

# **Regional Research and Innovation Strategies for Smart Specialisation**

**Xabier Goenaga**

**HoU Knowledge for Growth Unit, JRC.IPTS, European Commission**

## **The regional dimension is key to Europe's growth agenda and to tackle the re-industrialisation challenges of Europe**

The regional dimension is certainly key to Europe's growth agenda and to tackle the re-industrialisation challenges of Europe.

Macro-economic policy and framework conditions set at national and European level certainly remain important signposts for doing business and for investment decisions.

Yet, the ever-increasing importance of innovation and knowledge to preserve our competitiveness and to drive growth has put the focus more firmly than ever on micro-economic policies and on innovation ecosystems, where regions have a hugely important role to play.

Strategy and coordination have become the new watchwords for economic policy making. This results in increasing interdepartmental and policy coordination, in particular between research and education, economic and industrial policy as well as regional policy. It also results in an emphasis on knowledge flows and cooperation between knowledge providers, government and business.

This means we are moving from silo thinking to integrated policy-making. In the EU this is very clearly demonstrated by European policy coordination under the European Semester as well as the alignment of policies towards Europe 2020 goals. Leveraging synergies between the relevant European funding instruments such as Horizon 2020 and the Structural Funds is very important in this respect.

At EU level, it is of utmost importance to ensure optimal synergies between the different funds for jobs and growth. To achieve this within the next 7 years, it is crucial for all stakeholders in the field, be it at policy or implementation level, to align strategies and actions and complement existing and future roadmaps. This is not a trivial process.

Discussions at European Parliament and Council level made it clear, that this approach is no more a "nice to have" but a "need to implement". This political willingness needs to permeate all layers of stakeholders, at Member State and regional level as well as EC level, including intermediaries and facilitators' networks.

However, translating this into reality is far from easy given that the ESIF implementation is under shared management rules to give regions and Member States the possibility to fund the policy mix that is most suitable for their place-based socio-economic development objectives and smart specialisation priorities, while Horizon2020 support is allocated through centralised management in line with EU-wide objectives and priorities.

Smart specialisation is one of the new provisions that will enable more synergies through aligning strategic choices as well as project funding to the extent possible under the regulations.

**EU Regional Policy is focused on innovation and industrial renewal**

Smart specialisation has two goals: to enable synergies and maximise the impact and efficiency of EU funding, and to mobilise the innovation potential of all regions across Europe.

In line with the Europe 2020 strategy we have further increased the share of EU Structural Funds that goes towards stimulating innovation instead of simply funding infrastructure.

We have earmarked a significant amount of budget for investments in research and innovation, SME competitiveness, energy efficiency and renewables and ICT. This means that the richer regions are obliged to spend 80% of the EU Structural Funds they receive for these 4 thematic objectives and the poorer ones 50%.

We can therefore estimate that between €80 and €100 billion Structural funds money will be invested in innovation in the 2014-20 period.

Smart specialisation is the approach that will determine to which fields this money will go. That this has been introduced as a conditionality is an important milestone in the development of our policy.

Smart specialisation is not only one of the elements of a well-functioning innovation system as outlined in the EU's Innovation Union communication, it has also recently been validated by the OECD in a synthesis report by its Working Party on Innovation and Technology Policy.

### **Smart specialisation fosters industrial renewal**

Smart specialisation is a powerful new policy approach that focuses on the microeconomics of competitiveness and helps to prioritise and concentrate resources on economic transformation and industrial renewal.

It is oriented towards helping regions fully tap their innovation potential and refocus their industrial and knowledge assets in the direction of emerging industries and services and international markets.

Member States and regions ought to support only a limited number of well-identified priorities for knowledge-based investments and/or clusters, instead of funding across the board. Specialisation means focusing on strengths and realistic growth potentials.

In this context it is very important to realise that smart specialisation does not ask for a top-down 'picking the winners' style of priority setting but for a process that involves stakeholder consultation and 'entrepreneurial discovery'. This means it needs to involve the business community and knowledge providers in making the choices and developing the strategy.

The goal is that the strategy answers the needs of each territory by assessing in detail the entrepreneurial potential for knowledge-intensive growth in each territory and the barriers and opportunities at the system level, i.e. the creation, absorption and exploitation of knowledge.

National and/or regional innovation strategies for smart specialisation are currently about to be launched across Europe mobilising a large number of stakeholders and leveraging public and private funds for innovation.

The development of such strategies has become mandatory for Member States and regions that plan to invest EU Structural Funds into their innovation systems. It is a good opportunity to revise funding policies and programs and orientate future funding to real growth opportunities in a fast changing global context.

One of the measures we have to support this is a Smart Specialisation Platform that we have started 2 years ago and that provides expert advice, policy learning and peer review activities for smart specialisation strategy development. Currently 132 EU regions in 19 MS and 10 EU Member States at national level (Slovakia, Lithuania, Malta, Hungary, Slovenia, Cyprus, Croatia, Czech Republic, Latvia, Portugal) are registered with the Platform.

### **Smart specialisation offers important opportunities for roadmap alignment, including with European-level PPPs**

We believe that smart specialisation offers an important and not to be missed opportunity to foster strategic alignment, complementarities, synergies and co-investment opportunities not only within a MS or region but also cross-border and trans-national and with European-level PPPs.

Smart specialisation explicitly asks regions to look at the entire value chains in the areas they seek to profile themselves and to build transnational and EU-wide strategic links to for policy learning and peer review and to enhance knowledge flows, maximize complementarities and build critical mass.

This opens up opportunities for combining regional and European research and innovation roadmaps, in particular investment and cluster strategies in specific domains of strategic interest, linked to the common societal challenges and re-industrialisation challenges of Europe's economies.

In particular the co-investments in a wide range of demonstrators and pilot lines throughout Europe are critical for up-scaling the innovation potential and using the market creation power of the European internal market for emerging industries.

This coordination potential of smart specialisation for constructing competitive industries and world-class clusters should be harnessed systematically and strategically through vertical coordination in a multi-level-governance setting.