



**European Committee
of the Regions**

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OPINION

Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth

THE EUROPEAN COMMITTEE OF THE REGIONS

- recommends that, in the next programming period, the EU through the Commission and the JRC, should initiate a new phase of the S3 2.0, based on developing an "inter-regional discovery process" in which regions pool their S3, involving the "interregional triple helices"
- considers that the regional discovery process should be based on a bottom-up process where regional authorities share their development objectives with other EU regions, draw up lists of the main actors involved in development in their regions, make a joint assessment of their regions' shortcomings and challenges and analyse the support instruments available
- considers that the regions should be encouraged to map the regional priorities set out in their S3s and the various financial and investment systems at regional, national and EU levels (Horizon 2020, COSME, etc.).
- points out that the challenges that the regions face when developing an interregional cooperation project can be summarised in three layers. Layer 1 covers initial activities related to the configuration of the demonstration infrastructure (networking of regional operators, detection of synergies in activities etc.). Layer 2 includes the operating costs of demonstration activities based on the development of specific projects. The final layer (3) includes expenditure related to the possible industrial production or access to the market of the product or service developed during the previous phases, as a result of interregional cooperation projects, once the demonstration activities have been successful, i.e. they have been validated and certified;
- calls for urgent steps to be taken to create appropriate and flexible ad hoc financing instruments to promote interregional cooperation meeting the needs of the three layers mentioned in the previous point. These instruments could take the form of combinations of financing (including combinations of credits and loans, and public and private funding at different levels) with the innovative use of funds to support experimental pilot projects for interregional cooperation networks that establish direct contact with industry and have a marked impact.

Rapporteur

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Reference document

Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth

COM(2017) 376 final

Opinion of the European Committee of the Regions – Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Smart Specialisation Strategies as catalysts for innovation policy and growth

1. The European Union remains the world's largest single market; nevertheless, new realities are emerging on other continents, which mean that we need to refocus our innovation and growth policy. Industrial modernisation is essential for improving Europe's competitiveness;
2. points out that it is important for all levels of governance (EU, national, regional and local levels) to work together, and for the subnational levels to be given sufficient opportunities and funds to take responsibility for their own development potential;
3. stresses that Smart Specialisation Strategies (S3) are catalysts for innovation policy and growth and are an important factor in the success of cohesion policy;
4. points to the need for strong, efficient, targeted efforts at regional level for the development of the S3, for which the EU can promote good conditions alongside action at national level;
5. also stresses that the S3 have created a new "culture of cooperation" within regions, as they are based on a collaborative and participatory process between research and innovation actors and industry that facilitates demand-led innovation and collective solutions;
6. points out that the S3 have catalysed the development of genuine regional innovation ecosystems. Regional innovation ecosystems generate significant impacts for the economy and regional competitiveness as well as excellent innovation that is close to ordinary people and their local needs;
7. stresses that the S3 go further than the individual strategies of the regions, and should be used to promote more effective innovation policy and interregional cooperation;
8. is convinced that interregional cooperation based on the S3 will help build value and reshape the EU's value chains by promoting investment synergies between the private and public sectors, thus contributing to the development of the EU economy as a whole;

Smart Specialisation Strategies 2.0 based on interregional cooperation

9. considers that the future S3 2.0 should be based on interregional strategic cooperation and sustainable links between regional ecosystems in the priority areas of smart specialisation, as a key to increasing the competitiveness and resilience of the regions. For this purpose, Interreg should be able to finance activities such as shared projects, demonstration activities, new value

chains... linked to smart specialisation areas: this would help Regions bringing innovation ecosystems in a European dimension, supporting the competitiveness of the single market;

10. is convinced that promoting the interregional and cross-border dimension by creating interregional investment opportunities will facilitate the expansion of regional and local innovation. The combination of technological, industrial and human infrastructure in different regions according to their strengths and skills, helps to generate critical mass and economies of scale and thus has the potential to increase the efficiency of research and innovation systems;
11. considers that cooperation and the creation of interregional value chains will contribute to easier and more efficient access to combined, connected technology infrastructure, and thus to reducing technological risks and uncertainty in the industrial sector;
12. as the EU progresses in its negotiations and debates on a new Multiannual Financial Framework (MFF) for 2021-2027, it is a suitable moment to reflect on the type of instruments that the EU should implement to promote interregional cooperation based on the S3;
13. considers that, given the need to work together at all levels, from local to European level, the following challenges need to be addressed:
 - eliminating, wherever possible, the complexity and increasing synergies and coherence of fund management in order to create an ecosystem that allows synergies between regional and European funding;
 - putting in place attractive financial tools that help to create an interregional cooperation ecosystem;
 - maintaining a bottom-up approach which takes into account local needs and related priorities of S3 in order to increase synergy among EU funds;
14. recommends that, in the next programming period, the EU through the Commission and the JRC, should initiate a new phase of the S3 2.0, based on developing an "inter-regional discovery process" in which regions pool their S3, involving the "interregional triple helices";
15. considers that the regional discovery process should be based on a bottom-up process where regional authorities share their development objectives with other EU regions, draw up lists of the main actors involved in development in their regions, make a joint assessment of their regions' shortcomings and challenges and analyse the support instruments available;
16. considers that the regions should be encouraged to map the regional priorities set out in their S3s and the various financial and investment systems at regional, national and EU levels (Horizon 2020, COSME, etc.). The S3 strategies that incorporate this exercise should be listed by the European Commission and used to facilitate cooperation between the regions and for the development of appropriate financing instruments. This exercise should contribute to the possible combination of funds at all levels (local, regional, national and EU) to support interregional projects;

17. recommends adopting a bottom-up approach, which gives the regions the possibility of providing S3 contact points. These S3 contact points would be responsible for developing the regional discovery process, with the aim of promoting the development of interregional cooperation, making use of the "interregional triple helix";
18. considers it essential to provide sufficient resources to the S3 platform to develop support tools for the implementation of Smart Specialisation policies, such as EYE@RIS3, ICT Monitoring Tool, R&I Regional Viewer and the Digital Innovation Hubs. Points to the need for an expanded and more efficient collection system for data and statistics at regional level;

Synergies between EU funds and regional initiatives and funding

19. welcomes the fact that the Commission includes in its interim evaluation of Horizon 2020¹ a point on the increase of synergies with other EU funding programmes and policies, and especially the reference to building on synergies with ESIF and Smart Specialisation Strategies;
20. considers that the S3 should include the double objective of generating synergies between regional innovation and development policies, and financial instruments, and, secondly, of avoiding duplication. Therefore, the objective should be to promote synergies between the European Structural and Investment Funds (ESIF) and other funds, such as the future 9th Framework Programme, and with national and regional funds;
21. considers that the 9th Framework Programme should include the regional discovery process and support the creation, strengthening and internationalisation of regional innovation ecosystems. Support for collaborative research, innovation and internationalisation offers genuine EU added value and should be improved in the next programming period. Moreover, in future EU R&D funding greater attention should be paid to the impact of research and innovation measures at regional level;
22. notes that there are substantial barriers that hinder the use of ESIF for interregional and transnational cooperation, such as lack of resources or administrative capacity, absence of examples of best practice, uncertainty about how to go about it, lack of a reference or methodological framework, vagueness about objectives, asymmetric levels of political competence, regulatory barriers and the absence of a financial framework to facilitate such work;
23. suggests establishing a structured dialogue between the departments of the European Commission and the regional innovation ecosystem players to ensure the viability of (existing and new) policies and financing instruments for supporting regional innovation ecosystems and interregional cooperation between them;
24. believes that a review should be carried out of the European Innovation Partnerships (ERA-NET, JPI, ETP etc.). The Partnerships can be an effective way of addressing fragmentation,

¹ COM(2018) 2 final.

preventing duplication of effort, improving innovation and addressing societal challenges, but studies should be published demonstrating their impact;

25. acknowledges, welcomes and endorses the efforts and achievements of the European Commission, in particular through the S3 Platform, the drawing-up of surveys, and support for the development of interregional cooperation methodologies. In that connection, acknowledges that the creation of thematic platforms and the launch of pilot projects for interregional cooperation are demonstration instruments of enormous value;
26. notwithstanding the foregoing, points out that regulatory barriers and the absence of a financial framework continue to limit the development of a genuine interregional cooperation ecosystem. Based on the experience of the Vanguard initiative, the challenges that the regions face when developing an interregional cooperation project can be summarised in three layers. Layer 1 covers initial activities related to the configuration of the demonstration infrastructure (networking of regional operators, detection of synergies in activities etc.). Layer 2 includes the operating costs of demonstration activities based on the development of specific projects. The final layer (3) includes expenditure related to the possible industrial production or access to the market of the product or service developed during the previous phases, as a result of interregional cooperation projects, once the demonstration activities have been successful, i.e. they have been validated and certified;
27. calls for urgent steps to be taken to create appropriate and flexible ad hoc financing instruments to promote interregional cooperation meeting the needs of the three layers mentioned in the previous point. These instruments could take the form of combinations of financing (including combinations of credits and loans, and public and private funding at different levels) with the innovative use of funds to support experimental pilot projects for interregional cooperation networks that establish direct contact with industry and have a marked impact:
 - with regard to the initial costs of activities related to the configuration of demonstration infrastructure (layer 1), calls for existing EU funds to complement public-private investment in innovation infrastructure, in the framework of interregional cooperation projects. The Committee also recommends that more flexible use be made of Interreg to support the creation of industrial value chains. It also recommends the extension of the Digital Innovation Hubs approach to other industrial and technological areas;
 - with regard to the operational expenditure of demonstration activities based on the development of specific projects (layer 2), it recommends that countries/regions that so wish could set aside resources to develop a system of vouchers that can support their businesses in participating in interregional projects. The purpose of these vouchers would be to compensate for the costs incurred in preparing the draft interregional cooperation project (visits to demonstration facilities in other regions, complementarity studies, drawing up of studies and project plans etc.). The interregional voucher system could be complemented by co-financing mechanisms (for example the European Investment Fund) to facilitate companies' access to services and infrastructure outside the region. The EU would play a catalysing and support role for the regional managing authorities (e.g. for the jointly agreed certification systems or for the evaluation and audit of extra-regional expenditure);

- with regard to investments or necessary expenditure related to the possible industrial production or access to the market of the product or service developed (layer 3), recommends the expansion of instruments such as InnovFin;
28. welcomes the amendment and simplification of Articles 65(1) and 70 of the Structural Funds Common Provisions Regulation, and is convinced that the use of the ERDF in interregional cooperation is key to the development of the future S3 2.0. Notwithstanding the above, the Committee calls for a favourable legal framework for the next programming period that promotes synergies and the possible combination of funds at all levels (local, regional, national and EU) to support interregional projects.

Brussels, 16 May 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

II. PROCEDURE

Title	Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth
References	COM(2017) 376 final
Legal basis	Article 307 TFEU
Procedural basis	Rule 41(b)(i)
Date of Council/EP referral/Date of Commission letter	
Date of Bureau/President's decision	
Commission responsible	Commission for Social Policy, Education, Employment, Research and Culture (SEDEC)
Rapporteur	Mikel Irujo Amezaga (ES/EA)
Analysis	
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