ERRIN European Regions Research and Innovation Network

ERRIN & DG RTD FP9 policy event / 31 January 2018

Regional R&I ecosystems: contributing to a competitive Europe

Summary of recommendations

Why regional innovation ecosystems should be further supported by the next MFF?

Going towards FP9, several reports - including the Lamy report - underlined the necessity to address the challenge of turning research knowledge into innovation and growth. To maximise impact and the European innovation potential, experience shows that strong territorial innovation ecosystems are essential. These ecosystems connect different actors (along the entire value chain) to create an environment that allows development, commercialisation, and exploitation of innovation.

At the same time Smart Specialisation has become a key success factor of Cohesion Policy going well beyond its role as an ex-ante conditionality ensuring eligibility and efficient use of structural funds. Smart specialisation strategies have supported the creation of a new "culture of cooperation" within regions when developing and implementing their innovation strategies. These strategies are based on a collaborative and participatory process that facilitates demand-led innovation and collective solutions, and catalyse the development of regional innovation ecosystems.

Regional innovation ecosystems generate significant impacts for the economy and regional competitiveness as well as excellent innovation that is close to people and their local needs. This link to territories also helps bringing science close to the society as there is a natural link with cities and regions facilitating active citizen involvement, understanding and ownership.

Regional innovation ecosystems create value locally. There are excellent examples of creating new markets and value added at regional and local levels. These benefits can be further accelerated if regional innovation ecosystems connect with each other to access complementary skills, infrastructure or markets. Interregional cooperation based on Smart Specialisation could help reshape EU value chains by promoting investment synergies between the private and public sectors within different regional innovation ecosystems. This contributes to the development of the EU economy as a whole.

Regions should increasingly be seen as the primary point of reference for EU innovation policy. Digital Innovation Hubs and the European Roadmap for Research Infrastructures are an illustration of this trend. This is also essential to generate innovation capacity through a bottom-up process, building on existing strengths and bringing together key stakeholders to increase critical mass. Building critical mass in one or several regions is not enough. Europe needs new partnerships for research and innovation excellence in the whole of Europe, which is based on enhanced multilevel governance, and a shared open innovation culture.

Regions represent “the right level” to bring coherence and to connect the actions of academic stakeholders, research centres, clusters, enterprises and administrations with European research and

innovation policy. Making the quadruple helix work requires an in-depth understanding of the local context (whether it consists predominantly of big or small companies, what type of skills the region lacks etc.). Due to this, the ecosystems need to be tailor made to fit regional realities and the facilitators or orchestrators of the regional innovation ecosystems vary depending on the context. This was well demonstrated by the programme of our event on 31 January, with speakers coming from regional government, research organisations and private sector.

Key recommendations

Combining top-down and bottom-up - aligning objectives of FP9 and Cohesion policy

"Today connections between smart specialisation and Horizon 2020 are coincidental instead of coordinated" as it was demonstrated by several speakers during the event. At the same time, smart specialisation drives the research and innovation policy agenda at the regional level. If synergies between the programmes are to be created at the strategic level, then the most apparent solution would be to increase the alignment of priority-setting in FP9 to the priorities set in Smart Specialisation Strategies.

"Aligning priorities is possible without blurring the different main objectives of excellence in FP9 and cohesion in ESIF. It is simply about creating synergies between the two programmes and their objectives." A cross-cutting objective within FP9 should therefore be the support to the development of stable interregional networks consisting of "regional innovation ecosystems", favouring a stronger integration between research and cohesion policy. We therefore suggest establishing a structured dialogue between various European Commission services and the "regional innovation ecosystem players" to ensure the viability of existing, and the design of new, policies and financing instruments to support regional innovation ecosystems as well as interregional cooperation between them.

Regional innovation ecosystems provide solutions to various societal challenges – or missions. The mission-oriented policy within FP9 could enhance policy coherence and encourage bottom-up solutions to the challenges throughout FP9. This provides us with an opportunity to avoid the calls from being too prescriptive and to open doors for new solutions and actors.

- *Create a dialogue between EC services and regional innovation ecosystem actors with an objective of a structured, concrete, and solution driven exchange;*
- *Strategic coordination between Research and Innovation Policy and the Cohesion Policy (S3) – this is essential for ensuring coherence and impact of research and innovation policy at all levels.*

'Territorial connections' as a type of actions under FP9

'Territorial connections' (as advocated by the French Regions) aims to support excellence at EU level by connecting regional ecosystems together and leveraging the use of the Smart Specialisation Strategies. The objective is to create "a new type action" to strengthen the innovation ecosystems approach in FP9, via a bottom-up approach. This action should be based on the knowledge triangle,

associating all different types of players (public authorities, research and academic players, and businesses) including civil society.

Several territories sharing similar Smart Specialisation priorities would join forces to develop innovation solutions together along the whole value chain to respond to European challenges or more operational missions. In this way, they would contribute to the implementation of several pillars of FP9 and of the transdisciplinary mission-oriented approach. This is based on the need of the players on the ground to connect with stakeholders from other territories with similar or complementary specialisation strategies. Linking to strategic priorities will allow such networks being sustainable also in the long term.

Helping European partners of the quadruple helix to share research and development solutions, innovation processes and financing schemes at appropriate territorial level is expected to generate European added-value. Indeed, this concrete EU action will structure territories within an integrated approach, support innovators connected to their innovation ecosystems, and foster internationalisation as well as adapted business models. This will be a step to create growth and jobs, and to fill the innovation gap between the EU and its global competitors.

The mission-oriented policy under the next framework programme should be flexible, allowing further bottom-up solutions and thus would directly support 'territorial connections' type of actions. Designed well, the mission-oriented approach could in a flexible and horizontal way, across all types of actions, allow for the involvement of new actors in projects, which in turn would speed up the development and implementation of new solutions.

In addition, such an approach could be useful under the Spreading Excellence pillar, where less experienced regional innovation ecosystems – or actors from those ecosystems - could be included to the consortia.

- *Use 'territorial connections' as a new action to strengthen the ecosystem approach within FP9, and support the creation of sustainable interregional networks to innovate and speed up implementation together.*

Smart Specialisation 2.0.

Smart Specialisation (S3) has a transformative role in regional development. It is 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 helps 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 to ensure continuity. Tools to facilitate the implementation, monitoring, evaluation, and the Europeanisation of these strategies need to be further developed.

The next phase of Smart Specialisation should also be more "outwards" and have an increased focus on interregional cooperation. Smart Specialisation 2.0 could include a number of new elements, such as:

- Smart Specialisation Strategies should include an exercise identifying existing funding and financing opportunities for the identified sectors and strengths, a sort of an investment framework or a plan, to further support S3 implementation. This exercise should contribute to further coordination and possible combination of funds at all levels (local, regional, national, and EU).

- The European Commission and the JRC could further facilitate the "inter-regional discovery process" that would help regions find common strategic objectives and possible complementarities based on their S3. This bottom-up process should provide a basis for interregional cooperation and lead to increasing the market uptake of innovation.

- S3 contact points in the regions should be supported by the ERDF. They could receive and provide training linked to Smart Specialisation and thematic partnerships, and support the development of the Smart Specialisation process in the regions as well as their connectiveness with other regions.

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

- *The next phase of Smart Specialisation should include adequate stakeholder involvement and be better planned, including a financial (investment) plan;*

- *Smart Specialisation will have a strong component on interregional cooperation that should be further supported, facilitated, and resourced by the European Commission and the JRC.*

Getting closer to the markets

The innovation pillar of FP9 should be stronger than in Horizon 2020. Further focus on innovation that is close to market is needed. This entails an increase in opportunities (or calls) targeting businesses and industry (such as the FTI and the SME Instrument) and calls targeting businesses indirectly through clusters, science parks, and other intermediaries. The highly popular INNOSUP call is a good example. The European Innovation Council (EIC) will also have an important role in further strengthening this pillar.

There is an increasing trend to propose and use financial instruments to tackle close to market innovation. Nevertheless, the role of financial instruments should be further assessed and tested. The role of cities and regions is crucial in this context, as the funding mix is most efficiently made at a level where the needs and investment barriers of the local SMEs are best known. The 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.

Public (and private) procurement should be further used as a catalyst for innovation and its implementation encouraged and supported. The policy framework for public procurement of innovation should be harmonised. The regional and local levels could have a crucial role in accelerating the transition of innovative solutions from pre-commercial phases to market.

Current EU regulations allow for transitions between the pre-commercial and the commercial phase only for tendering processes. However, this might lead to potential delays in entering the market for innovative products creating discrepancies between the demand and offer. For example, SMEs awarded with a Seal of Excellence, could use public procurement of innovation as an instrument to reach the markets. This could work in a similar way to the US programme SBIR Phase 3, that awards small business to pursue commercialisation objectives resulting from the Phase I/II R/R&D. The European policy framework should accelerate this process from research to markets, including through strong cooperation between DG RTD and DG Competition.

- *Further "close to the markets" actions are needed for example via strengthening the innovation pillar and the opportunities encouraging "scaling up";*
- *The EIC must have a mechanism that allows regional level (cluster organisations, managing authorities, …) to be part of designing the right financing mix to address the SME investment barriers;*
- *Unlocking the huge potential that Public Procurement of Innovation has to open new markets and scale up innovations.*

This document is not a position paper, but a set of recommendations based on the ERRIN FP9 policy event organised together with the DG RTD on the 31 January 2018. During this event ten regional innovation ecosystems were presented. The agenda, which includes a short description of the presented examples, and the event programme are available on the ERRIN website.