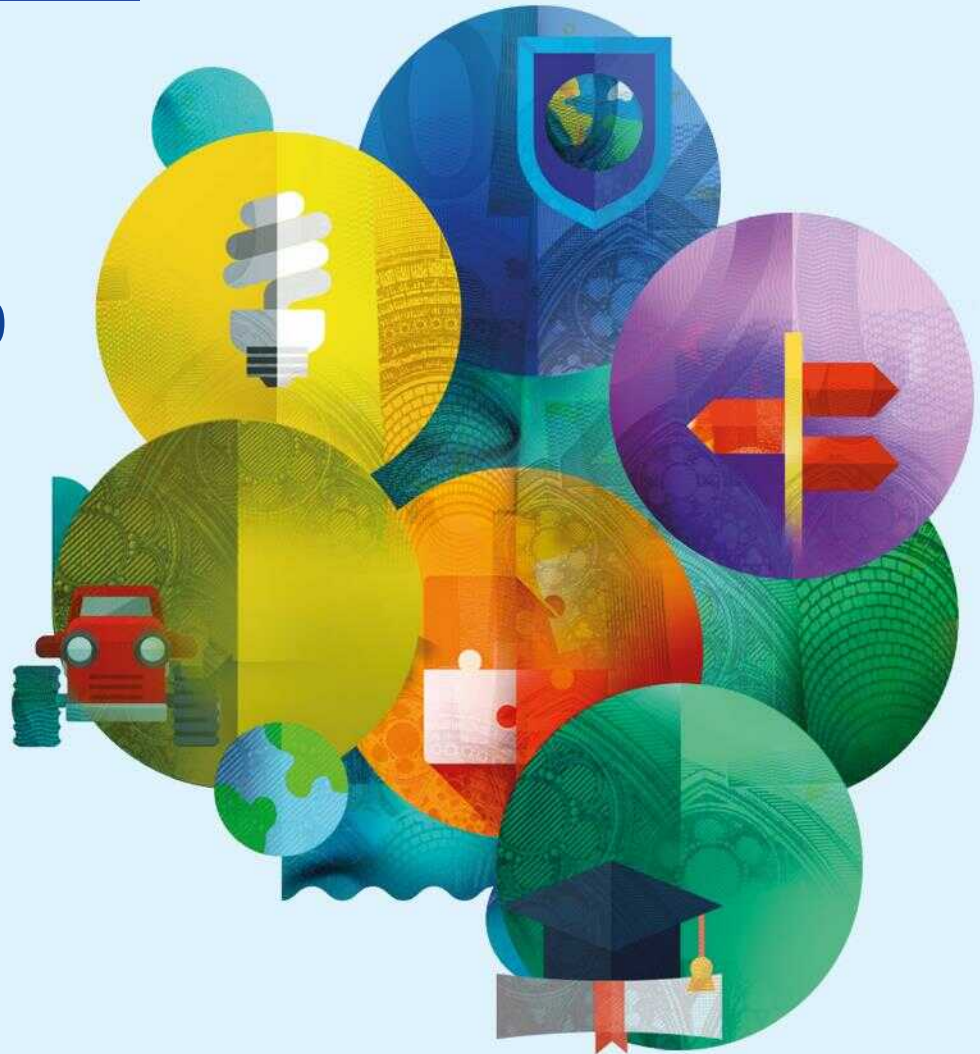


EU Budget for the future Smart Specialisation and Applied Research Post 2020

Peter Berkowitz
DG Regional and Urban Policy
Espoo, 20 March 2019

#CohesionPolicy
#EUinmyRegion

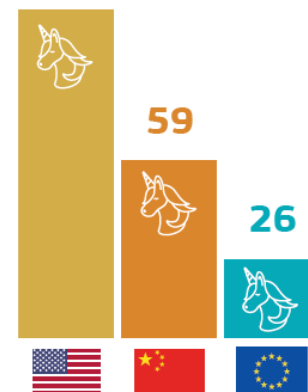


Europe has world-class research and strong industries, but underperforms in turning excellence into success ...

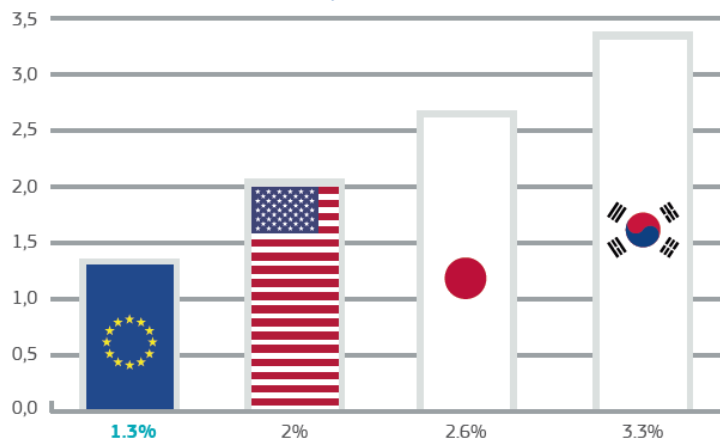
- **EU companies spend less on innovation** than their competitors
- **The EU is home to only 26 "Unicorn start-ups"** (start-ups valued at over \$1 billion) compared to 109 in the US and 59 in China
- **The overall amount of venture capital and the average size of funds in Europe** is too small to allow our start-ups to become big companies
- **Research & Development intensity is still uneven among EU regions**
- **40%** of the workforce in Europe needs **digital upskilling**

Number of Unicorn start-ups

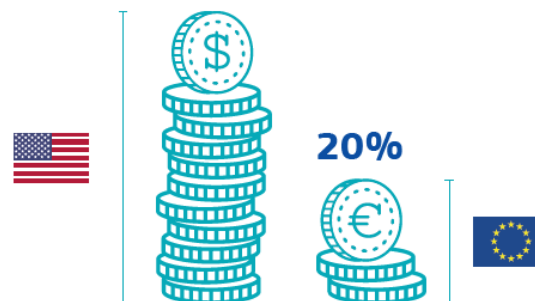
109



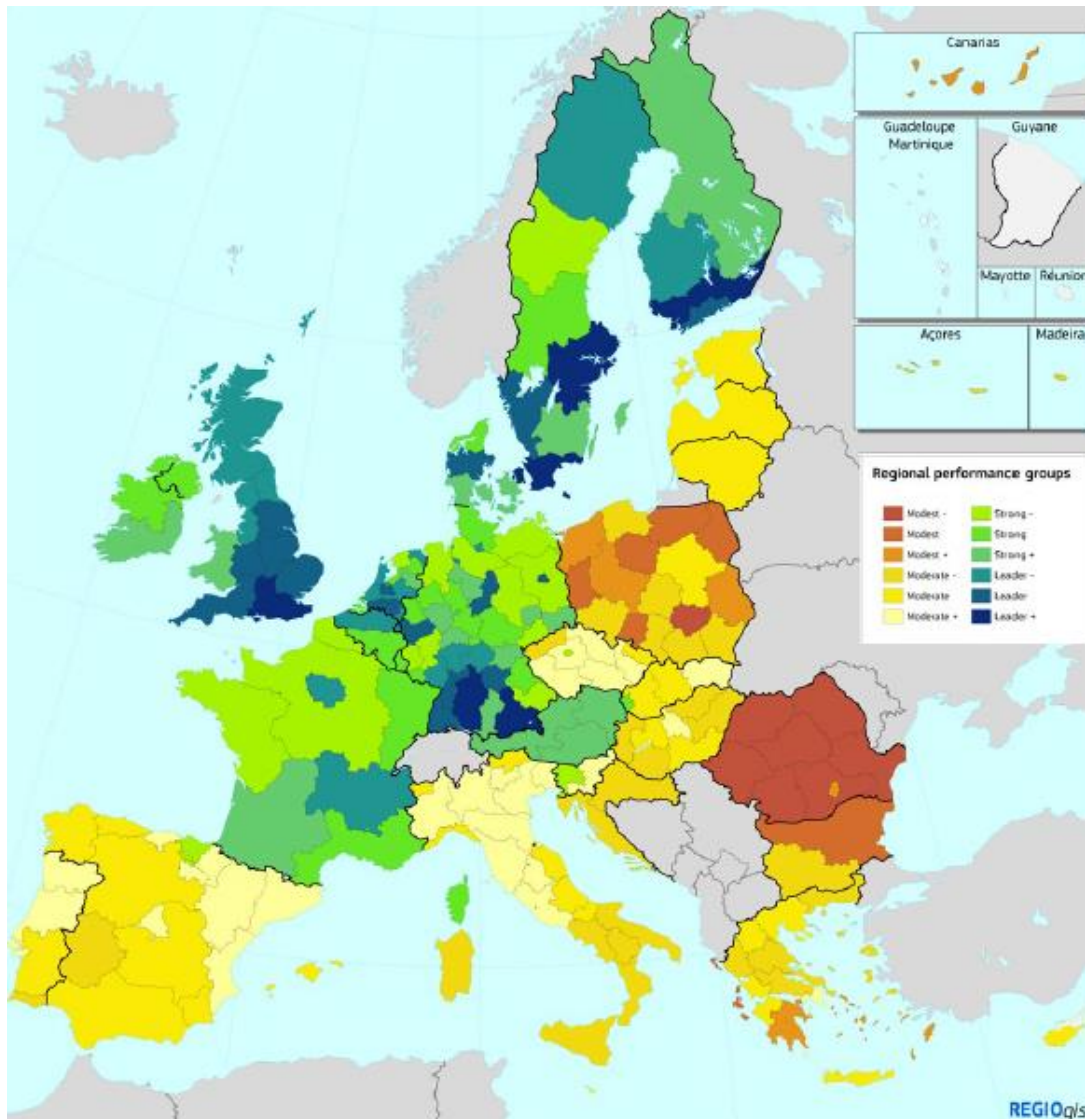
Business R&D investment in % of GDP



Venture capital

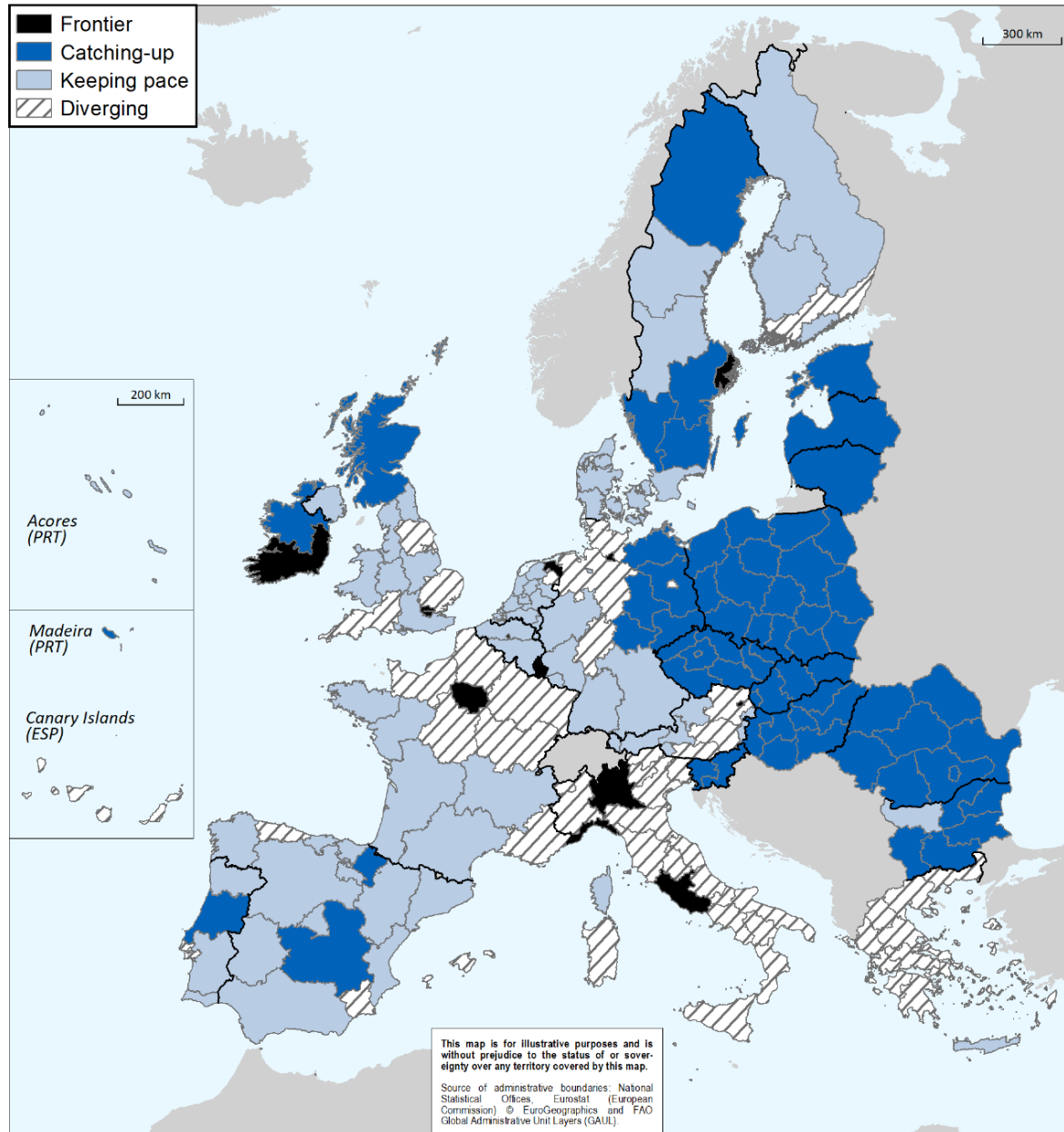


... with significant disparities in innovation capacities



Regional **Innovation** Scoreboard 2017

... as well as diverging productivity dynamics at EU level...



Notes: Frontier region is defined at European level as the aggregation of regions with the highest productivity (GDP per worker) among 25 EU countries and representing 10% of total employment in the EU. Catching-up/diverging regions grew by at least 5 percentage points more/less than the European frontier over the 2000-16 period. Keeping pace regions fall in between. 13 out of 200 regions compose the EU frontier: Burgenland, Vienna (Austria), Brussels region (Belgium), Île-de-France (France), Hamburg (Germany), Southern and Eastern (Ireland), Lazio, Liguria, Lombardy (Italy), Groningen (Netherlands), Stockholm (Sweden), Greater London (United Kingdom), Luxembourg.

Source: OECD Regional Statistics [Database].

... which has been addressed by smart specialisation under regional policy in the 2014-2020 period ...

- Place-based transformation embedded in local economy
- Dynamic entrepreneurial discovery process uniting key stakeholders around shared vision
- Evidence-based
- Mobilisation across different departments and governance levels – triple/quadruple helix
- Concentration of resources on priorities

Integrated into Cohesion Policy (2014-2020) as ex-ante conditionality:

- EUR 40 billion from ERDF to finance R&I projects (EUR 65 billion including co-financing)
- Over 120 smart specialisation strategies supported by the S3-Platform

It helped regions and MS in:

- developing a strategic approach to innovation
- prioritising R&I investments
- breaking down silos

... but needs to be adapted post 2020 to strengthen links between applied research and firm performance

- Broadening the scope of smart specialisation strategies
 - Innovation, digitalisation of industry, SME competitiveness, skills
- Strengthening accent on complements to physical investment
 - Intangibles: software, IP, firm level skills
- Reinforcing governance of smart specialisation (enabling condition)
 - Focus on addressing bottlenecks to innovation diffusion (role of innovation intermediaries as well as enabling technologies)
 - Clearer roles and responsibilities
 - Ongoing process of identifying key areas for prioritisation (EDP)
 - Stronger links with improvement of national and regional R&I systems
 - Actions to manage industrial transition (dealing with industrial legacy and anticipating the industries of the future)
 - Measures to promote international collaboration
- Will roughly double the resources covered by smart specialisation

... while supporting the development of European value chains.

WHAT

Interregional innovation investments through **the commercialisation and scaling up** of interregional innovation projects having the potential to encourage **the development of European value chains** ('component 5'). (ETC Art 3.5)

HOW MUCH

11.5 % of ETC Resources (i.e., **a total of EUR 970m**) for interregional innovation investments (component 5). (ETC Art. 9.2)

HOW

It shall be implemented under **direct or indirect management**. (ETC Art 16.1)

FOR WHOM

At the initiative of the Commission, the ERDF may support interregional innovation investments, as set out in point 5 of Article 3, **bringing together researchers, businesses, civil society and public administrations involved in smart specialisation strategies established at national or regional levels**. (ETC Art 61)

Conclusions

- RTOs will continue to play a central role in the implementation of smart specialisation
- Need for adaptation to new framework, part of reinforced governance
- Reinforced role of EDP as an ongoing process
- Need to increase cross-sectoral cooperation as part of adaptation to technological change
- Important potential role in interregional cooperation, both at sector and macro-regional level.

Thank you!