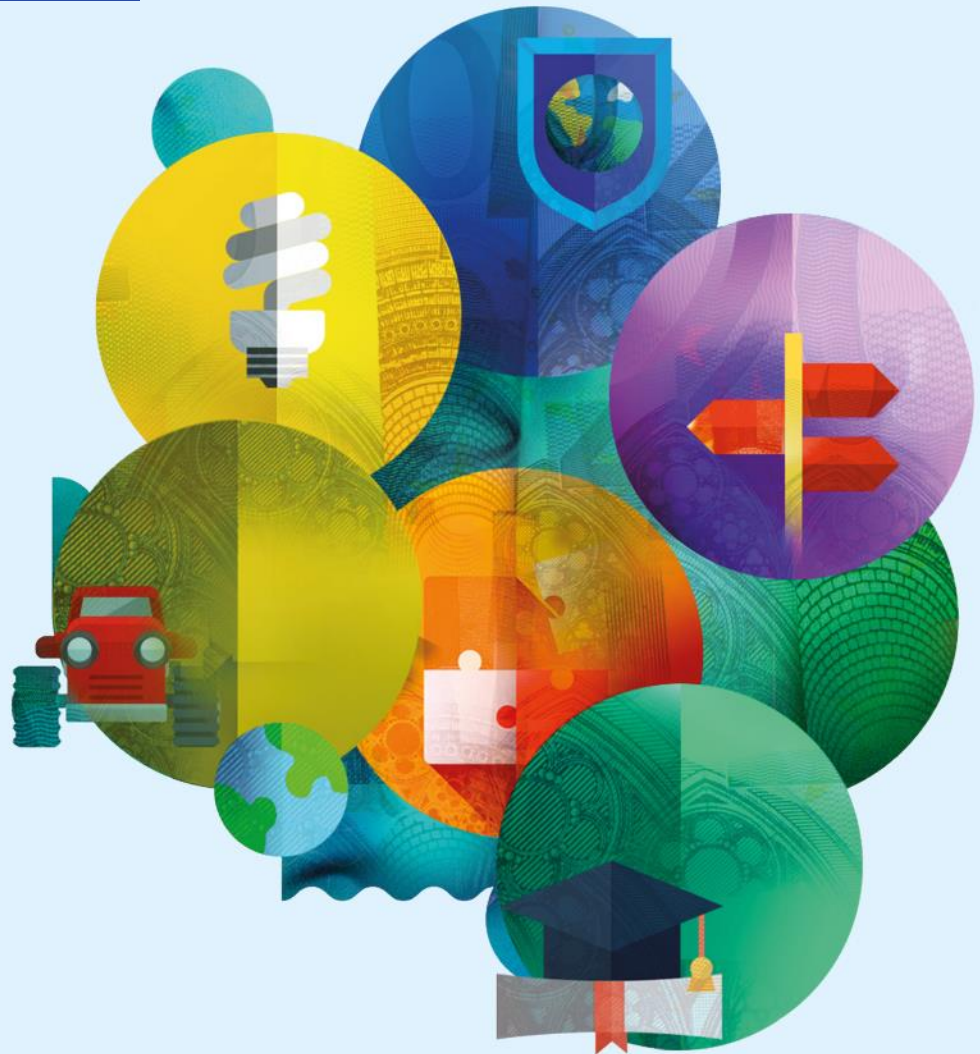


# Interregional innovation investments

Riga, 19 September 2019

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Unit G1 - Smart and Sustainable Growth  
DG Regional and Urban Policy



# COUNCIL CONCLUSIONS ON AN EU INDUSTRIAL POLICY STRATEGY: A VISION FOR 2030, May 2019

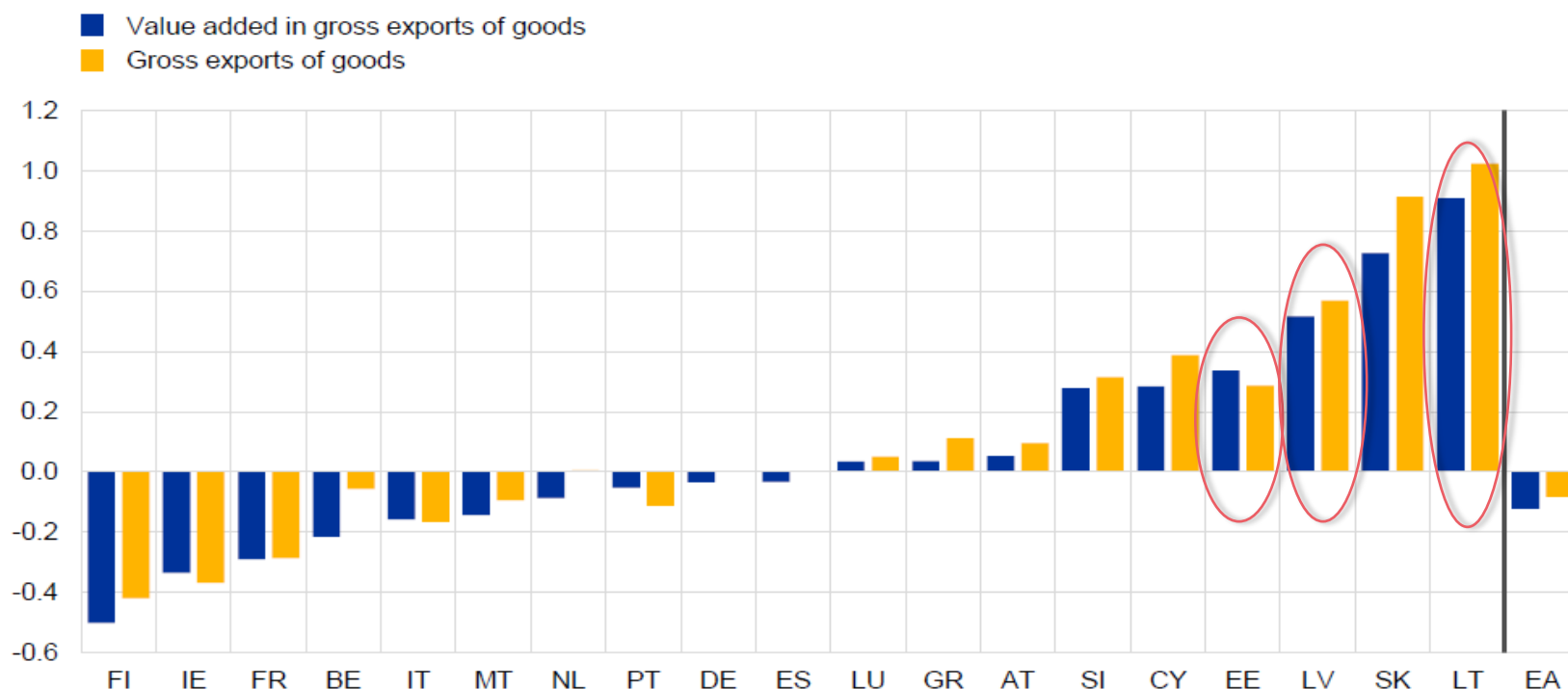
“STRESSES the importance of strong European industrial value chains in a global context;”

“EMPHASISES the importance of developing pan-European integrated industrial projects;”

“ENCOURAGES Member States to incentivise national, regional and local efforts towards such purposes;”

# The Baltics have been some of the fastest growing exporters in Europe

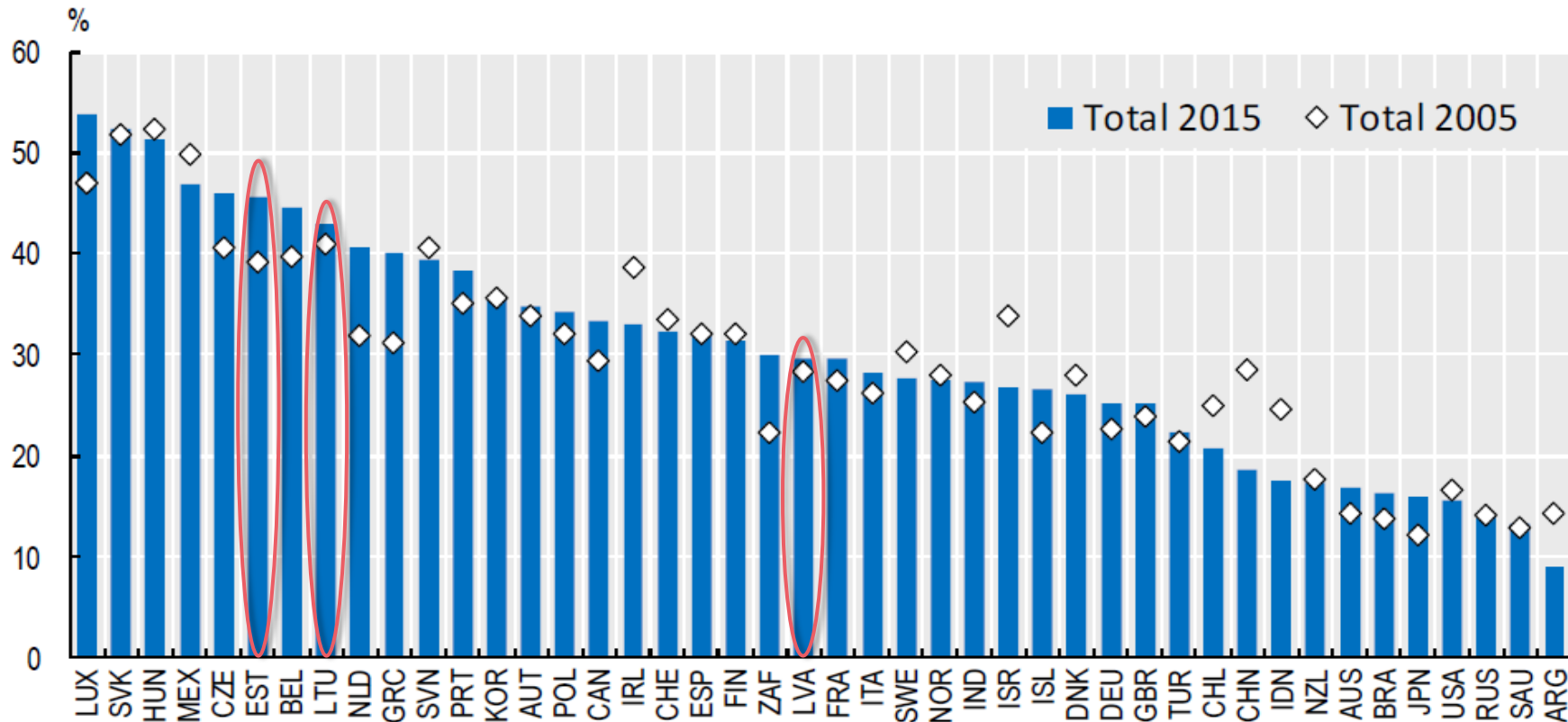
Changes in global market share of euro area countries between 2000 and 2014



Sources: WIOD, UN Comtrade, Latvijas Banka and Oesterreichische Nationalbank staff calculations.  
Note: Cumulative log changes in global market shares are shown.

# GVC integration is an important part of the export story in the Baltics

**Figure 2.** Foreign value-added share of manufactured exports

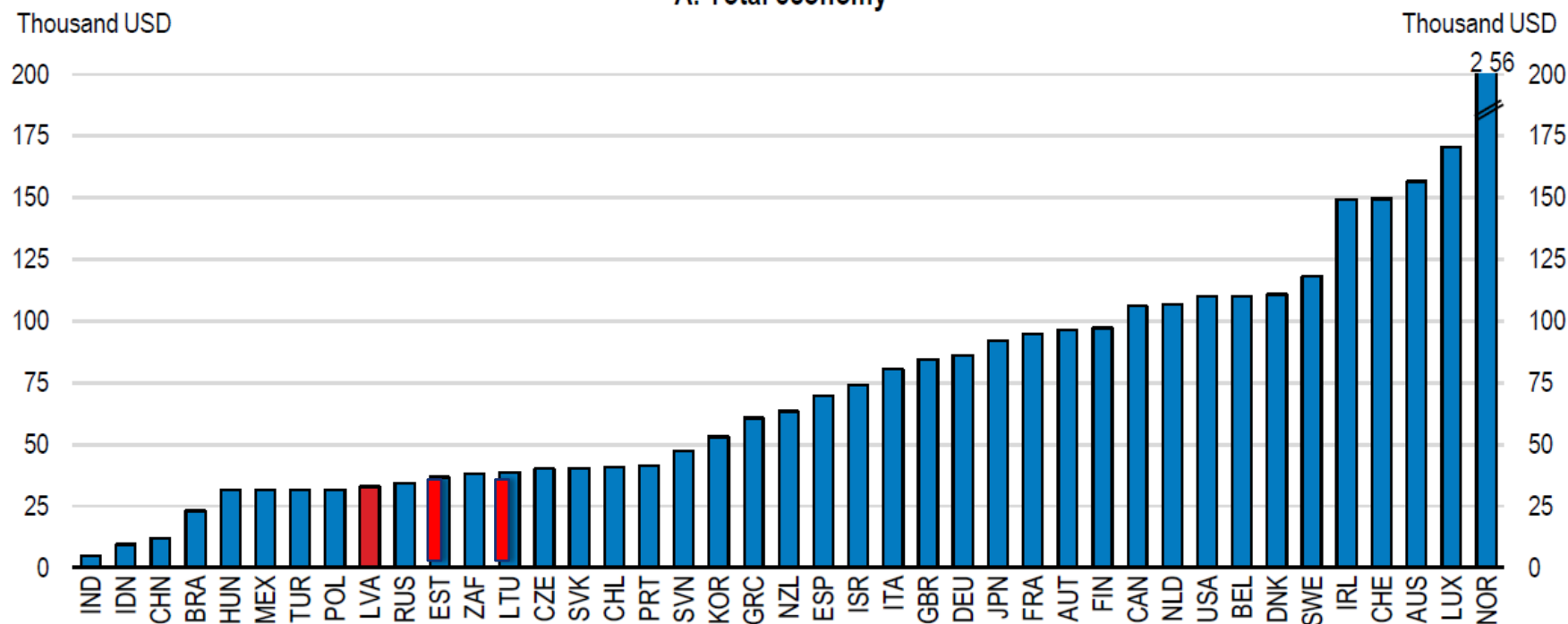


<http://oe.cd/tiva>

# But, with low value added per worker

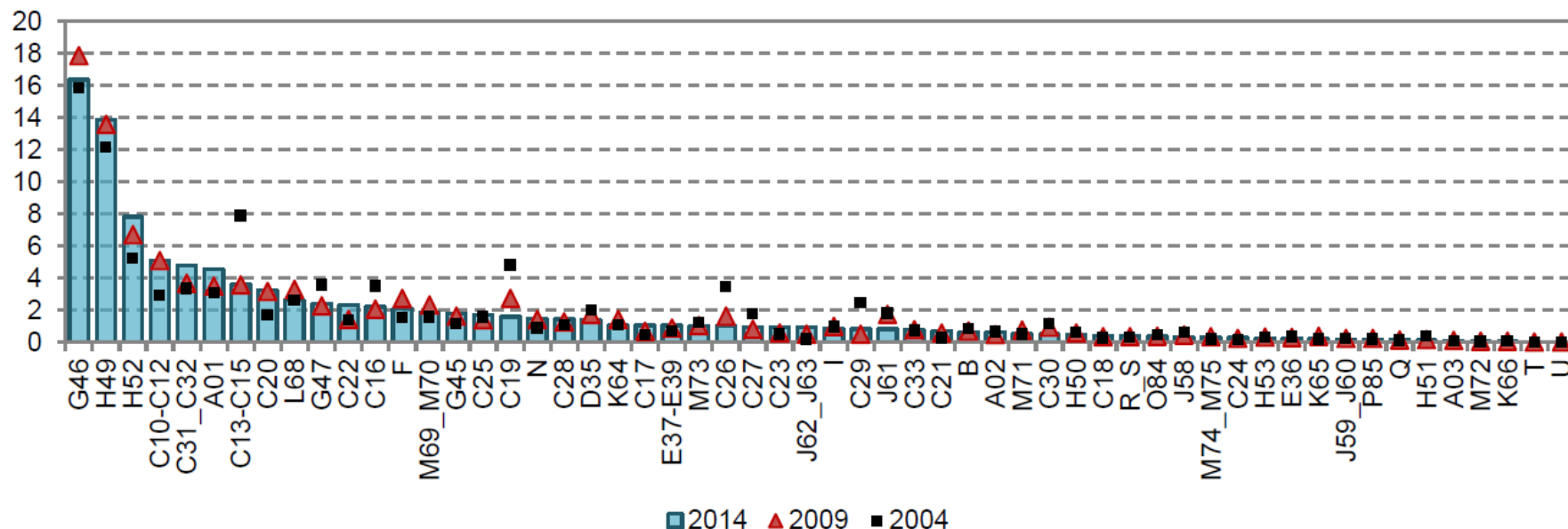
Value added embodied in foreign final demand per worker

## A. Total economy



# With a dependence on traditional industries and services (Lithuania)

Fig. 18. Structure of value-added exports by sectors of economy in 2014, %.

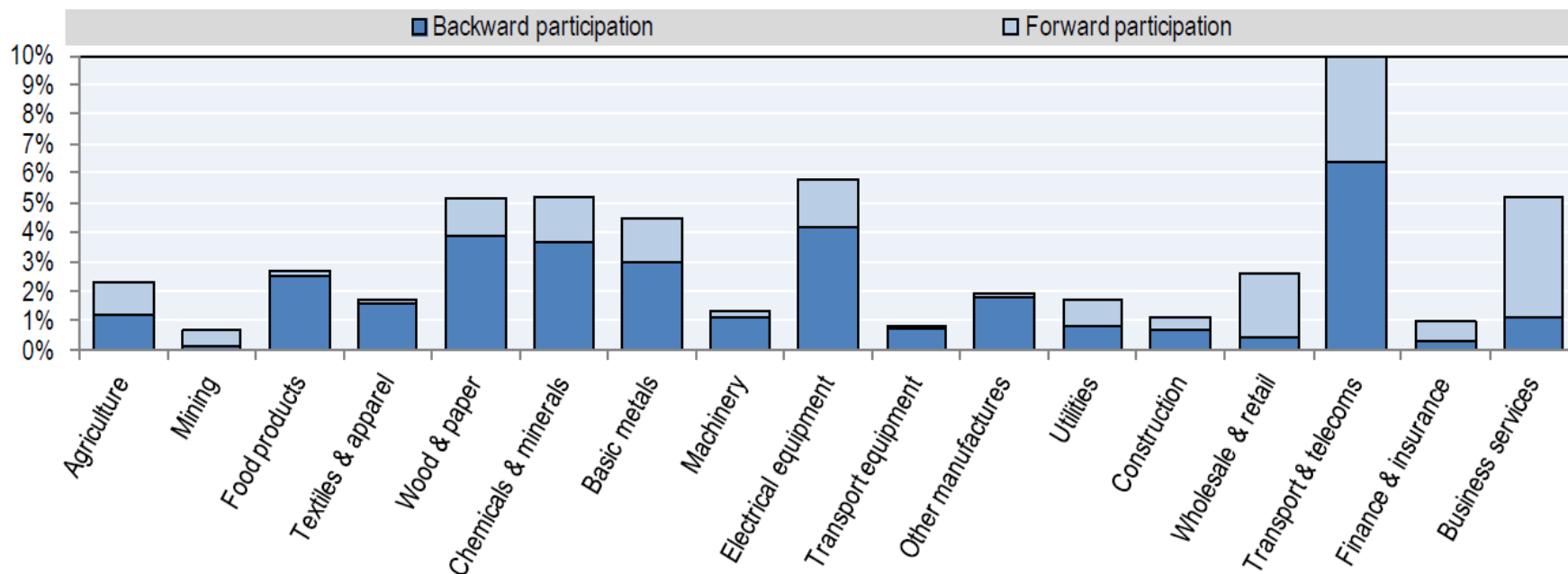


The share of business services (sectors G-N and R-U in accordance to NACE2 classification) in total value-added exports in 2014 was 55.5%, compared to 50.5% in 2000. From 2000, the share of business services increased to 51.2% in 2004, to 58.0% in 2009 and decreased slightly afterwards to 55.5% in 2014. Exports of this sector increased by 17.2% per year in the 2000-2014 period. The strongest growth was observed in the period of 2004–2008. The greatest share of value-added exports in 2014 was generated by such service activities as wholesale trade (G46), inland transport (H49) and warehousing and support activities for transportation (H52). These services amounted for more than one third (38% in 2014) of total Lithuanian value-added exports (see Fig. 16). Although considerably smaller, real estate activities (L68) and retail trade (G47) also contributed to value-added exports in business services with shares of 2% each. All these activities were not only dominant in the value-added export structure of Lithuania, but a majority of them were also among the largest in the structure of Lithuania's economy.

► Within manufacturing, the largest contributions were by traditional industries, such as the food, beverages and tobacco industry, the textiles and clothing industry and the furniture industry. High-tech industries, only have a small contribution in value-added exports with a miniscule share of only 1.7%.

# As well as sectors likely to face technological transformation (Estonia)

Figure 2. GVC participation by industry<sup>2</sup>, 2009



<http://oe.cd/tiva>

# COUNCIL CONCLUSIONS ON AN EU INDUSTRIAL POLICY STRATEGY: A VISION FOR 2030, May 2019

“HIGHLIGHTS the support that Cohesion policy can bring in mobilising investments in industrial competitiveness and industrial transition, also taking into consideration smart specialisation strategies;”

“UNDERLINES the potential of the future Single Market Programme to boost industrial modernisation through joint cluster initiatives as well as of the new Interregional Innovation Investment Instrument proposed under Cohesion policy for the development of EU value chains.”



# Enabling condition for smart specialisation

Policy objective	Specific objective	Name of enabling condition
<b>1. A smarter Europe by promoting innovative and smart economic transformation</b>	ERDF: All specific objectives under this policy objectives	Good governance of national or regional smart specialisation strategy
Fulfilment criteria for the enabling condition		
<p>Smart specialisation strategy(ies) shall be supported by:</p> <ol style="list-style-type: none"> <li>1. Up-to-date analysis of bottlenecks for innovation diffusion, including digitalisation</li> <li>2. Existence of competent regional / national institution or body, responsible for the management of the smart specialisation strategy</li> <li>3. Monitoring and evaluation tools to measure performance towards the objectives of the strategy</li> <li>4. Effective functioning of entrepreneurial discovery process</li> <li>5. Actions necessary to improve national or regional research and innovation systems</li> <li>6. Actions to manage industrial transition</li> <li>7. Measures for international collaboration</li> </ol>		

# S3P Industrial modernisation - 20 partnerships



Advanced manufacturing



Non-food Biomass



Efficient and Sustainable Manufacturing



3D-Printing



New Nano-Enabled Products



Advanced materials for batteries



Mining industry



Textile Innovation



Medical technology



Photonics



SMEs to the Industry 4.0



Sport



Digitalisation and Safety for Tourism



Water Smart Territories



Cybersecurity



Social Economy



Artificial Intelligence & Human Machine Interface



Personalised medicine



Chemicals



Safe and sustainable mobility

# S3P Agri-food - 5 partnerships



**High Tech Farming**



**Traceability & Big Data**



**Consumer Involvement  
in Agri-Food**



**Nutritional Ingredients**



**Smart Sensors 4 Agri-Food**



European  
Commission



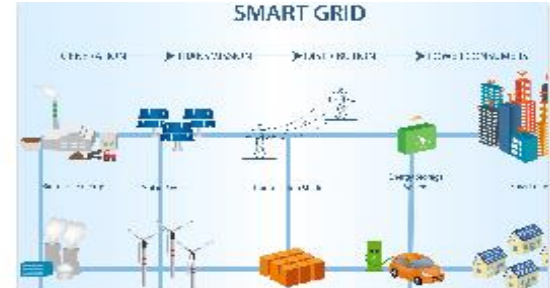
# S3P Energy – 5 partnerships



**Bioenergy**



**Marine Renewable  
Energy**



**Smart Grids**

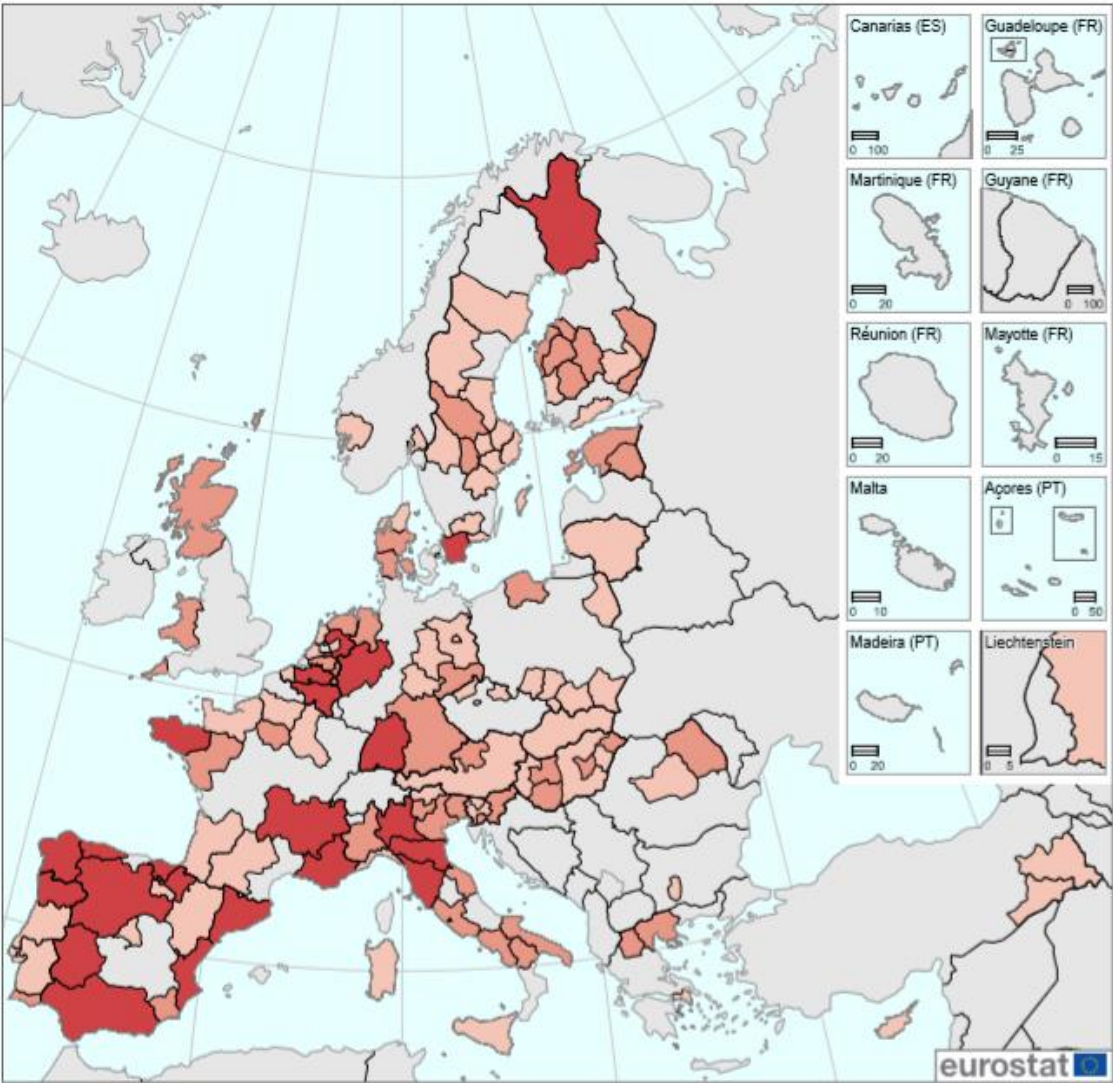


**Sustainable Buildings**



**Solar Energy**

**All Thematic platforms**  
Regions are coloured according to their participation in partnerships



# Thematic S3 Platforms

## *3 platforms, 1 goal*

- **Joint EC initiative**  
(DG REGIO, GROW, AGRI, ENER, JRC)
- **Bottom-up approach**
  - **> 100 regions** involved
  - **30 partnerships** under the 3 platforms
- Using S3 as a coordination principle in strategic EU priority domains
- Alignment of regional S3
- **Creation of interregional value chains** ☐ **investment projects**
- Alignment of strategic investments (public/ private)

# Moving from networking to investment

Support from S3Platform and  
external experts

Challenge to accelerate the work done within the thematic platforms.

The focus will be on projects on **higher TRLs** (>5/6 TRL).

Learn

Connect

Demonstrate

Commercialise

Scale-up

# Pilot projects



## Test new ways to:

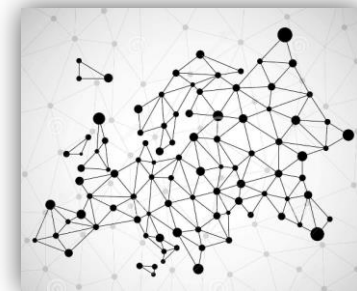
- **Commercialize and scale-up interregional innovation projects that can create or reshape European value chains**
- **Attract private investment for promising innovation projects**
- **Explore and strengthen synergies between different EU instruments (ESI funds, the Investment Plan, Horizon 2020, COSME)**

THEMATIC AREA	COORDINATED BY	LEAD REGIONS	PARTICIPATING REGIONS
 3Dprinting	Thematic Smart Specialisation Platform for Industrial modernisation	Flanders (BE), Noord-Brabant (NL), Norte (PT)	Emilia-Romagna (IT), Wallonia (BE), Lombardy (IT), Aragon (ES), Saxony (DE)
 Bio-economy	Thematic Smart Specialisation Platform for Industrial modernisation	Flanders (BE)	Wallonia (BE), Lower-Austria (AT), North Rhine-Westphalia (DE), Emilia-Romagna (IT), Navarra (ES), Noord-Brabant (NL), Helsinki-Uusimaa (FI), Łódzkie (PL)
 Cybersecurity	New thematic area	Brittany (FR)	Estonia, North Rhine Westphalia (DE), Central Finland (FI), Castilla y Leon (ES)
 De- & re-manufacturing for circular economy	Thematic Smart Specialisation Platform for Industrial modernisation	Lombardy (IT)	Tampere (FI), Norte (PT), Scotland (UK), Saxony (DE), Basque Country (ES), Flanders (BE), Emilia Romagna (IT)
 High-tech farming	Thematic Smart Specialisation Platform for Agri-food	Tuscany (IT)	Estonia, Flanders (BE), Weser-Ems (DE), Central Macedonia (EL), West Macedonia (EL), Galicia (ES), Extremadura (ES), South Ostrobothnia (FI), Pays De la Loire (FR), Marche (IT), Veneto (IT), Emilia-Romagna (IT), North-East Romania (RO), East Central Sweden (SE), Northern Netherlands (NL), Gelderland (NL), Noord-Holland (NL), Zuid-Holland (NL), North-Brabant (NL), Limburg (BE), Northern Ireland (UK), Centro (PT)
 Marine renewable energy	Thematic Smart Specialisation Platform for Energy	Basque Country (ES) & Scotland (UK)	Asturias (ES), Andalucía (ES), Navarra (ES), Norte (PT), Flanders (BE), Emilia Romagna (IT), Lombardy (IT), South Denmark (DK), Skåne (SE), Dalarna (SE), Ostrobothnia (FI), Brittany (FR), Cornwall (UK), Sogn og Fjordane (NO)
 Sustainable buildings	Thematic Smart Specialisation Platform for Energy	Andalucía (ES)	Friuli Venezia Giulia Region (IT), Central Slovenia (SI), South Karelia (FI), Provence-Alpes-Côte-d'Azur (FR), Algarve (PT)
 Traceability and big data in agri-food	Thematic Smart Specialisation Platform for Agri-food	Andalucía (ES), Emilia-Romagna (IT)	Pays de la Loire (FR), Friuli Venezia Giulia (IT), Aragón (ES), Extremadura (ES), Pazardzhik (BG), South Ostrobothnia Region (FI), South Savo (FI)



# Interregional innovation investments

## ‘Component 5’ □ built on the results of the Pilot action



### 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)

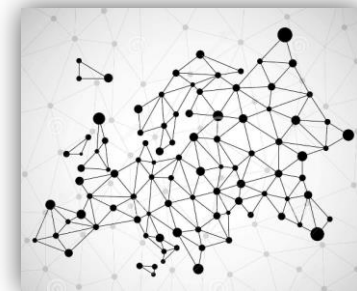
### FOR WHOM

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)



# Interregional innovation investments

## ‘Component 5’ □ Implementation



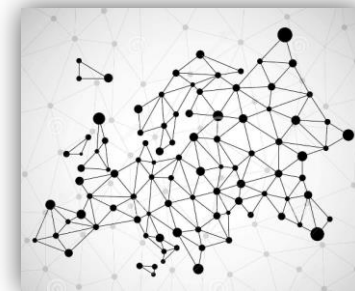
Managed in direct management (i.e. by the Commission or an executive body) and possibly as well in indirect management. This will:

- Facilitate the implementation of interregional investment projects which have high coordination costs,
- Ensure alignment with EU policies and priorities, and enhance complementarities with actions under Horizon Europe and the Single Market programme,
- Simplify compliance with state aid requirements.

The instrument could cover third countries in line with the arrangements foreseen under the Horizon Europe proposal.

# Interregional innovation investments

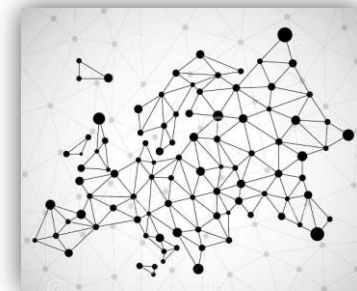
## ‘Component 5’ □ Governance



- Launch work with broad consultation on priorities.
- Establishment of a dedicated expert group.
  - The group would be composed of a mix of representatives from Member States/regions, other EU institutions, relevant stakeholders and representatives of academia.
  - The role of the expert group would be to support the Commission in defining a long-term work programme and related calls matching EU priorities with smart specialisation strategies.
  - Calls would be open to any partnership in an identified thematic area that brought together regional partnerships sharing smart specialisation priorities.

# Interregional innovation investments

## ‘Component 5’ □ Support



### Strand 1 - Financial and advisory support for investments in interregional innovation projects

- Supporting partnerships to develop, connect or make complementary use of testing and demonstration facilities to accelerate market uptake and scale up of innovation solutions in shared smart specialisation priority areas.
- Managed through support to the development of a portfolio of projects by selected partnerships.

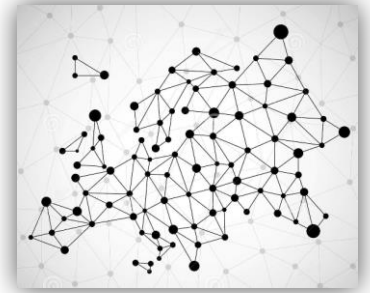
### Strand 2 - Financial and advisory support to the development of value chains in less developed regions

- Increasing the capacity of regional innovation eco-systems in less developed regions to participate in global value chains as well as the capacity to participate in partnerships with other regions.
- Strong cohesion dimension creating linkages between less developed regions with those in lead regions.
- Focus both on foreign direct investment-driven value chains and other emerging sectors.

+ learning activities, evaluation and capitalisation

# Interregional innovation investments

## ‘Component 5’ □ Support □ Strand 2

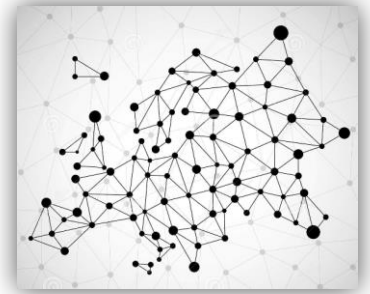


## Building preconditions for successful international or interregional collaboration □ comprehensive support from Strand 2

- Reinforcing region's position in global value chains
- Strengthening of capacities and opportunities to integrate local actors in value chains of multinational companies (triple helix approach – SMEs, research institutions, public administration)
- Building an innovation ecosystem which promotes collaboration inside and outside the region by:
  - matching business sector with research capacities across borders,
  - capturing value in GVCs,
  - creating conditions for innovation diffusion and
  - internationalising regional and country value chains
- Concrete project implementation to build experience in GVC participation

# Interregional innovation investments

## ‘Component 5’ □ Support □ Strand 2



### Analytical support

Understanding the region's position in global value chains:

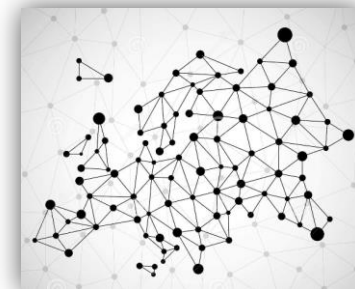
- Science – business linkages in the MS/region (links between MNEs and local research organisations)
- Level of internationalization of SMEs in the MS/region (position of SMEs in international networks, linkages and cooperation of SMEs with research capacities in other regions/MS)
- Organisation of forward and backward linkages in value chains
- Skills to engage in international cooperation
- Positioning of the region/MS in emerging strategic global value chains

### Possible tools:

- Analysis of potential growth markets domestically and abroad within value chains
- Benchmarking value chain linkages against other EU countries
- Mapping of innovation support system, intermediaries (regional development agencies, clusters, private sector organisations, etc.) and policy mix

# Interregional innovation investments

## ‘Component 5’ □ Support □ Strand 2



### Capacity building

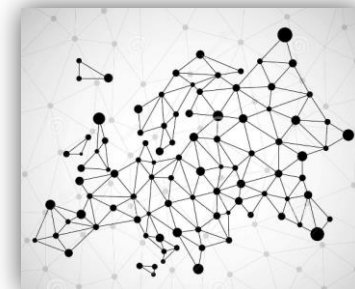
- Activities aimed at developing capacity to engage in international activities (in SMEs, intermediary organisations and research institutions)
- Building capacities to participate in international triple helix networks to explore common opportunities
- Strengthening links between local innovation ecosystems and global value chains (links between innovation and investment intermediaries, clusters and SME support agencies)

### Possible tools:

- Prospection visits in clusters or companies in other regions/MS
- Research infrastructure visits for companies
- Twinning projects including the business sector
- Erasmus for cluster and innovation managers
- Vouchers for SMEs to use foreign research facilities
- Targeted training

# Interregional innovation investments

## ‘Component 5’ □ Support □ Strand 2



### Project implementation

- Calls for project proposals in S3 thematic areas and implementation of joint innovation investment projects between research and business sector to encourage common investments
- Technology readiness level 6 – 8
- Actors coming from at least two different Member States

### Possible tools:

- Bilateral interregional projects in S3 thematic areas involving triple helix partners
- Strengthening access to “innovation leaders” (leading universities and research institutions in more developed regions/MS)
- Collaborative research projects between MNEs and local SMEs to upgrade the position of SMEs in value chains



# Thank you!