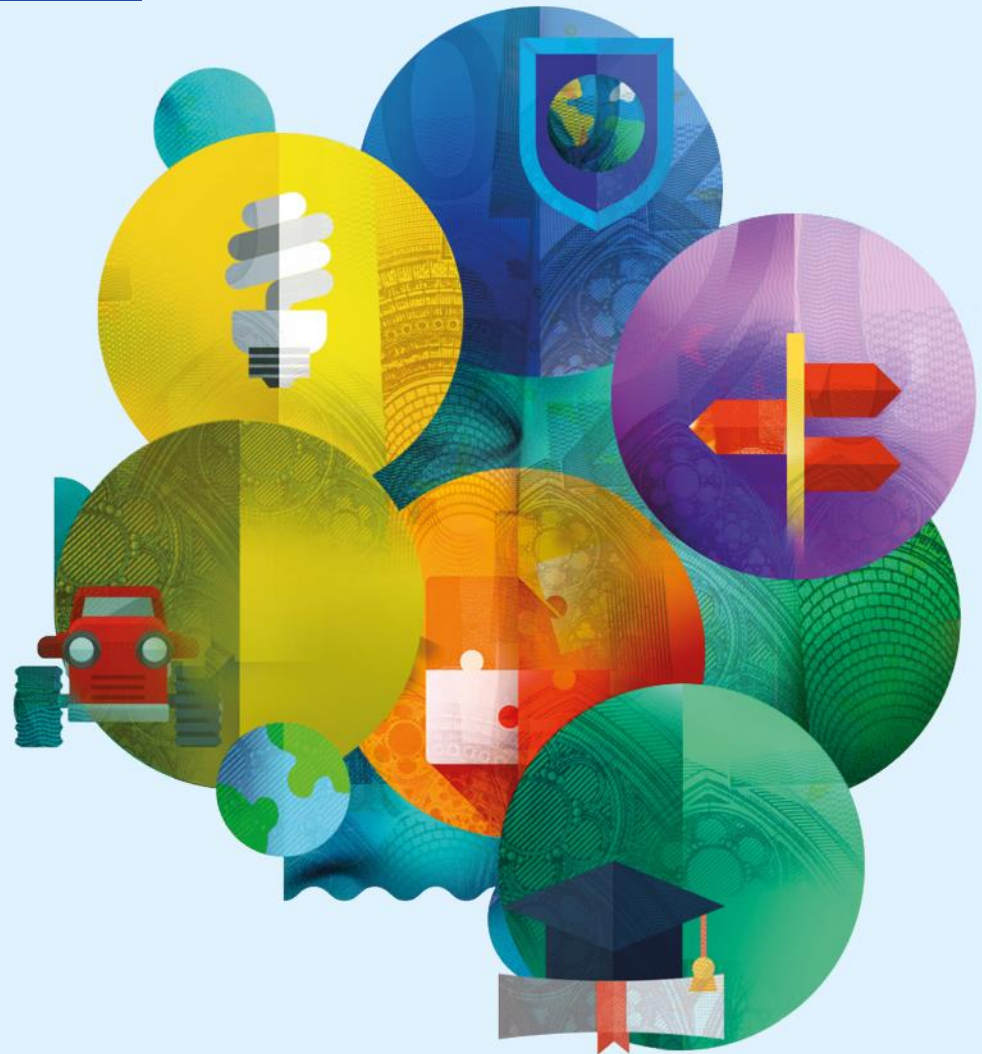


Policy Objective 1

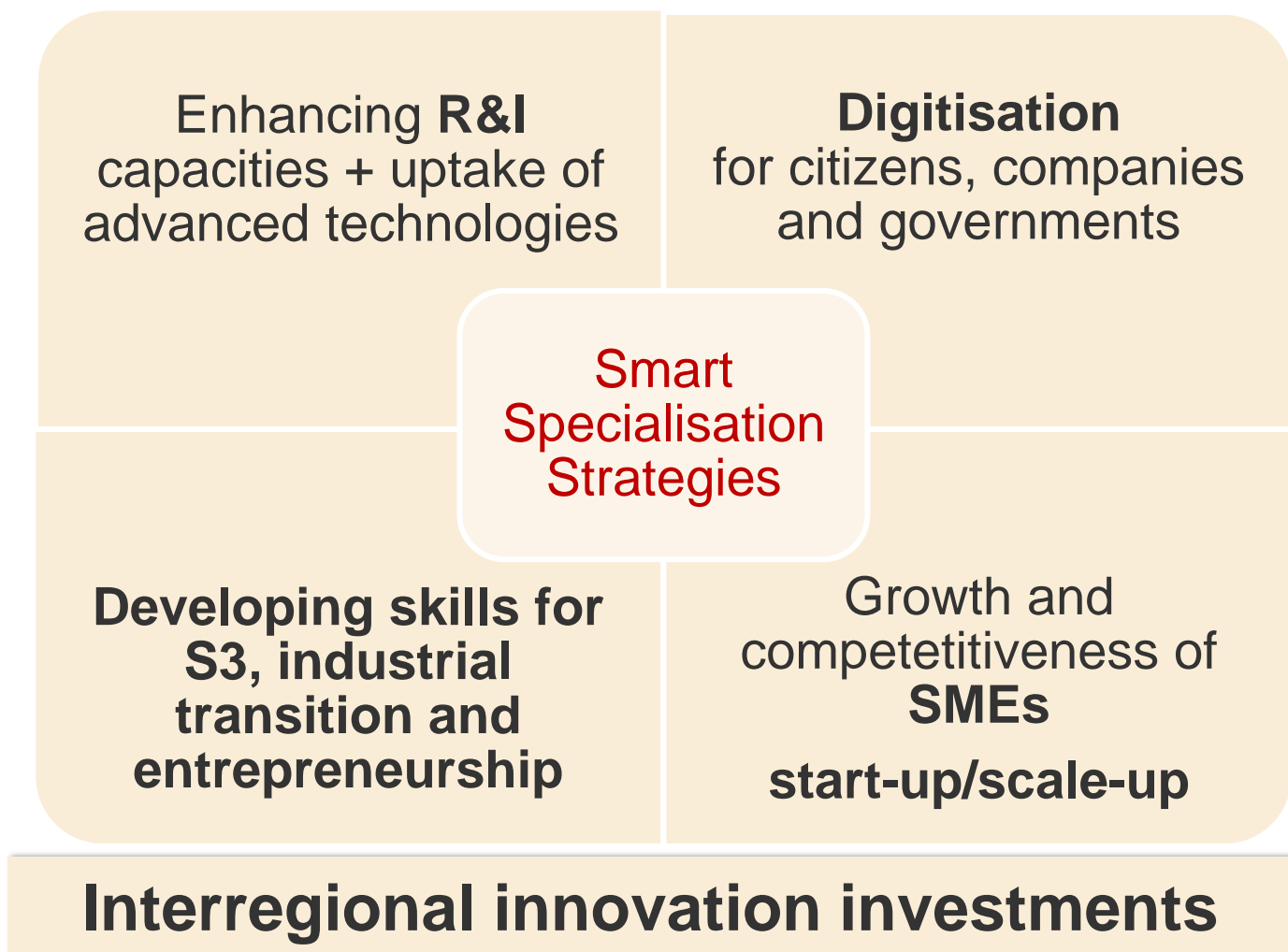
**A smarter Europe by
promoting innovative
and smart economic
transformation**

Unit G1 DG Regional and Urban Policy
September 2019

#CohesionPolicy
#EUinmyRegion



Cohesion Policy Objective 1: 2021-27 A smarter Europe by promoting innovative and smart economic transformation



Scope of support from the ERDF

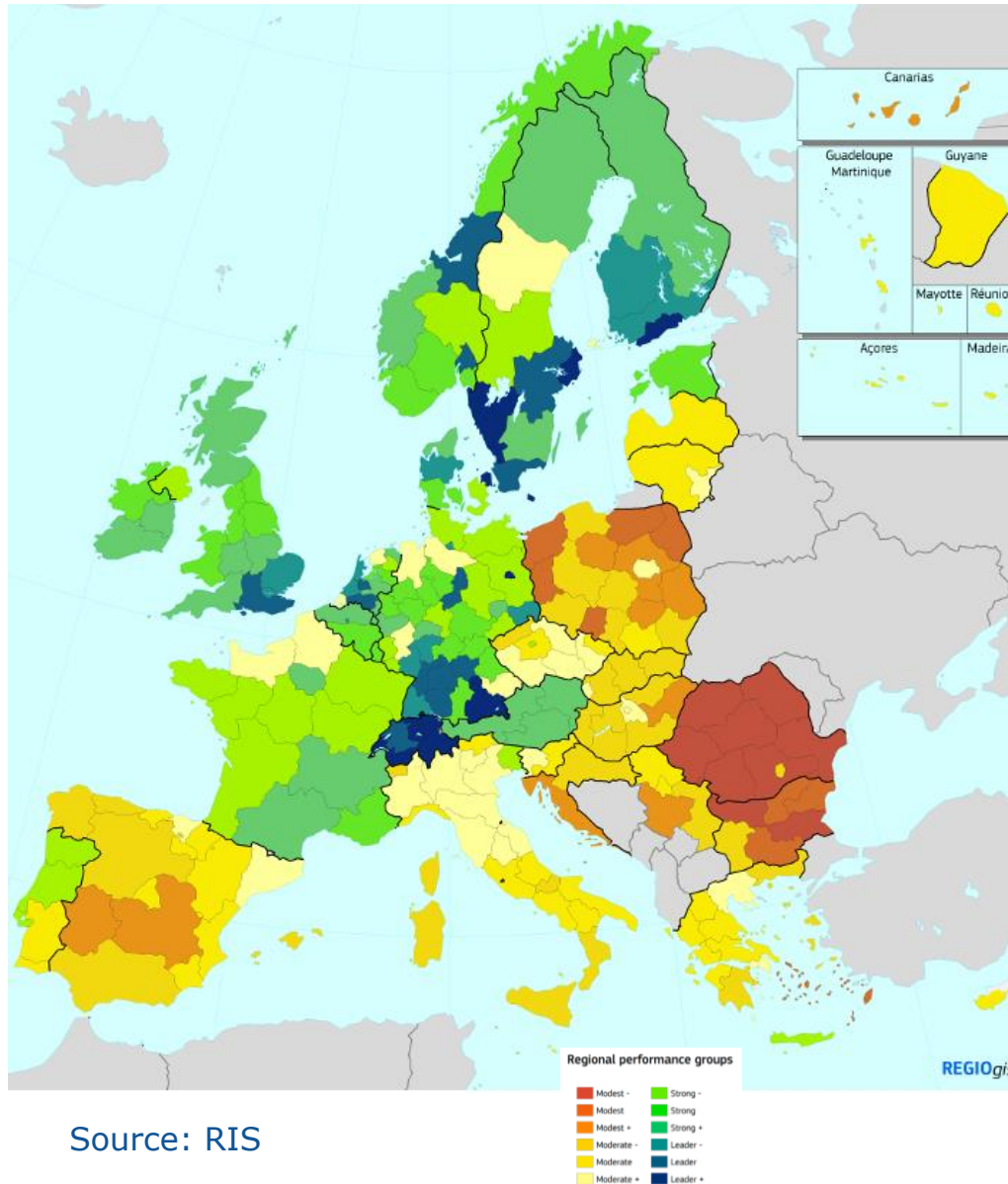
The ERDF shall support:

- a) investments in infrastructure;
- b) investments in access to services;
- c) productive investments in SMEs;
- d) equipment, software and intangible assets;
- e) information, communication, studies, networking, cooperation, exchange of experience and activities involving clusters;
- f) technical assistance.

In addition, the ERDF shall also support:

- productive investments in enterprises other than SMEs when they involve cooperation with SMEs research and innovation capacities and the uptake of advanced technologies under PO1 Smart Growth (a) (i)
- training, life-long learning and education activities under PO1 (a) (iv);

Innovation performance



Source: RIS

Performance data mostly on a country level only

Estonia

Strong innovator

Latvia

Moderate innovator

Lithuania

Moderate innovator with Vilnius being the leading region.

Challenges for Estonia



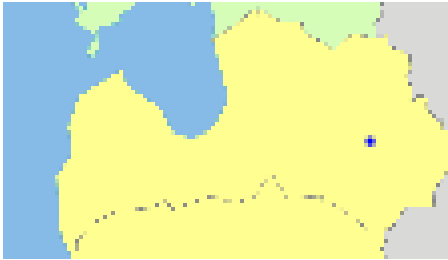
- Low levels of R&D investments
- Business R&D investments are well below EU average
- Weak links between the research and business sector
- Skills shortages and mismatches

Regional performance groups



Source: CSR/Country Report 2019

Challenges for Latvia



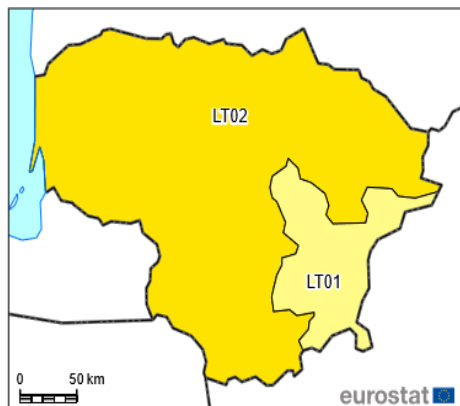
- Low levels of R&D investments
- Business expenditure on R&D is one of the lowest in the EU
- Underfunded and fragmented R&I system
- Low levels of research-industry cooperation

Regional performance groups



Source: CSR/Country Report 2019

Challenges for Lithuania



- Low levels of R&I investments
- Low numbers of innovative companies
- Weak support for science-business cooperation
- Skills shortages and mismatches

Regional performance groups



Source: CSR/Country Report 2019

R&D: low business R&D expenditure

	R&D intensity, total (% GDP)				By sector of performance (2017)			
	2010	2015	2017	2020 target	Business	Of which SMEs (2015)	Higher educ.	Gov.
Estonia	1.58	1.47	1.29	3.0	0.61	0.31	0.51	0.15
Latvia	0.61	0.63	0.51	1.5	0.14	0.13	0.24	0.13
Lithuania	0.78	1.04	0.89	1.9	0.32	0.22	0.32	0.25
EU 28	1.92	2.04	2.06	3.0	1.36	0.30	0.45	0.23

Source: Eurostat

Estonia:

R&D intensity below EU average, 2020 target and 2010 level.
Business R&D below EU level and highly concentrated.

Latvia

R&D intensity and business R&D intensity among the lowest in Europe. No large business investors in R&D.

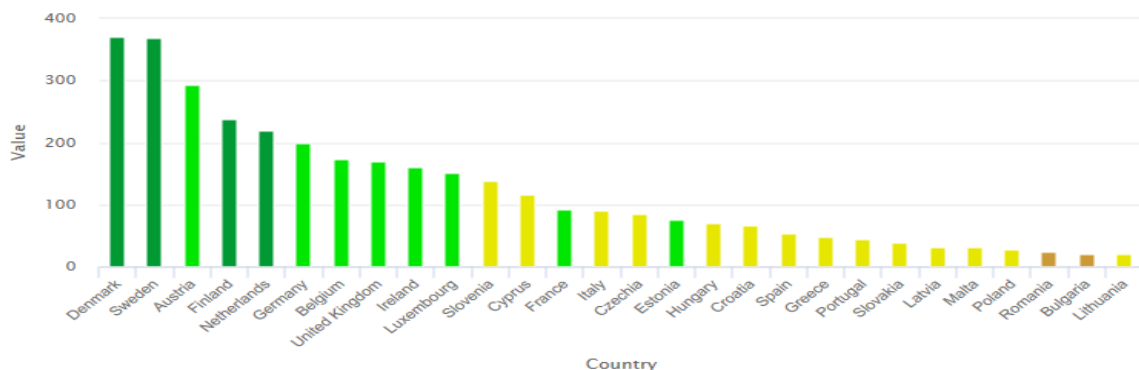
Lithuania:

Low level of business and total R&D intensity. Public R&D spending highly dependent on EU funds.

Weak links between research and business sector

3.2.2 Public-private co-publications

Source: European Innovation Scoreboard 2019



Estonia

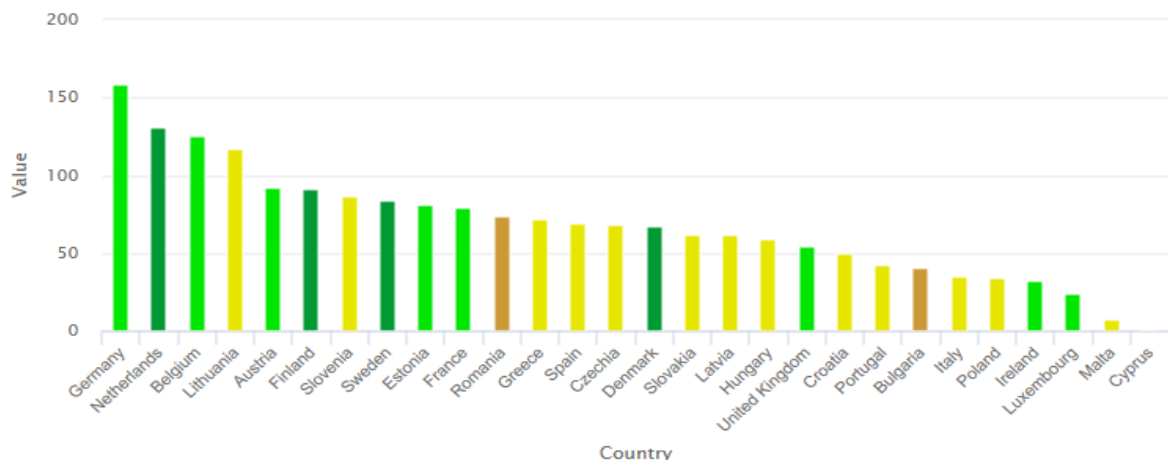
Public-private scientific co-publications low, almost no co-patenting.

Latvia

Very low levels of public-private scientific co-publications, no co-patenting in recent years.

3.2.3 Private co-funding of public R&D expenditures

Source: European Innovation Scoreboard 2019



Lithuania:

Public-private scientific co-publications lowest in EU. No co-patenting in recent years. However, private co-funding of public R&D relatively high.

University-business PCT co-patenting 2014:
EU: 1%, EE, LV, LT: 0%.

Business innovation activities

(2017-2019 results)	EE	LV	LT	EU
Enterprise births (10+empl.), %	0.9	1.8	2.4	1.5
Empl. in fast-growing innovative enterprises,%	2.8	5.6	2.5	5.2
Share of SMEs with product/process innov.	41.4	37.9	18.9	34.3
Researchers employed by business/1000 active	2.0	0.6	1.4	4.0

Source: Eurostat, EIS

Unicorn companies: Several unicorns emerged from Estonia (Skype, Transferwise, Taxify). Currently one unicorn headquartered in Estonia (Bolt). No unicorns in Latvia and Lithuania.

Estonia:

Low on enterprise birth rate and fast growing innovative enterprises, but high on SME innovation rate.

Latvia

Enterprise birth rate and dynamics good. SME innovation rate above EU average, but low number of business researchers.

Lithuania

High enterprise birth rate, but few in innovative sectors and SME innovation rate low.

Skills

(2017-2019 results)	EE	LV	LT	EU
Basic skills (% under-achievers maths, PISA study)	11.2	21.4	25.4	22.2
Tertiary attainment	47.2	42.7	57.6	40.7
Tertiary S&T graduates/1000 people (aged 20-29)	16.2	12.7	18.0	19.3
Lifelong learning	19.7	6.7	6.6	11.1
Unemployment rate, 2019	4.6	6.5	6.4	6.3
Job vacancy rate	1.9	3.2	1.4	2.3
Natural change of population, 2017	-0.1	-0.4	-0.4	-0.04
Net migration, 2017	0.4	-0.4	-1.0	0.3

Source: Eurostat, EIS, OECD

Estonia:

Educational quality (PISA) and attainment high, but small and stagnating labour pool.

Latvia

Tertiary attainment high, but labour force shrinking. Low number of tertiary S&T graduates per 1000 population.

Lithuania

Very high tertiary attainment, but basic skills (PISA study) below OECD average. Shrinking labour force (ageing, emigration) a problem.

Enabling condition for Policy Objective 1: Good governance of national or regional smart specialisation strategy

1. Up to date analysis of bottlenecks to innovation diffusion, including digitalisation

Analysis has been undertaken to identify key bottlenecks such as:

- Weaknesses in adoption at firm level of new technologies.
- Failure by universities and RTOs to serve the needs of firms in their ecosystem.
- Inefficiencies of innovation agencies in facilitating knowledge flows and coordination problems with other public agencies.
- Lack of knowledge transfer from multinational companies to domestic firms.

2. Existence of competent regional / national institution or body responsible for the management of S3

There is a body which has a formal mandate and decisional powers to develop, coordinate the implementation and monitor the smart specialisation strategy.

3. Monitoring and evaluation tools to measure performance towards objectives of the strategy

A monitoring and evaluation system is in place – under the coordination of the competent institution - to collect information on the implementation of smart specialisation priorities which captures information per specialisation domain. This includes timely and regular collection of data, its analysis and use as feedback on implementation.

4. Effective functioning of the entrepreneurial discovery process

There is an interactive and inclusive process in which actors from business, research, civil society and public administration (quadruple helix) identify specialisation priorities (or remove them if evidence shows no progress). This is an ongoing process, where all stakeholders are adequately represented.

5. Actions necessary to improve national or regional research and innovation systems

Country Specific Recommendations and the country reports within the European Semester or dedicated evaluation shared and endorsed by Member States are to be taken into account to identify shortcomings and needs for improvement and define remediation actions.

In case there is no such evidence, this criterion should not be applicable.

6. Actions to manage industrial transition

The member state or region has undertaken analysis to identify sectors and occupations in the region or member state which are challenged by globalisation, technological change (notably linked to industry 4.0) and the shift to a low carbon economy and identified appropriate actions to facilitate transition.

Where regions have experienced significant structural change, appropriate actions have been identified to address reskilling of the workforce, diversification of the economy, strengthening entrepreneurship and technological upgrading of SMEs.

7. Measures for international collaboration

Opportunities for international collaboration with research and innovation actors and private companies in similar priority areas have been identified/mapped.

Measures to engage regional stakeholders (universities, RTOs, SMEs, clusters) in participating in and developing EU or international value chains are being developed / promoted.

The link to relevant materials

Regulatory Framework

Annex D

European Semester Country Specific Recommendations

National Innovation Scoreboard 2019:

Regional Innovation Scoreboard 2019: