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"Looking behind the metaphors: How to build stairways to excellence in EU regions?"
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“Looking ahead on 2014: Which role for research and innovation in the future EU cohesion policy?”

Thank you for this opportunity to present to such a distinguished audience our plans for the future of Cohesion Policy and in particular how it will contribute to research and innovation.

The Europe 2020 strategy has put research and innovation at the forefront of our efforts to exit the crisis. Our competitiveness, our capacity to create new jobs, our social fabric and cohesion, and, overall, our future standard of living depend clearly on our ability to translate innovation into new or at least renewed products, services, businesses and organisations.

The delivery of the EU 2020 goals, namely smart, sustainable and inclusive growth will be determined to a large extent by decisions made by local and regional actors. Regional Policy is, therefore, indispensable for mobilising the full innovative potential of EU regions.

As a consequence Cohesion Policy with its main element "Regional Policy" has been identified as key delivery mechanism for Europe 2020 and the Innovation Union. And this is why, when drawing up the blueprint for a reformed Regional Policy 2014-2020 we chose research and innovation as its key elements.

The knowledge and innovation capacity of regions depend on many factors. Let me quote just a few: quality of research, education and training institutions; the business culture; entrepreneurial climate; work force skills; innovation support services; access to finance; technology transfer mechanisms; ICT infrastructure and local creative potential;.... and, of course, good governance is crucial too.

However there is no "one size fits all", no blueprint for economic development of a region. Therefore it is Regional Policy with its focus on integrated strategies which is best placed to help each region to create the individual policy mix. It will be tailor-made to strengthen the regions innovation system in general but also to capitalise on its assets and capabilities. Regions will be empowered to work towards excellence and carve out their niche specialisations in the globalising economic environment.

We all know that there are no shortcuts to economic growth, not if a region has to compete on high quality and innovation and not on low price, as we all have to do in Europe. There is simply no other way than investing into a country's and region's competitive advantages. It is the only route to fiscally sound and sustainable economic stimulus.

The jobs we need to create now and in the future to outgrow the effects of the crisis can only come from innovation and a relentless effort to become better, fitter and faster. In today's ICT powered global economy, it is no longer enough to be "world class" but being the best in the world, even if it is in a particular market niche or through a marginally differentiated strategy.

This means that in terms of Regional Policy we must move beyond an era of ribbon cutting – beyond focusing on infrastructures – but towards more knowledge-based investments. Identifying and delivering such a policy requires a fresh approach, a strategy for smart investments. We call it smart specialisation.

This is why we invoked national and regional governments to create regional innovation strategies for smart specialisation. We reminded them to maximise the impact of Regional Policy in combination with other Union policies.

Our new approach was first announced in the Innovation Union flagship initiative and in our Communication on "The contribution of Structural Funds to smart growth". Both initiatives call for the European Regional Development Fund (ERDF) to be fully exploited to support research and innovation capacities across Europe, based on smart regional specialisation strategies.

Having smart specialisation strategies in place has recently been included in the legislative package for the new programming period 2014 to 2020. A smart specialisation strategy will be regarded as one of the prerequisites or ex-ante conditionalities for a successful use of Structural Funds.

These strategies are essential for regions to raise their game in regional development and to improve the effectiveness of their use of EU Structural Funds. Smart specialisation strategies will also allow them to better leverage their spending and increase synergies with other private and public funds.

This obviously includes research investments to be cofinanced by the next EU research framework programme. Investments in the field of research and innovation supported by the Structural Funds should complement and be mutually supportive of actions co-financed by "Horizon 2020".

There is a clear division of labour: Horizon 2020 is excellence based and is implemented through pan-European calls for project proposals. It focuses on tackling major societal challenges; maximising the competitiveness impact of research and innovation; raising and spreading levels of excellence in the research base. Horizon 2020 will use open competitions to select the best projects implementing these objectives regardless of geographical location and of the profile of the involved actors.

While Horizon 2020 promotes excellence, the Structural Funds are mainly addressing national/regional level objectives, through integrated strategies for economic transformation and structural change. This includes capacity building towards excellence, the so-called "stairway to excellence".

ERDF support for R&I should, thus, galvanise smart growth which nevertheless should be endogenous growth on the basis of local assets, capabilities and economic potentialities.

To enable less developed regions to participate in the European Research Area, the ERDF should finance primarily the basic preconditions and sufficient capacities for R&I including infrastructure and human capital.

The European Social Fund (ESF) is an additional EU instrument available. It supports the development of human resources in R&I. Key actions would include the modernisation of tertiary education, the improvement of research capacities and skills of students and researchers, and the transfer of knowledge between research institutes and the business sector.

Research and innovation activities should follow the line of smart specialisation strategies, because they concentrate these activities on the specific strengths of regions and Member States, identify innovation niches, and help avoid overlaps and duplication of effort.

Smart specialisation strategies should build capacities for R&I excellence, enabling among others stronger participation in the CSF and higher impacts in terms of smart growth. This could be linked to major investments (e.g. in new facilities or infrastructures).

Let me now come to the relation between "stairway of excellence" and "smart specialisation". Strengthening the capacities of researchers to successfully participate in research activities at EU level requires, well, the existence of global excellence in the regions in specific thematic fields.

How do we get there? How do we support this quest for excellence in a region?

The answer is by specialising in areas a region is already good at or where it has embedded capacities or a critical mass of actors and institutions to create a virtuous cycle. We know from a variety of research that trying to build research and innovation capacity from scratch is very risky business and mostly doesn't work. On the other hand it is obvious that a region can't be excellent or attempting to be excellent in everything. Spreading it's efforts too widely and thinly will only end in suboptimal outcomes and dilute impact.

A much better and safer route is to build on a regions existing assets and clusters and work through a thematic focus on areas of strength and real potential. This is also the way that generates most added value specially for the region. Further on it helps to embed capacities in the region and stimulate entrepreneurial activity.

By the way: with our Structural Funds we encourage project funding, not institution funding in terms of research: Research projects funded by the Structural Funds need to have a precise benefit for the region in terms of socio-economic development. This is not about blue sky research but about applied research.

Having said this Structural Funds can of course finance the setting up of a research infrastructure as long as this does not cover its running and operational costs.

Ladies and Gentlemen,

A key agent for exploiting research results and for promoting innovation is "university- business cooperation". Universities have to play a pivotal role in the social and economic development of their regions. They are a critical "asset" of the region; even more so in less favoured regions where the private sector may be weak or relatively small, with low levels of research and development activity.

Successful mobilisation of the resources of a university can have an extremely positive effect on its regional economies and achievement of comprehensive regional strategies. This is also why university-business cooperation should be particularly considered by regions when devising smart specialisation strategies.

Other good examples for stairway projects are "centres of excellence" or "competence centres".

These are interpreted in many different ways but typically they are collaborative entities, often established by industry, which aim for global excellence in specific specialisation niches. They are resourced by highly qualified researchers associated with research institutions who are empowered to undertake different types of research but tend to engage frequently in market focussed strategic R&I for the benefit of industry.

As soon as concrete outputs have been achieved and new technologies developed through research, their diffusion and application in the region can be funded by the Structural Funds. We want to set a virtuous cycle into motion which leads to an increased technology transfer particularly towards regional SME.

By doing this, we can in turn enable innovation actors as well as SME in the regions to participate at the EU's research framework programme and to lay the foundations for regional excellence in specific areas.

Ladies and Gentlemen, let me come back for a moment to the concept of smart specialisation, which shall be one of the cornerstones of future Regional Development Policy as well as future R&I policy in the regions.

The Commission proposes that at least 80% of future Structural Funds investment in the more developed regions and at least 50% in the less developed regions go into 1) research and innovation, 2) SME competitiveness and 3) energy efficiency and renewables.

But before they can develop their future Operational Programmes and start investing Structural Funds allocations, regions will have to set up an innovation strategy for smart specialisation.

This means they will have to identify the knowledge specialisations that best correspond with the innovation potential of the region. This should happen through a process of entrepreneurial discovery involving stakeholders and the private sector.

The regions are then asked to focus their ERDF investments on those areas that matter most to maximising a competitive edge in international value chains. By this they can achieve the critical scale, scope and spill-overs that are crucial for efficiency gains.

In other words, the concept calls for singling out competitive advantages and rallying regional stakeholders and resources around a vision for the future.

The ERDF will support existing regional scientific excellence. But in doing this the ERDF will also insist on the diffusion of knowledge and innovation, including practice-based, i.e. "non-technological" innovation like for example social and service innovations; innovation addressing societal challenges; new business models, etc.

The efficiency gains through a more strategic use of Structural Funds can only be achieved if they are not used in isolation. Using Structural Funds therefore should aim at optimal coordination of different existing policies. As a consequence we strongly want to create synergies between different EU policies.

Regional innovation strategies of the past received sometimes criticism for their inability to make choices. They have shown lack of engagement of stakeholders in the conception, lack of outward orientation and absence of peer review mechanisms. These weaknesses should be eliminated under smart specialisation.

But what is so smart about smart specialisation?

(1) First of all because it is knowledge based. So it asks regions to put knowledge and innovation at the heart of their development strategies.

Being smart requests to make better use of the Structural Funds to build regional research and innovation capacities.

(2) Secondly, specialisation is smart if it is focused on a region's greatest assets and opportunities, and if it sets clear priorities. Linking knowledge assets to economic potential is at the heart of this concept.

(3) Thirdly, specialisation is smart because it is based on the notion of building successful innovation eco-systems in cities and regions. This can mean the following: stimulating entrepreneurship; university-business cooperation; innovation support services; access to finance for SME; upgrading education, skills and training schemes.

(4) And fourth, smart specialisation is achieved if it is process based. It needs to be developed in real partnership with the main regional innovation actors, especially the business sector and the knowledge providers. This partnership should facilitate shared commitments on a limited number of key priorities.

(5) Fifth, smart specialisation is looking towards positioning the region in global value chains and establishing cooperation with other relevant regions and clusters to add more critical mass and more diversity to a region's structures and activities.

While the concept of smart specialisation has been taken up by DG REGIO, there is also strong support from DG Research and Innovation and the research community because of its potential to deliver synergies between research and Regional Policy.

A recent report from the Synergies Expert Group underlines the need for ensuring coordination and networking between the different innovative regions and with other national or European policies in order to avoid 'irrelevant duplication' of efforts. The SEG therefore welcomed the on-going work for the constitution of the Smart Specialisation Platform, which should also provide useful guidance to support those Managing Authorities that need it for the development of strategies.

The platform was launched in last June. Máire Geoghegan-Quinn, Commissioner for Research, Innovation and Science welcomed the smart specialisation platform saying that it demonstrates the Commission's determination to bring Regional Policy and Research & Innovation Policy closer together in order to achieve the best results in terms of growth and jobs.

Indeed, R&I excellence and regional innovation are two complementary policies with a common objective: maximising knowledge-based economic potential throughout the Union.

While only a few of our regions are ready now to fully embrace excellence, all of them are entitled to pursue regional innovation that can lead to future excellence.

That's what we want them to do. And that's what smart specialisation and the new Cohesion Policy should enable them to do.

check against delivery