Delivering Smart Growth through Smart Specialisation

EU defence sector – 28 January 2013

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Structure

1. Why do we need smart specialisation?
2. Does the defence sector contribute to regional development?
RIS3 and crisis

The European Union is building a three tiers approach for exiting the crisis:

• Fiscal and financial consolidation

• Structural reforms – we have to become more productive through better regulations, making more of the EU Internal Market, improving our education systems, etc.

• Growth stimulation through targeted investment - without growth, there will be no successful exit out of the crisis – Cohesion Policy and RIS3
RIS3 is a process and a journey of «entrepreneurial discovery» and collaborative leadership.
In a nutshell: RIS3 is based on 4 Cs + C

**Competitive advantage**: match R&I potential with business needs and capacities & develop links between sectors (related variety); adoption of (generic/new) technologies for specialised diversification/modernisation of sectors + explore emerging areas

**Choices** (tough ones): select few priorities on basis of specialisation & integration in international value chains.

**Critical mass** of resources & talent: cooperation between regions by avoiding duplication and fragmentation

**Collaborative Leadership**: involve key stakeholders from academia, businesses, public administrations and civil society ("quadruple helix") for efficient innovation systems & synergies between funding instruments (EU, national, regional)

+...**Common sense** = *Integrated agenda for place-based economic transformation*, strengthening RTD, innovation and increasing access to ICT and its use
The OECD Report: 'Innovation Driven-Growth in Regions: the role of smart specialisation'

- The OECD Report considers smart specialisation an imperative in the global economic context and a way to growth stimulation
- Endorses the views of the Commission on smart specialisation and its place-based approach and considers the EU as a lab
- The process is being followed with interest by all OECD countries (US, Australia, South Korea, etc.)
- Also see the World Bank http://web.worldbank.org/WEBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:23253623~pagePK:146736~piPK:146830~theSitePK:258599,00.html
New types of specialisation emerging from existing competences: Example

1. Food
   - Food Processing
   - Tobacco
   - Fishing
   - Agricultural Products
   - Processed Foods
   - Health

2. Mechatronics
   - Mechanical Engineering
   - Automotive
   - Heavy Machinery
   - Power Generation
   - Oil & Gas

3. Construction
   - Building Fixtures
   - Forrest Products
   - Heavy Construction Services
   - Construction Materials

4. Life Science
   - Pharmaceuticals
   - Medical Devices
   - Nutritional Products
   - Life Science

5. Power & Energy
   - Power Generation
   - Oil & Gas
   - Environmental

6. ICT
   - Information Technology
   - Communication Equipment
   - Creative Industries

7. Fashion & Design
   - Apparel
   - Leather
   - Footwear
   - Furniture
   - Textiles
   - Creative Industries

8. Experience Industries
   - Entertainment
   - Hospitality & Tourism
   - Sporting
   - Publishing & Printing

9. Transportation
   - Transportation

10. Financial Services

11. Business Services

12. Chemical Products
   - Chemicals

13. Plastics
   - Plastics
RIS³: Should be the backbone of the OPs and combine funds from several budgets (national and EU)

The financing of the RIS3 is broad
Several sources

- National funds
- Regional funds
- ERDF
- ESF

Other EU Funds, Ex: Horizon 2020

Aligning several strategies

Research
Education
Innovation
Business
Market

National Competitiveness OPs
Regional OPs

Rural Development Fund
Does the defence sector contribute to regional development?
The principles for financing through the ERDF

- **Investments have to aim at reinforcing economic, social and territorial cohesion**
- **ERDF projects are selected by national and/or regional authorities on the basis of OPs.**
- **As of 2014 CSF support will be focussed on SMEs.**
- **State aid rules have to be respected, including analysis of the need for public support and funding gap.**
The principles for financing through the ERDF

• Where investments are "dual-use" in nature (so that the resulting infrastructure is available both for military and civilian operators), the Structural Funds can provide financial assistance. However, such assistance can be provided only with a view to assisting the attainment of the civilian objectives, and in such a way that any additional financial burden created by the military participation in or use of that infrastructure is excluded from the determination of the expenditure towards which financial assistance is offered.
The principles for financing through the ERDF

• *No military equipment, buildings, infrastructure, etc.*

• *No support to undertakings in difficulties as defined under Union State aid rules.*
Possible types of investment

- **Regeneration of military brownfield sites** (however, including the "polluter pays" principle and market analysis)

- **Applied research and innovation support**, under the condition that the measures form part of a national or regional smart specialisation strategy.

- Though no particular sector is excluded, it is not in line with treaty objectives to support an SME working on the development of purely military technology and applications. Nonetheless, **SMEs which work on the development of a technology that could be used for civilian purposes as well as for military purposes could receive support for the expenditure related to the development of the civilian application**
Guidance material
Smart Specialisation in a Nutshell

Fact-sheet

On InfoRegio website in all languages:

Commission support for RIS3:

S3Platform:
- peer-reviews
- analysis & data
- training
- communication

✓ 103 EU regions + 3 MS registered
✓ 20 peer-reviews trainings, thematic seminars
✓ RIS3 guide
✓ Web-site, Newsletter
Commission support for RIS3:

S3Platform:
- peer-reviews
- analysis & data
- training
- communication

RIS3 policy events:
- national
- trans-national

Expert analysis and support
- national
- regional
- thematic
- process
- …. 

Preparations for TO1-3 OPs have started!
For ¾ of the over 100 RIS3 with up to €100bn work has begun

So far 58 contracts for informal RIS3 assessment:
14 national and 36 regional strategies

106 registered:
103 EU regions + 3 MS (SK, LT, MT)
+ 1 observer (Nordland in NO)
✓ 5 x 4 peer-reviews
✓ trainings, thematic seminars
✓ RIS3 guide
✓ Web-site, Newsletter

14 RIS3 kick-off events for Member States
4 trans-national RIS3 events
Informal expert reviews …

1. **Appropriate stakeholder involvement?** How does it support the entrepreneurial discovery process of testing possible new areas?
2. **Evidence-based?** How have areas of strength and future activity been identified?
3. **Innovation and knowledge-based development priorities?** How have potential areas of future activity been identified? How does it support the upgrading of existing activities?
4. **Appropriate actions identified?** How good is the policy mix?
5. **Is strategy outward looking?** How does it promote *critical mass* / potential?
6. **Synergies between different policies and funding sources?** How does it align/leverage EU/national/regional policies to support upgrading in the identified areas of current and potential future strength?
7. **Achievable goals set to measure progress?** How does it support a process of policy learning and adaptation?
8. **Conform with CP ex-ante conditionality?** Which advice can be given to improve the strategy?

The RIS3 Guide

PART I: THE POLICY CONTEXT
PART II: THE RATIONALE
PART III: RIS3 DESIGN IN A NUTSHELL

Annex I – A step-by-step approach to RIS3 design
Annex II – Delivery instruments and horizontal approaches
Annex III – Guidance for expert assessment

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Available on the S3 Platform webpage

http://s3platform.jrc.ec.europa.eu/home
Smart & Sustainable = 2 sides of same coin: need to go hand in hand
Smart Guide to Innovation-Based Incubators (IBI)

Published by DG REGIO/ENTER based on 25 years of incubation experience in the Union

- Business and Innovation Centres for new entrepreneurs and SMEs that intend to develop innovative ideas.
- European Business Network started by the Commission in 1984 and continuously supported by nearly 15 years: 100 BICs created between 1984 and 1998.
- Support services to entrepreneurs, helping them to transform into reality their innovative business ideas, and the delivery of tailored services to existing SMEs, aimed at modernising and innovating them.

“To achieve a sustainable social market economy, a smarter greener economy...the EU needs to provide more attractive framework conditions for innovation and creativity...we need technical support to promote the incubation and growth of small innovative firms…”


CONNECTING UNIVERSITIES TO REGIONAL GROWTH

Mechanisms by which universities can and do contribute to regional development:

- Enhancing regional innovation through their research activities
- Promoting enterprise, business development and growth
- Contributing to the development of regional human capital and skills
- Improving social equality through regeneration and cultural development

By John Goddard, emeritus Professor of Regional Development Studies, Centre for Urban and Regional Development Studies Newcastle University (UK)

Five investment models provide a broad spectrum of funding options

1. **Bottom-up**
   - Group of end users oversee the contract to build and operate their own local network.

2. **Public design, build, and operate**
   - Public sector owns and operates the entire network.

3. **Private design, build, and operate**
   - Managing Authority provides a grant to the private sector to assist in deployment of new network.

4. **Joint venture**
   - Ownership of the network is split between the public and private sector.

5. **Public outsourcing**
   - Single contract for construction and operation of network, but public sector retains ownership and some control.

http://s3platform.jrc.ec.europa.eu/home
Cultural and Creative Industries (CCI) have a role to promote smart, sustainable and inclusive growth

Why is it worth investing in CCI?
- Creating preconditions
- Strengthening CCIs
- Spill-over effects

A number of regions and countries have yet to recognise the importance of CCIs and added value that they can provide.

Handbook highlights a number of examples which prove that different governments have found effective ways to set up working mechanisms to support CCIs.

Handbook serves as an inspiration for those regions and countries that have not yet succeeded in implementing cultural and creative strategies.

Database of examples, online tool: everybody can submit good examples, initiatives and practices on the webpage www.creativeindustries.ee/omc
Upcoming guides
RIS3 related guides drafted on initiative of REGIO

✓ **Guide to smart cluster strategies:** The Nexus of Innovation and Clusters in Less-Favoured Regions

✓ **Guide on Social Innovation for the EU regions:**
Social innovations are social in both their ends and their means. Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society’s capacity to act.
RIS3 related guides drafted on initiative of ENTR

✓ The Smart Guide to Service Innovation: How to better capitalise on innovation in the service sector and through innovative business services for regional structural change and industrial modernisation.

✓ Using Standards to support growth, competitiveness and innovation: A guide on how EU regional funding can be used to foster SME competitiveness through the development and use of standards.

✓ Building entrepreneurial mind-sets and skills in the EU: A Smart Guide on how to support entrepreneurship education for young people through EU structural funds.
Other inspiration for innovation support:

- **Oslo Manual** (OECD) [https://community.oecd.org/community/smartspecialisation](https://community.oecd.org/community/smartspecialisation)
- **Community framework for State Aid to Research and Innovation**
- **Regional Innovation Monitor**: Analysis of regional innovation policies and profiles [http://www.rim-europa.eu](http://www.rim-europa.eu)
- **EURADA** • *Directory of "No-Nonsense" Activities to Build S³-minded Regions; • All money is not the same*, etc. [http://www.insme.org/files/3019](http://www.insme.org/files/3019)
- **European Cluster Observatory** [http://www.clusterobservatory.eu/index.html](http://www.clusterobservatory.eu/index.html)
- **Etc.**
Information

- **RIS3 guide:** [http://s3platform.jrc.ec.europa.eu/s3pguide](http://s3platform.jrc.ec.europa.eu/s3pguide)
- **Thematic guides:** [http://s3platform.jrc.ec.europa.eu/guides](http://s3platform.jrc.ec.europa.eu/guides)