

## ERRIN Position Paper

# A European Budget that Fosters Regional Innovation Ecosystems and Interregional Collaboration

### *Public Consultation on EU Funds in the Area of Cohesion*

ERRIN acknowledges the importance of the European budget as a common effort to tackle the current challenges Europe is facing and, therefore, the relevance of an adequate funding for the European policies, Cohesion Policy included. Building an effective and well-resourced European research and innovation policy post-2020 requires input from a range of stakeholders, including citizens. These stakeholders often work together in partnership at the city or regional level combining proximity with critical mass. Thus, ERRIN argues that effective research and innovation is increasingly dependent on strong interconnected research and innovation ecosystems embedded in regions and cities.

In combination with regional innovation strategies (Smart Specialisation), the EU budget enables managing authorities to increase the critical mass of investments. This is often essential for producing excellent cutting-edge research, capitalising on research infrastructures and clusters and providing incentives for risk-taking when bringing innovations to market. Smart Specialisation with sufficient resources for its implementation also serve to bring together key stakeholders in areas of regional comparative advantage and strategic importance.

### **Why do regional innovation ecosystems need a strong Cohesion Policy after 2020?**

As evidenced by the findings of the Seventh Cohesion Report, significant interregional disparities remain in the EU – especially within Member States and regions. This underlines the need for economic and development policies to focus on regions as their point of reference. It also demonstrates the importance of **Cohesion Policy for all EU regions** as an instrument for increasing convergence between regions and strengthening innovation, competitiveness, and sustainable development in all European regions. As an essential counterpart to the internal market, Cohesion Policy must continue to ensure that all EU regions have access to the benefits of EU integration to provide the basis for the bottom-up generation of interregional value chains in innovation.

Cohesion Policy also provides the means for regions to tackle issues which are increasingly important but affect every European region differently. Overcoming these challenges – e.g. globalisation, climate change, and demographic change – is essential to strengthening regional growth and innovation potential by boosting the knowledge economy, sustainability, and the labour market.

Territorial cooperation should be strengthened after 2020. This element of Cohesion Policy is essential for tackling common issues, improving local and regional governance, strengthening regional innovation capacities, and building EU-wide value chains from the bottom-up. Interregional

cooperation should go beyond policy learning and exchange of best practices, to support EU regions in the concrete delivery of joint research and innovation projects.

INTERREG should have the capacity to support, for example joint projects, demonstration activities, the purchase of equipment and infrastructure, new pilot lines, joint precommercial procurements, etc., which are linked to their strategic areas of Smart Specialisation. This would allow Cohesion Policy to help regions to develop the European dimension of their domestic innovation ecosystems, and open new avenues for European collaborations, for new export opportunities, for testing European solutions in different regional contexts, hence reinforcing the single market and the competitiveness of the European Union as a whole.

There are already interesting developments in this regard, such as the S3 partnerships, and the pilot action to support interregional collaboration to implement demonstration activities. S3 partnerships should keep their bottom-up and voluntary approach, but they need more support from the Commission, from its ERDF technical assistance budget and the JRC (dedicated funding, technical assistance, studies, mapping, etc.) to facilitate the good preparation of strategic interregional projects.

### **What do we need to change to increase the effectiveness of Cohesion policy?**

Implementing a systematic place-based bottom-up approach after 2020 would allow the managing authorities responsible for implementing Cohesion Policy to find suitable solutions to regional challenges and to adapt funding to regional strengths. Regions should be able to work with member states and the Commission on the basis of the partnership principle to negotiate operational programmes which define goals and relevant indicators to implement a result-oriented approach which takes into account specific regional challenges.

Rules should be simple and, where appropriate, harmonised to increase coherence. ERRIN supports the work carried out by the High-Level Group on Simplification, especially regarding state aid rules, which currently discriminate between EU projects under centralised and shared management. The guiding principles of reform should be subsidiarity and proportionality. A single audit approach should be applied to reduce costs and inconsistencies between individual assessments. Moreover, the current regulations make it difficult to use structural funds outside of the programme's geographical area (Reg. 1303/2013 article 70.2), as regions have to demonstrate the concrete returns of investments for the programme area. The future regulations should rather encourage the possibility for European regions to use jointly some of their structural funds.

Given its ambitious aims and the importance of Cohesion policy as a strategic investment tool for boosting regional innovative capacities, the **policy should receive adequate funding post 2020**.

While financial instruments are relevant for certain areas and types of projects, decisions about their use need to be taken by the managing authorities responsible for the operational programmes. ERRIN Innovation and Investment Working Group will hold a series of events on financial instruments this year in order to give feedback on the concrete results and impacts of financial instruments linked to structural funds and beyond.

A place-based bottom-up approach which takes into account regional challenges and smart specialisation priorities is essential for increasing synergies between EU funds. This would increase the effectiveness and sustainability of investments in line with the pipeline approach.

Cohesion Policy's long-term, seven-year strategic investment approach provides planning certainty. It is also necessary for increasing the impact, coherence, and sustainability of investment.

These elements of Cohesion Policy provide the foundation for regional Smart Specialisation. Smart Specialisation can have a transformative role in regional development when developed as a bottom-up process encouraging wide stakeholder participation, which enables regions to transform and strengthen their research and innovation ecosystems to increase regional competitiveness. It involves identifying regional strengths and setting priorities to support innovation and develop critical mass. The wide involvement of regional actors help counteract silo thinking, and provides a framework for a stronger regional focus on key sectors to boost regional economic potential. Now that all European regions have designed their Smart Specialisation Strategies, and are in the implementation phase, it is important that the future cohesion policy builds on this process, and develop tools to facilitate the implementation, monitoring, evaluation, and the Europeanisation of these strategies. ERRIN suggests an exercise of upscaling the regional strategies into wider strategies covering common priorities of cross border regions and of the EU Macroregions and Sea Basin Strategies.

Smart Specialisation 2.0 could include a number of new elements, such as:

- An exercise identifying existing funding and financing opportunities for the identified sectors and strengths, a sort of an investment framework, to further support the implementation of the Smart Specialisation Strategy.
- The European Commission and the JRC could further facilitate the “inter-regional discovery process” that would help regions to find common strategic objectives and possible complementarities based on their S3. This strategic cooperation should provide a basis for interregional cooperation and lead to increasing number of market uptake of innovation.
- S3 contact points in the regions should be supported by the ERDF, who could receive and provide training linked to smart specialisation and thematic partnerships and support the development of the S3 process in the regions (as well as their connectiveness with other regions).

ERRIN believes that many regions are ready to build on their Smart Specialisation Strategies, nevertheless it is also important to remember that not all regions were sufficiently involved in developing their strategies and now risk missing the benefits of Smart Specialisation 2.0. Therefore, there should be a continued effort to regularly review the strategies and provide recommendations where obvious gaps exist.

It is important to increase coherence between regional smart specialization strategies and other EU shared management initiatives, providing a counterbalance to “territorially blind” centralised programmes. The strength of Cohesion Policy lies in its ability to design and implement an integrated territorial approach, including skills and social measures as funded by the ESF.

### Summary of Recommendations:

- Cohesion Policy for all EU regions is important as an instrument for increasing convergence between regions and strengthening innovation, competitiveness and sustainable development.
- Given its ambitious aims and the importance as a strategic investment tool for boosting regional innovative capacities, the Cohesion Policy should receive adequate funding post 2020.
- Territorial cooperation should be strengthened after 2020. Interregional cooperation should go beyond policy learning and exchange of best practices, to support EU regions in the concrete delivery of joint research and innovation projects.
- A place-based bottom-up approach which takes into account regional challenges and smart specialisation priorities is essential for increasing synergies between EU funds.
- Smart Specialisation can have a transformative role in regional development encouraging wide stakeholder participation which enables regions to transform and strengthen their research and innovation ecosystems to increase regional competitiveness. The Smart Specialisation 2.0 could include a number of new elements as mentioned above.

### ANNEX: An Example of Regional Collaboration

During 2010-2012, Region Skåne (Sweden) ran the project “ESS and MAX IV – TITA”, co-funded by the Regional Structural Funds for Skåne-Blekinge. The project focused on identifying areas that require further action in order to build a strong eco-system surrounding the two large-scale research facilities that are currently being developed in Lund – the European Spallation Source (ESS) and MAX IV. Some examples of areas identified through TITA are:

- The need to strengthen collaboration between industry, academia and research facilities in order to create a strong innovation environment in the region;
- The need to strengthen local infrastructure and invest in housing as a means to make the region internationally attractive;
- The importance of integrating the research facilities in higher education to create opportunities for research and innovation development.

The ESS is co-hosted by Sweden and Denmark, and Region Skåne and the Capital Region of Denmark looked at how the work conducted through TITA and a similar Danish project could be up-scaled in a cross-border context. In August 2015, the Interreg Öresund-Kattegat-Skagerrak project “ESS & MAX IV: Cross Border Science and Society” started. It is a three-year project, run by Region Skåne and the Capital Region of Denmark and has a budget of 19 million EUR, making it the largest project to be approved in the Interreg ÖKS-programme so far.

The long-term purpose of the project is to develop the region’s strengths, such as Materials Science and Life Science, with the opportunities that come with the establishment of the two world-leading research facilities ESS and MAX IV as a starting point. The main goal with the project is to increase the share of young researchers in the region who can use the facilities in the future. The project has

identified several fields where there is great potential for working across borders. The fields have been divided into five subprojects that are held together by an overall project management. Altogether, the project has a wide scope for increased benefits to society through ESS and MAX IV. The broad partnership creates opportunities for dynamic learning between different organisations and across country borders. For example, in the largest sub-project, MAX4ESSFUN, young researchers are able to apply for shorter six-month long experiments, and there are eight Nordic universities collaborating through these experiments.

As the project period is coming to a close, there have been discussions among the project partners on what EU funding opportunities there are to continue the successful collaboration built up through the project. To extend the area of collaboration to Hamburg through a project application for the Interreg Baltic Sea Region programme may be a possible next step. Given that there are eight universities participating in the project, funding possibilities through the Horizon 2020-programme have also been considered.

Link to the project: <http://www.scienceandsociety.eu/english/>

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