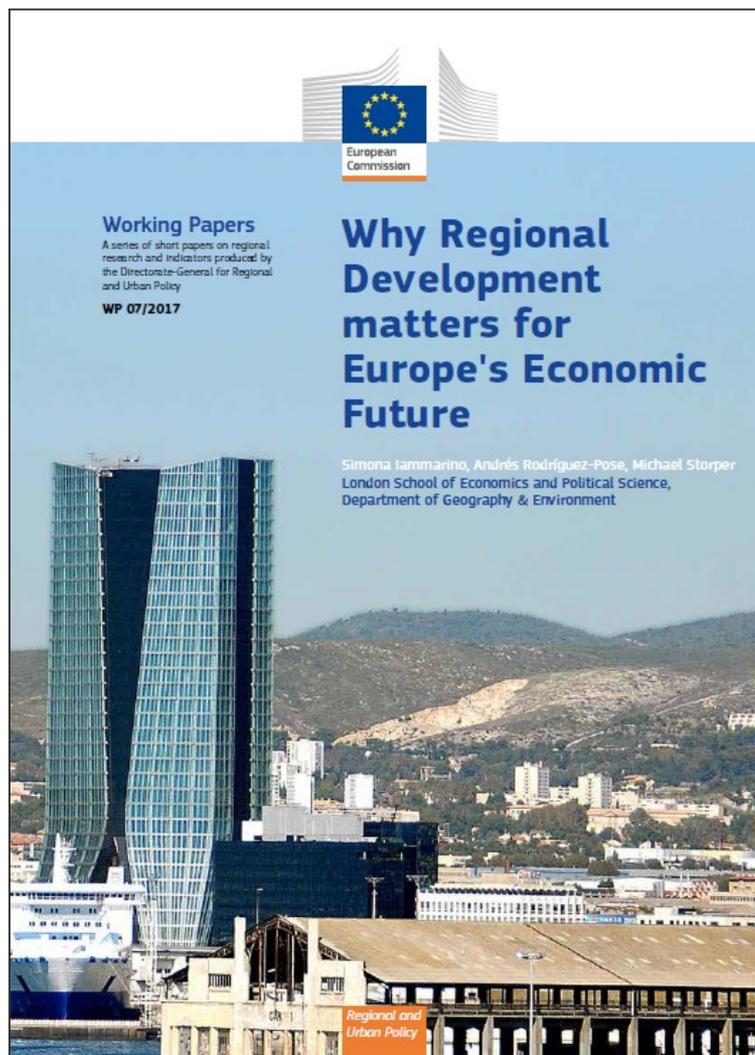
- Index, EU-27 = 100
- < 75% (less developed regions)
 - 75% - 100% (transition regions)
 - >= 100% (more developed regions)

Regional Innovation Scoreboard 2017

0 500 km

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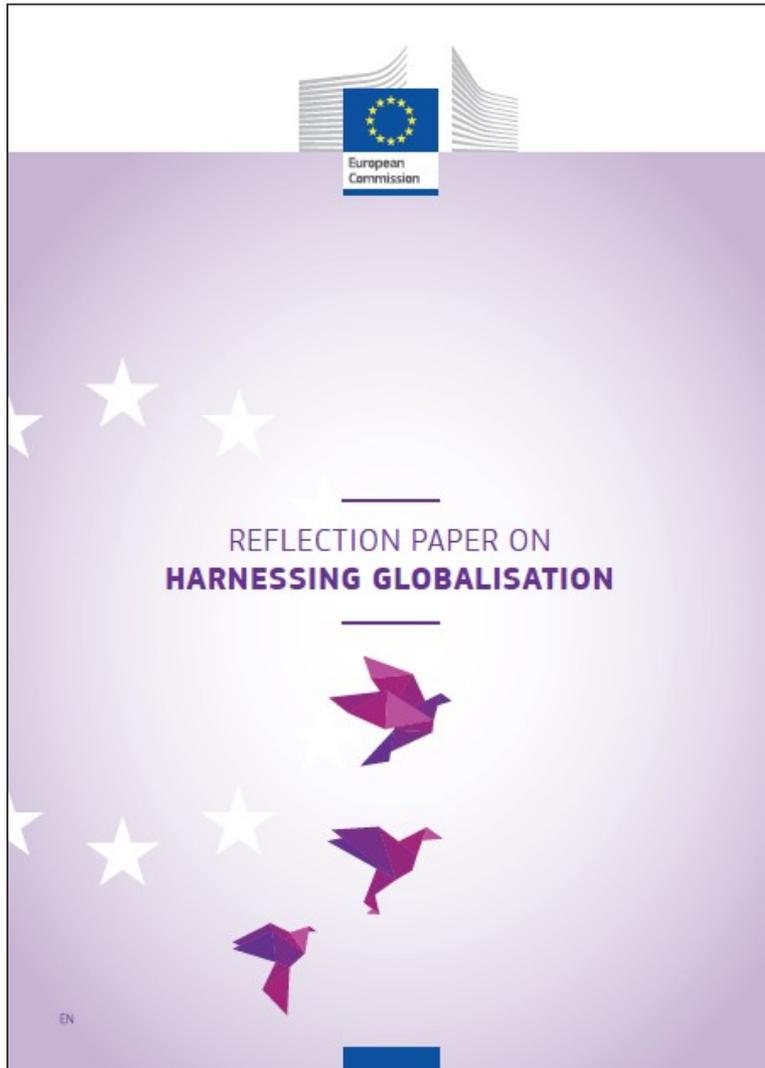
Policy challenge I: the geography of growth



Europe's three geographical challenges:

- **Competitiveness:** Maintain and enhance the economic dynamism of its most prosperous city-regions
- **Development:** Address inequality between most prosperous cities and regions and much of the rest of the EU
 - Particularly in the South and East
- **Capabilities and opportunities:** Temper frustration emerging from inter-regional inequalities throughout EU
 - Need to spread opportunity and participation
 - Focus on capabilities: different from traditional regional policy

Policy challenge II: Responding to globalisation and technological change



- Building resilience through better sharing of benefits and promoting of long term competitiveness
 - Robust social and education policies are key to ensuring resilience and fair distribution of wealth
 - Major efforts are needed to make Europe a more competitive and innovative economy
 - Innovation, Investment, Sectoral Policies, Regulation and Taxation
 - In close partnership with empowered regions
- We need a vision for the future to modernise our economy by embracing digitalisation, technological and social innovation, decarbonisation and the circular economy
- Fundamental economic, social and environmental transformation happens at the local level, where business, civil society, administrations and people interact

Policy challenge III: Managing R&I and Economic Development Objectives



THE ROLE OF SMART SPECIALISATION IN THE EU RESEARCH AND INNOVATION POLICY LANDSCAPE¹

Dominique Foray, Kevin Morgan and Slavo Radosevic²

INTRODUCTION

This paper explores the role of regional policy in strengthening the EU's research and innovation (R&I) policy paradigm with a particular focus on smart specialisation. Smart Specialisation Strategies (RIS3) play a major role in stimulating R&I at the regional level in less-developed EU regions and Member States. It can also play an important role in the industrial transition of other regions. Given such an impact, as well as the mobilisation of public and private actors at the regional level, there is now an urgent need to consider what has been achieved and what remains to be done in the future. We will do this in the context of the overall EU R&I policy and will focus on five themes. First, we outline the different principles and types of innovation policies and position regional policy in that context. Second, we re-evaluate the *raison d'être* and novelty of smart specialisation. Third, we address its achievements to date. Fourth, we discuss the challenges of RIS3 design and implementation. Lastly, we suggest how regional and R&I policies might be better integrated.

1. THE LANDSCAPE OF INNOVATION-RELATED POLICIES IN THE EU

In 2020, regional innovation policy will be 30 years old but before that anniversary it needs to be fully coordinated with other types of EU innovation-related policies. Innovation-related policies are broadly defined policy areas which seek to enhance knowledge generation, absorption and diffusion in the economy (and society) so as to support an innovation-driven economy and to solve major societal problems. For our purposes, it is useful to differentiate five main policy areas:

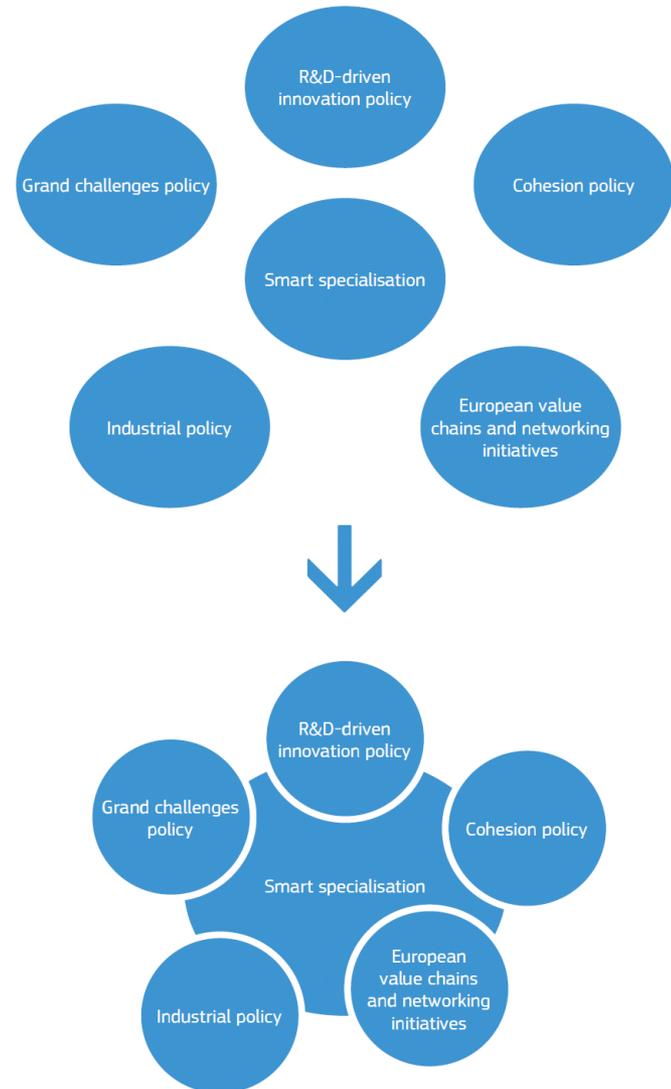
- Research and development (R&D)-driven innovation policy
- Industrial policy
- Cohesion or regional policy
- Sectoral policies or mission-oriented policies for grand challenges, and
- Policies supporting knowledge transfer and co-generation via various types of innovation-based value and supply chains (see Figure 1).

(1) R&D-driven innovation policy is traditionally focused on the generation of new technology and frontier knowledge with a view to the commercialisation of R&D-based knowledge. This is the major policy area for generating technology-based growth, and represents the key focus of most EU countries and regions, be they laggards or technology leaders. The EU Framework Programme for R&D (Horizon 2020) also follows this approach.

In the EU, the specific types of R&D-driven innovation policy focus either on science and collaborative R&D, or on the commercialisation of public R&D, or on business R&D (Izsak et al., 2014). However, they all assume that the R&D is the major source of knowledge for innovation and that science and technology (S&T) opportunities are the main drivers of technological change.

¹ We are grateful to Katja Reppel, Marek Przeor and Peter Berkowitz for their very insightful comments on an earlier draft of this paper. However, all remaining errors remain our responsibility.

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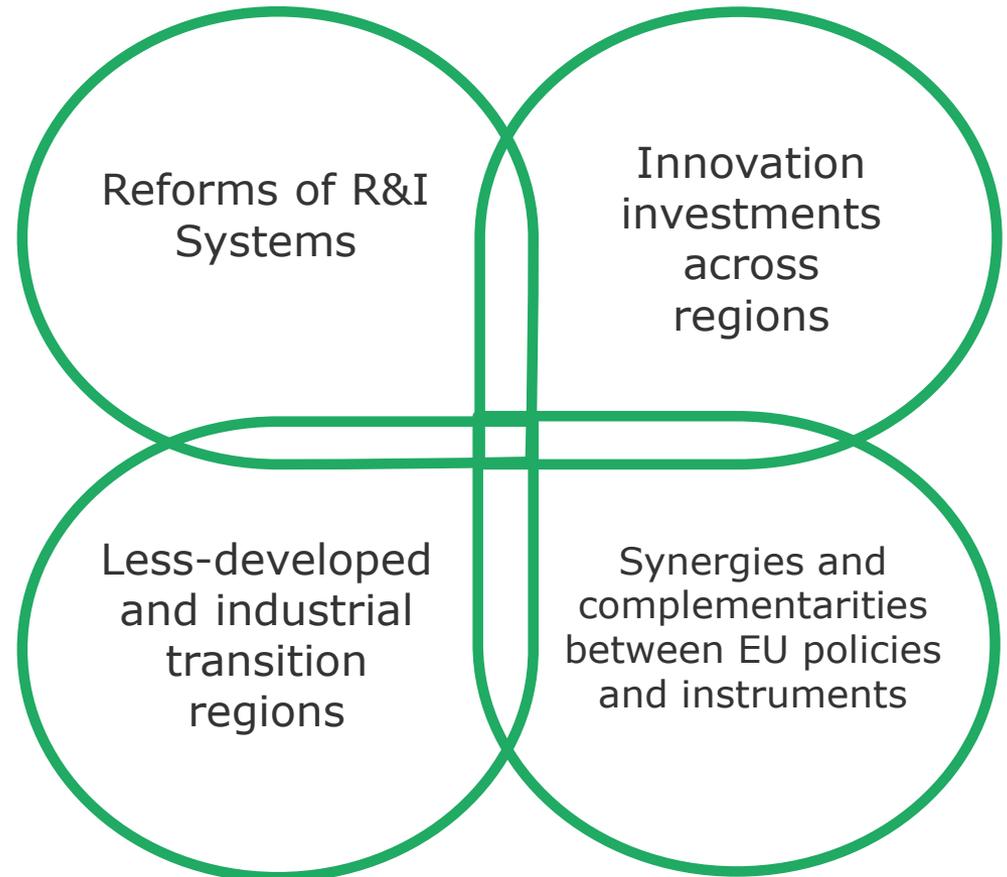


Policy challenge IV: Improving effectiveness

Strengthening innovation in Europe's regions



Four challenges for boosting innovation-led growth



Key issues for smart specialisation post-2020

- How to better adapt smart specialisation to different regional needs?
- How to broaden innovation and reinforce innovation diffusion?
- How to strengthen links between regional innovation ecosystems and national reforms?
- How to strengthen cooperation and internationalisation?
- How to improve links with other EU programmes such as Horizon Europe and industrial competitiveness policies?
- How to make smart specialisation more responsive to industrial change and technological disruption?
- How to strengthen monitoring and evaluation, lesson learning?
- How to strengthen and embed governance?
- How to promote inclusive growth?



Cohesion Policy Post 2020

Modern

- Focus on smart, low carbon
- Enabling conditions, link to Semester

Simple & flexible

- 50% shorter regulations
- 50 key simplifications
- Adapts to emerging needs (migration, economy)

For all regions

- Objective method
- 75% for poorest regions
- Present for emerging needs elsewhere



Policy objectives

11 objectives are simplified and consolidated to 5:

- 1. A smarter Europe (innovative & smart economic transformation)**
2. A greener, low-carbon Europe (including energy transition, the circular economy, climate adaptation and risk management)
3. A more connected Europe (mobility and ICT connectivity)
4. A more social Europe (the European Pillar of Social Rights)
5. A Europe closer to citizens (sustainable development of urban, rural and coastal areas and local initiatives)

Horizontal issues: administrative capacity building, cooperation outside the programme area

PO1 Smart Growth specific objectives

In accordance with the policy objectives, the ERDF shall support the specific objectives of "*a smarter Europe by promoting innovative and smart economic transformation*" by:

1. Enhancing research and innovation **capacities** and **the uptake of advanced technologies**;
2. Reaping the benefits of **digitisation** for citizens, companies and governments;
3. Enhancing growth and competitiveness of SMEs;
4. **Developing skills for smart specialisation, industrial transition and entrepreneurship.**

Scope of support from the ERDF

The ERDF shall support:

- a) investments in infrastructure;
- b) investments in access to services;
- c) productive investments in SMEs;
- d) equipment, software and **intangible assets**;
- e) information, communication, studies, networking, cooperation, exchange of experience and activities involving clusters;
- f) technical assistance.

In addition, the ERDF shall also support:

- productive investments in enterprises other than SMEs when they involve cooperation with SMEs research and innovation capacities and the uptake of advanced technologies under PO1 Smart Growth (a) (i)
- **training, life-long learning and education activities under PO1 (a) (iv)**;
- sharing of facilities and of human resources, soft investments and other activities linked to PO 4 under the European Social Fund Plus, under the European territorial cooperation goal (Interreg).

ERDF thematic concentration

- Maintaining spending in the key areas for growth and jobs
- At national level based on GNI per head => flexibility

For countries with:	minimum % PO1 ("smarter Europe")	minimum % PO2 ("greener, low carbon Europe")
GNI below 75%	35%	30%
GNI 75-100%	45%	30%
GNI above 100%	60%	PO1 + PO2 min. 85%

- 6% of budget to urban development, delivered through local development partnerships

Enabling condition for smart specialisation

Policy objective	Specific objective	Name of enabling condition
1. A smarter Europe by promoting innovative and smart economic transformation	ERDF: All specific objectives under this policy objectives	Good governance of national or regional smart specialisation strategy

Fulfilment criteria for the enabling condition

Smart specialisation strategy(ies) shall be supported by:

1. Up-to-date analysis of bottlenecks for innovation diffusion, including digitalisation
2. Existence of competent regional / national institution or body, responsible for the management of the smart specialisation strategy
3. Monitoring and evaluation tools to measure performance towards the objectives of the strategy
4. Effective functioning of entrepreneurial discovery process
5. Actions necessary to improve national or regional research and innovation systems
6. Actions to manage industrial transition
7. Measures for international collaboration

Synergies

- Member States can choose to transfer up to 5% of their Cohesion Policy resources to the new InvestEU fund.
- The “Seal of Excellence” allows projects successfully evaluated under Horizon Europe to be funded by Cohesion Policy without having to pass another selection process, if they are consistent with the region’s or the programme’s smart specialisation strategy.
- On a voluntary basis, and up to 5%, Member States can transfer Cohesion Policy resources to another EU instrument to fund a project; in this case, the rules of the other instrument apply.
- The other way around, Member States can also choose to use their Cohesion Policy money to finance a project selected under another EU budget tool; in this case Cohesion Policy rules apply.

Interregional innovation investments

WHAT

Interregional innovation investments through **the commercialisation and scaling up** of interregional innovation projects having the potential to encourage **the development of European value chains** ('component 5'). (ETC Art 3.5)

HOW MUCH

11.5 % of ETC Resources (i.e., **a total of EUR 970m**) for interregional innovation investments (component 5). (ETC Art. 9.2)

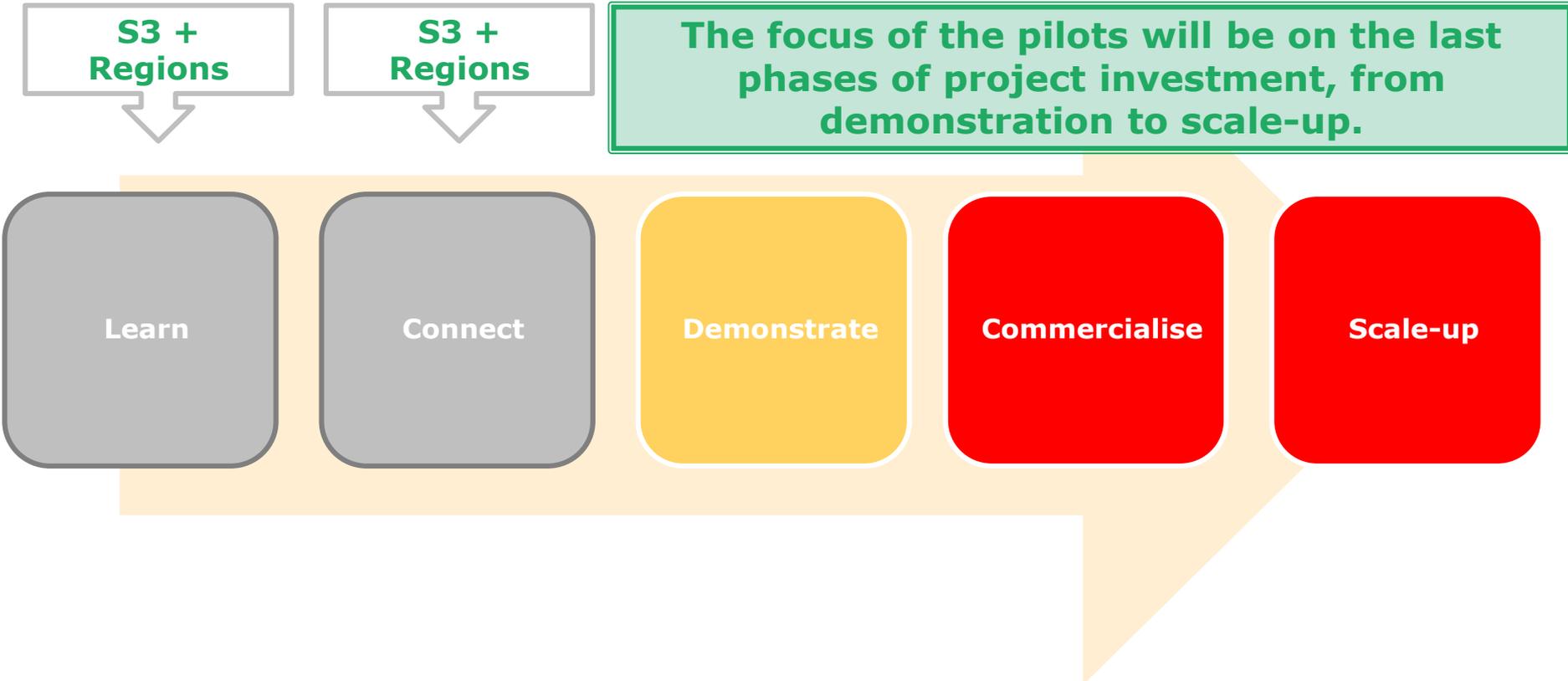
HOW

It shall be implemented under **direct or indirect management**. (ETC Art 16.1)

FOR WHOM

At the initiative of the Commission, the ERDF may support interregional innovation investments, as set out in point 5 of Article 3, **bringing together researchers, businesses, civil society and public administrations involved in smart specialisation strategies established at national or regional levels**. (ETC Art 61)

Boosting interregional cooperation



Testing new approaches I



Development of a comprehensive strategy for economic transformation

- **Broad innovation and inclusive growth building on smart specialisation strategy**
- **Multi-sectoral focusing on jobs, industrial sectors, business models, economy and society as a whole**
- **Addressing globalisation, automation, decarbonisation, emerging and digital technologies, skills and investment**



Testing new approaches II



Test new ways to:

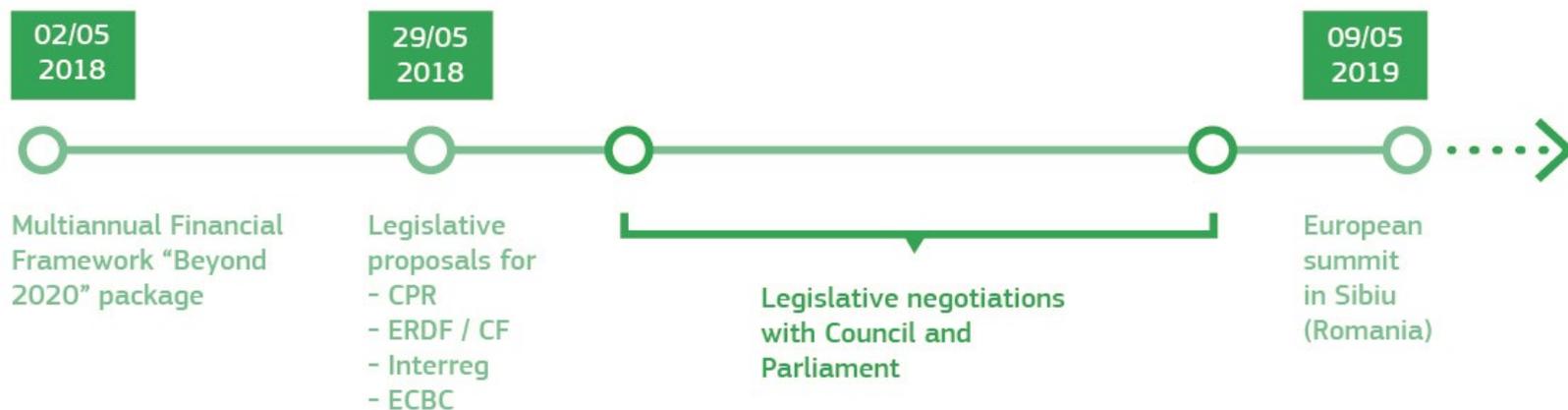
- **Commercialize and scale-up interregional innovation projects that can create or reshape European value chains**
- **Attract private investment for promising innovation projects**
- **Explore and strengthen synergies between different EU instruments (ESI funds, the Investment Plan, Horizon 2020, COSME)**

THEMATIC AREA	COORDINATED BY	LEAD REGIONS	PARTICIPATING REGIONS
 3D printing	Thematic Smart Specialisation Platform for Industrial modernisation	Flanders (BE), Noord-Brabant (NL), Norte (PT)	Emilia-Romagna (IT), Wallonia (BE), Lombardy (IT), Aragon (ES), Saxony (DE)
 Bio-economy	Thematic Smart Specialisation Platform for Industrial modernisation	Flanders (BE)	Wallonia (BE), Lower-Austria (AT), North Rhine-Westphalia (DE), Emilia-Romagna (IT), Navarra (ES), Noord-Brabant (NL), Helsinki-Uusimaa (FI), Łódzkie (PL)
 Cybersecurity	New thematic area	Brittany (FR)	Estonia, North Rhine Westphalia (DE), Central Finland (FI), Castilla y Leon (ES)
 De- & re-manufacturing for circular economy	Thematic Smart Specialisation Platform for Industrial modernisation	Lombardy (IT)	Tampere (FI), Norte (PT), Scotland (UK), Saxony (DE), Basque Country (ES), Flanders (BE), Emilia Romagna (IT)
 High-tech farming	Thematic Smart Specialisation Platform for Agri-food	Tuscany (IT)	Estonia, Flanders (BE), Weser-Ems (DE), Central Macedonia (EL), West Macedonia (EL), Galicia (ES), Extremadura (ES), South Ostrobothnia (FI), Pays De la Loire (FR), Marche (IT), Veneto (IT), Emilia-Romagna (IT), North East Romania (RO), East Central Sweden (SE), Northern Netherlands (NL), Gelderland (NL), Noord Holland (NL), Zuid Holland (NL), North-Brabant (NL), Limburg (BE), Northern Ireland (UK), Centro (PT)
 Marine renewable energy	Thematic Smart Specialisation Platform for Energy	Basque Country (ES) & Scotland (UK)	Asturias (ES), Andalucia (ES), Navarra (ES), Norte (PT), Flanders (BE), Emilia Romagna (IT), Lombardy (IT), South Denmark (DK), Skåne (SE), Dalarna (SE), Ostrobothnia (FI), Brittany (FR), Cornwall (UK), Sogn og Fjordane (NO)
 Sustainable buildings	Thematic Smart Specialisation Platform for Energy	Andalucia (ES)	Friuli Venezia Giulia Region (IT), Central Slovenia (SI), South Karelia (FI), Provence-Alpes-Côte-d'Azur (FR), Algarve (PT)
 Traceability and big data in agri-food	Thematic Smart Specialisation Platform for Agri-food	Andalucia (ES), Emilia-Romagna (IT)	Pays de la Loire (FR), Friuli Venezia Giulia (IT), Aragon (ES), Extremadura (ES), Pazardzhik (BG), South Ostrobothnia Region (FI), South Savo (FI)

Preparatory Work

- Capitalisation and assessment of work under pilots
- Assessment of support provided by DG REGIO and the JRC platform to Member States and regions 2014-2020
- Assessment of prioritization and project selection, building on JRC work
- Development of framework for monitoring and evaluation with the World Bank
- Toolkit for regional analysis of industrial transition with OECD
- Synthesis of evidence on key issues with academic experts
- JRC support through RIS3 platform, Lagging Regions, Stairway to Excellence and Thematic Smart Specialisation Platform

Timeline



Thank you!