

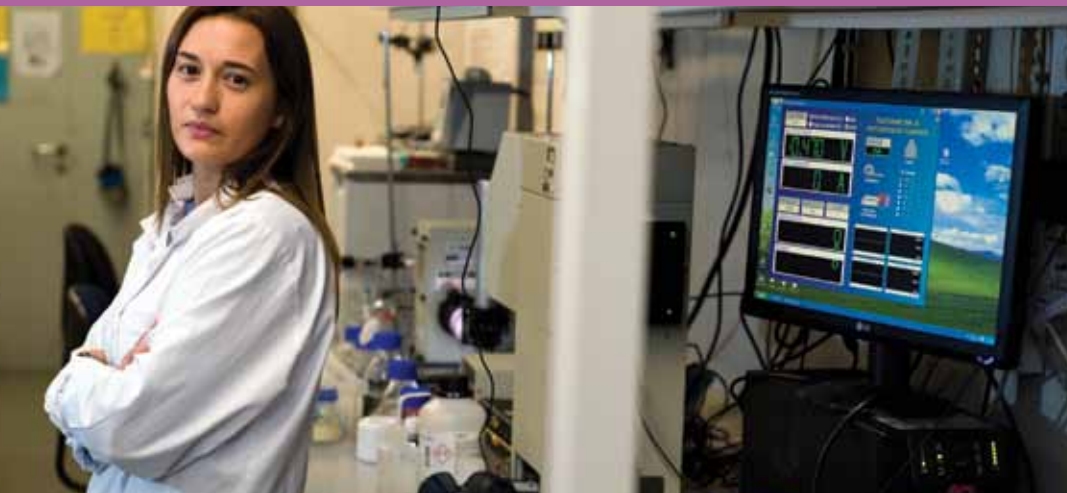
EUROPEAN UNION



Committee of the Regions

# Innovation Union

The contribution of Europe's regions and cities



Regions and Cities supporting  
**Europe2020**  
Europe's growth strategy



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Proceedings  
of the conference of  
the Committee of the  
Regions

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# Introduction

Based on a broad concept of innovation and spanning over 30 activities, the Innovation Union flagship initiative commits the EU to increasing investment in research to 3% of GDP by 2020. Studies indicate that such investment could create 3.7 million jobs by 2025. Between 2007 and 2011, public and private spending increased from 1.85% to 2.03% of GDP but recently it appears that disparities between regions are growing after years of convergence.

Today, only one in ten regions in the EU spends more than 3% of their GDP on research and these 27 regions together account already for over 40% of the total investment in innovation. Most of these leading regions have considerable expertise, capacities and budgets and follow a “smart specialisation” approach to integrated regional development and the management of economic change and recovery. Moreover, between 2014 and 2020 “smart specialisation strategies” will be a priority for all regions under the European Structural and Investment Funds accompanied by the new “Horizon 2020” programme and other initiatives.

The aim of this final Europe 2020 conference in a series of seven was to bring together key representatives of EU institutions, Member States and regions to take stock of the implementation of the flagship initiative at regional level. Accompanied by an exhibition of good practice from Europe’s regions and cities, the event focused on four aspects:

- smart specialisation strategies;
- innovation, enterprise and jobs;
- networking across borders; and
- Open Innovation 2.0.

The conclusions of the conference will feed into the Committee of the Regions’ mid-term assessment of the Europe 2020 strategy, which will be presented on the occasion of the 6<sup>th</sup> European Summit of Regions and Cities on 7 and 8 March 2014 in Athens.

More information is available at: [www.cor.europe/europe2020](http://www.cor.europe/europe2020)



## Opening session



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The opening session gave an introductory overview of the contribution of Europe's regions and cities to the Innovation Union and was moderated by **Mark Rogerson**. In his opening speech, **Markku Markkula**, board member of Helsinki-Uusima regional council in Finland and member of the Committee of the Regions, gave his views on regional innovation and shared the insights of the CoR Europe 2020 monitoring platform. **Jean-Jack Queyranne**, president of the region of Rhône-Alpes in France added the perspective of a pioneering European region in the field of innovation. The European Commission's ambitions were presented by **Vladimir Šucha**, deputy director-general (and from 1 January 2014 director-general) of the Commission's Joint Research Centre. Those institutional and political views were then complemented by two speakers from the entrepreneurial world: **Kaithlin Corcoran**, an Irish secondary school pupil, fashion blogger and winner of the Kerry County Young Entrepreneur Award 2013, and **Martin Curley**, vice-president of Intel and director of Intel Labs Europe.

In his welcoming remarks, **Mark Rogerson** briefly sketched the background to the Innovation Union flagship initiative, which was launched in 2010 to ensure a

better match between European research, development and innovation, and the needs and demands of a changing society. In its conception and roll-out the Innovation Union has always had a strong regional focus.

**Markku Markkula** started his presentation with some recent insights and research evidence. He stressed the importance of the adoption of innovation, leading to 80% of innovation value, versus only 20% of value coming from the production of innovation. Particularly in the current times of digitisation, a structural and multi-disciplinary partnership between public authorities, the private sector and the public was the key driver of technological and social innovation.

Here the Committee of the Regions calls for regional innovation capacity to be built up on the basis of smart specialisation.



Mark Rogerson



Markku Markkula

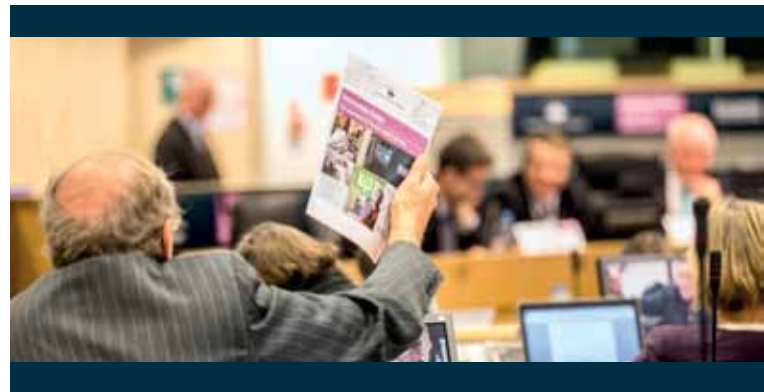


RIS3 (Regional Innovation Strategies based on Smart Specialisation) combines a strong basis of scientific excellence with open innovation methods and the power of networks. RIS3 is a dynamic and evolutionary process aimed at fostering stakeholder engagement under a shared vision and linking up small innovative firms as well as large companies through value networking. A recent CoR opinion on closing the innovation divide supported the concept of flexible entities with a strong collaborative and bottom-up approach, such as incubators or so-called living labs. Mr Markkula saw a specific example of this smart specialisation strategy in the currently developed digital agenda of his own region of Helsinki. The Helsinki approach clearly showed the current paradigm shift, with a whole new dynamic between the layer of ICT infrastructure and the layer of the socio-economic ecosystem.

Mr Markkula then outlined the main observations and recommendations of the CoR Europe 2020 monitoring platform. At the moment, only four Member States could be labelled as “innovation leaders”. One tenth of EU regions, 30 in total, are responsible for 40% of EU research. Given this innovation gap, regional innovation support programmes should be better tailored to meet each region’s specific assets and strategies. There is a need to increase European renewal capital, following the Open Innovation 2.0 approach, focusing more on multidisciplinary and multicultural collaboration, mobilising activities for societal innovations and organising more cross-European partnerships.

According to the Innovation Union survey, to which 41 regional and local stakeholders responded last summer, three quarters of EU regions have a smart specialisation strategy in place, which is a pre-condition for EU funding in the new programming period 2014-2020. The main difficulties they are encountering in their innovation strategies are poor access to finance for innovative start-ups, a lack of cooperation between research and industry and under-investment in the existing knowledge base.

Answering the overall question of how to close the innovation divide in Europe, Mr Markkula used the metaphor of gar-



dening. We cannot reach the target through incremental small steps; we need to create joint regional innovation ecosystems, bringing the fruits of global pioneering to the benefit of all.

**Jean-Jack Queyranne** presented the experiences of Rhône-Alpes, France’s first industrial region, which hosts 15 of the country’s 71 competitive poles, and Europe’s fourth R&D region. The key for this regional success was the combination of investment, innovation and internationalisation. Rhône-Alpes had three strong assets: its university centres around Lyon and Grenoble, a strong network of creative and innovative SMEs and cross-fertilising economic diversity.

To get the best out of these assets, the region focused its efforts on four areas of action. The first was the stimulation of technology transfer, rethinking the process and speeding up the transition from research breakthrough to economic exploitation. A second area was the financing of innovation, in particular in the first three to five fragile years of a start-up. Instead of subsidising, the policy shifted towards financial engineering and the use of risk capital. The third priority was the dissemination of innovation among the SMEs in the region. This was coordinated by the regional innovation agency, linking knowledge institutes with 3 000 locally embedded companies. The last action area was internationalisation. Here Entreprise Rhône-Alpes International is a one-stop shop providing a range of services to all stakeholders with international ambitions.

**Vladimir Šucha** summarised the delivery of Innovation Union to date, as reported in the European Commission’s progress report. Much progress had been achieved in terms of the European patent procedures, the programming and financing of Horizon 2020, the set-up of new financial engineering and standardisation instruments, etc. But the impact of those measures ought to be seen



Jean-Jack Queyranne



Vladimir Šucha

from the right perspective: with a budget of barely 1% of Europe's GDP, the EU could only put in some acupuncture needles to initiate and stimulate innovation and development. The talent would not come from the institutions, but from the people on the ground; local ecosystems were crucial to the outcome of Innovation Union.

The Smart Specialisation Platform hosted by the Joint Research Centre offers policy support to the Commission and the regions: so far 142 regions are partnering, and the aim is to involve the other half of Europe's regions as well. Looking at the experiences of the platform, Mr Šucha saw the diversity of Europe's regions as one of the main challenges, and at the same time as a major opportunity. Not only the diversity among the regions, but also within certain territories, as illustrated by the Danube macro-region. Mr Šucha was convinced that regional and local authorities were in the driving seat when it came to empowering talent and enhancing an innovative spirit and atmosphere, provided that they showed enough courage and leadership.

**Kaithlin Corcoran** shared some of her personal experiences as young online entrepreneur. In May 2013 she won the Young Entrepreneur Programme contest with her business idea of High Street Couture, a fashion blog that finds high street alternatives to designer clothes. Her project was clearly responding to market demand: the blog had attracted over 110 000 views since its creation. In terms of project development, she permanently worked on improving and creating innovative techniques of promoting the blog; this creative and innovative spirit was essential to the success of a project and to ensuring an economic return. In her young entrepreneurial career Ms Corcoran was pleasantly surprised by the confidence and support of the "grown-ups" around her.

In her view, innovation was what distinguished genuine entrepreneurs. They combined creativity and imagination, thought outside the box and had the courage to ask questions and take risks. Among young entrepreneurs what was most lacking was patience. A business is a baby, she explained: it takes time to adapt and grow. All young entrepreneurs should believe in themselves and their talent and pursue their dream to take over the world.

**Martin Curley** opened his presentation with the statement that the 21<sup>st</sup> century would be the century of regions and cities, after the 19<sup>th</sup> century of empires and the 20<sup>th</sup> century of nation states. In his view, Open Innovation 2.0 was the new paradigm to drive sustainable

growth and help accelerate Innovation Union. The EU strategy, and in particular Horizon 2020, could turbocharge Europe to become a global leader in innovation.

Mr Curley confirmed the importance of the ecosystem in stimulating competitive innovation. Regions and cities played an important role in orchestrating and managing this ecosystem, based on a shared vision and values. Other key characteristics of Open Innovation 2.0 were the concept of co-creation and of high expectation entrepreneurship, which leads to 80% of the job creation.

Mr Curley's company was developing several pioneering projects in Dublin in a quadruple helix model, together with government, academia and the public. In addition to Living Labs for field research, co-design and user experience, a brainstorm with 300 stakeholders had resulted in the Dublin Declaration with action proposals to resolve Europe's innovation problems. This brought Mr Curley to the optimistic conclusion that Europe had the resources available for an innovative society leading to economic profits and improving people's daily lives.

In the ensuing debate, Mr Rogerson asked the panelists how the process of marketing a good idea could be facilitated. Mr Markkula underlined the importance of education, where real-life examples should be used to illustrate the innovation and economic exploitation process. Mr Šucha advocated investing more in stimulating new ideas and the determination to go for a project. This determination and enthusiasm was often lacking in Europe. Mr Curley concurred regarding this mentality problem and felt that there was a lack of recognition for entrepreneurs. For Mr Queyranne, innovation as such was not the problem, but rather the dissemination of this innovation among industrial and other partners through networks all over the territory. From her personal experiences, Ms Corcoran mentioned the difficulty for young entrepreneurs in finding start-up capital.

To conclude, the panellists agreed that smart specialisation and open innovation were complementary concepts, and called for a shared vision with innovative financing and policy frameworks to activate the public, institutions and companies.



# Networking lunch



During the networking lunch, the participants and practitioners met to discuss and prepare for the afternoon workshop sessions together with facilitators from European institutions, ERRIN, ENoLL and ELIG. With the help of facilitators, the participants elaborated comments, key points and questions on the four themes of the afternoon workshops. This input was gathered from the group discussions and transferred into the Meshmoon Virtual Reality, an on-line development and hosting platform, for clustering and refinement. The networking resulted in an excellent harvest: more than 225 ideas and inputs were discussed.

## *Participants drew attention to the following:*

- More ecosystem thinking and ecosystem innovators are needed, including attention to the transition from clusters to ecosystems
- Evidence-based results are key: showing what works, how it works, and what not to do
- Access to smart money and support for SME's across the whole innovation cycle is important: from start-up through development to growth - and beyond
- Innovation is a long-term process, and it can take up to 10 years for projects to produce real impact
- Applications for new projects should emphasise impact
- Politicians need to think 'beyond': working towards results in a broader context (beyond their own region) and over a longer time-horizon (beyond their term of office)

## *Regions should:*

- Understand their real assets and strengths, before deciding on what to specialise in
- Provide innovation support at the local level: coaching, ecosystem incubators, enabling environments and conditions

## *Europe needs to:*

- Create shared value for stakeholders and citizens alike
- Go from a closed culture to a sharing culture
- Invest in skills, education and educational systems, paying special attention to children
- Europe needs new narratives for the next decade: A Europe of excellent opportunities, co-created by engaging people
- Opportunities do not cross borders by themselves: The right conditions, broad support of diverse kinds, and 'doing the hard work' is needed

## *The lunch conversations reinforced some of the key points of the Plenary and the workshop sessions – and vice versa:*

- Gardening: the metaphor is a policy frame – we have to fill it together. Innovation in Europe: this fertile ground needs gardeners and regular maintenance
- Ecosystems with a common vision are essential: Shared vision, share values, self-knowledge
- Open Innovation 2.0 illustrates the many ways forward
- Not just the ideas but the adoption of ideas is important: getting ideas to market
- Europe needs to support entrepreneurial spirit in its many forms: entrepreneurial discovery (for people of all ages) and high-expectation start-ups in business and society
- Innovation is about people: involving citizens is the key to innovation: when people connect, ideas connect – and that's where innovation begins

The networking session was organised with the help of Markku Markkula, Member of the CoR, the Helsinki Region, Mr Hank Kune from the New Club of Paris and the representatives of Meshmoon virtual reality Juho-Pekka Virtanen, Lars Miikki, Ali Kämäräinen and Tommi Hollström.



## Workshop 1

# Smart specialisation strategies



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This workshop focused on lessons from previous regional innovation programmes, and the preparation of smart specialisation strategies for the period 2014-2020, financed by the European Structural and Investment Funds. The session was chaired by **Jean-François Istasse**, member of the parliament of the French-speaking community in Belgium and CoR member. The panel included: **Estíbaliz Hernández Laviña**, Basque deputy minister for technology, innovation and competitiveness, Spain, **Ciaran Dearle**, European Commission, DG Research and Innovation and **Mario Marcel**, deputy director, public governance and territorial development, OECD, Paris. **Francesco Molinari** from ENOLL reported on the outcomes of the networking session over lunch time.

**Jean-François Istasse** introduced the subject by stating that smart specialisation was drawing a lot of European attention and that the role of regions was becoming more important in shaping a creative business climate, ready to support specialisation programmes for 2014-2020.

**Francesco Molinari** referred to two key aspects which had emerged from the discussions during the thematic networking session, to be addressed by the panellists in their statements. Participants asked how smart specialisation could create value for Europe's regions and cities and were interested to learn about priorities which could favour the process of consolidation.

**Estíbaliz Hernández Laviña** presented a historic overview of the process in which the Basque Country had managed to respond to economic challenges based on existing infrastructure and region-specific potential. Until 2000, policies were mainly based on science and raising the technology level. Science, technology and innovation plans had



Jean-François Istasse



Francesco Molinari

been drawn up ever since. Planning policies were also set out so that industry and job creation would go hand in hand. Smart specialisation was based on the definition of priorities, taking into account entrepreneurial skills, the existing technological and scientific capacities (biotechnology, nanotechnology and a strong industrial tradition for advanced manufacturing) and their applicability to areas of greatest potential opportunity (health and ageing, energy and climate change). Ms Hernáez then elaborated on the criteria for evaluating prioritisation. Business sectors were evaluated according to their weight in the economy and relative specialisation (added value in terms of GDP, exports, growth, employment). The areas of opportunity were prioritised according to their potential impact on society and expected growth in the Basque Country's priority markets. Finally, the Basque Country's scientific and technological capacities in enabling technologies were assessed both from a quantitative (number of researchers, R&D investments) and qualitative perspective (publications, returns in competitive programmes) and on their applicability (likelihood of results exploitation, patents). Ms Hernáez concluded by saying that innovation had historically been a significant part of industrial growth in the Basque Country, contributing to progress in society.

**Ciaran Dearle** placed smart specialisation in the context of the future cohesion policy framework, addressing thematic concentration, conditionalities, coherence across funds within the Common Strategic Framework, synergies with Horizon 2020 and other new features, such as transnational cooperation. He was convinced that if ex-ante conditionalities had not been invented, one would still have talked about smart specialisation. Resources had to be concentrated on a limited set of research and innovation priorities. Thematic concentration had been introduced to maximise the impact of investments, and the percentages to be allocated from ERDF funds varied from region to region. He emphasised that the framework took into account the fact that regions and Member States had very diverse starting positions. Many of

them wondered how smart specialisation would work in the context of conditionalities and to what extent they should specialise; he therefore presented a "synergies and smart specialisation matrix".

Mr Dearle also spoke about funding synergies, for which specific articles were foreseen in the Horizon 2020 Rules of participation, as well as in the Common Provisions Regulation of ESIF. Detailed guidelines would be prepared by the European Commission to operationalise synergies. Finally, spreading excellence and widening participation through Horizon 2020 would be possible through "teaming" (bringing together high-performing research entities with lower-performing entities), "twinning" (institutional networking: a kind of "teaming light") and "ERA chairs" (bringing excellence to institutions).

**Mario Marcel** underscored the importance of regions and cities in innovation and of cooperation across levels of government as a crucial ingredient for success. The OECD had been working for some time on smart specialisation with a regional focus. He mentioned the ministerial meeting on territorial development which was planned for the following week, including a discussion with the Commissioner Mr Hahn on how to better spend public funds. The OECD was also working with the European Commission on broader issues of cohesion policy, such as how to structure conditionality to support development in all regions.

Mr Marcel looked at the progress achieved in the EU in bringing the concept of smart specialisation into practice. EU policy contributed to aligning investments across levels of government, generating increased stakeholder involvement, capacity building and, last but not least, improving governance arrangements. However, a smart specialisation process involved thinking beyond administrative borders and, unfortunately, proximity still mattered as opportunities were not materialising either because of resources which could not cross borders, or simply because there were no means of identifying cross-border areas with potential.



Estibaliz Hernáez Laviña



Ciaran Dearle



Mario Marcel

Speaking about the Innovation Union and its challenges and opportunities, Mr Marcel advocated seeking synergies and trade-offs across sectors. Taking the example of the health sector, technological development was not necessarily driving health costs down, while public health policies were looking at how to make health more affordable. The ability to recognise potential trade-offs should therefore be central to the EU approach. Innovation in poli-



cy-making could maximise the leverage of public funds, such as innovation in public procurement itself or by ensuring financing from financial markets in innovation. Mr Marcel concluded by saying that regions mattered not only because of their proximity to people working in innovation, but also because many relevant policies were implemented at this level. He emphasised that smart specialisation was not necessarily correlated with sophisticated scientific research and that one should get rid of the perception of a zero-sum game among regions, which was still associated with smart specialisation and innovation.

**Mr Dearle** picked up on the zero-sum game and confirmed that “smart specialisation is for everyone”. If one region specialised itself in one field, the European Commission would not take this possibility away from other regions. Its role was to give information on emerging trends. The new cohesion regulation was asking Member States to include in their operational programmes at least one example of transnational projects, which should bring additional incentives for regions to collaborate. Also important to keep in consideration were other fields, such as education, funded by the ESF. There was indeed a notion of competition among regions, but not necessarily at each other's expense.

The general discussion was kicked off by a couple of questions presented by **Mr Molinari** on behalf of the participants at the networking session. They wondered whether there was a risk that all EU regions would specialise in the same domains and how could one know when it was time for change. Should one aim at a “critical mass” in terms of specialisation before changing tack? The panel shared similar views, namely that regions should specialise according to their abilities; hence

there was enough diversification, even within the same domain. Smart specialisation should be a strategy with certain benchmarks, priorities and a built-in monitoring and review mechanism. The aim at central level was not to impose a top-down approach.

An exchange of views ensued around achieving the right mix of innovation, research and traditional sectors within smart specialisation strategies. There was a particular focus on the role of universities. University researchers often look for a global outreach, beyond their region. By contributing to smart specialisation strategies, they could become more closely involved in regional development. Innovation in itself was a wide concept, including social innovation and the creative industries. It could also affect processes in traditional sectors (e.g. the wood industry) that were an asset for a region.

Finally, the question was raised as to whether smart specialisation would risk leading to polarisation of development, especially around capital regions. **Mr Dearle** believed that regional approaches to implementing cohesion funds would prevent smart specialisation from contributing to polarisation, in fact quite the contrary, provided that the assessment of smart specialisation reflected a genuine process, involving as many stakeholders as possible. Asked by the chairman for his ultimate piece of advice, Mr Dearle recommended that regional and local authorities know what is going on in their region and make their own voice heard. The Smart Specialisation Platform could be a useful instrument in that regard.



## Workshop 2

# Innovation, enterprise and jobs



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This workshop focused on entrepreneurial discovery, the long-term effects of integrated innovation and development strategies and the assessment of governance provisions ensuring synergies between innovation and regional development. Moreover, experiences with partnership arrangements between public authorities and the private sector were discussed.

The workshop was chaired by **Nichi Vendola**, president of the Puglia region, Italy, and member of the CoR. Reporting on the networking session were **Antti Valle**, DG Enterprise and Industry, European Commission and **Elmar Husmann**, ELIG.

Panellists included **Herbert Rath**, CEO of ZENIT GmbH, innovation agency of the North Rhine-Westphalia region, Germany; **Marek Darecki**, president, Aviation Valley, Sub-Carpathian region, Poland and **Katja Reppel**, deputy head of unit, DG Regional and Urban Policy, European Commission, Competence Centre for Smart and Sustainable Growth. **Gerhard Huemer**, director, economic and fiscal policy, UEAPME, Brussels also commented.

In his opening statement, **Nichi Vendola** highlighted the importance of integrated and transversal research and innovation

policies for regional strategies for economic development and job creation. In Puglia, renewed impetus has been given to a new generation of research and innovation policies, based on the model of the quadruple helix, and by closely interlinking regional strategies for research and innovation, internationalisation, the information society and the Digital Agenda. An important element of this was comparison of the EU and national levels, with support from the Platform for Smart Specialisation, coordinated by the Commission's Joint Research Centre in Seville. For the Puglia region, the Smart Specialisation Strategy means more than an ex ante-conditionality: it is a tool for promoting innovative policies and synergies. Among the "new generation" Apulian policies are, in all, 20 measures implemented over the past few years, with investment of around EUR 478 million, mostly from the ERDF. These measures include the Regional Partnerships for Innovation, launched in 2011, fostering the establishment of virtuous circles of knowledge between research and industry and a pilot project on pre-commercial procurement, started in September 2012 in the field of active and healthy aging. Moreover, the Apulian ICT Living Labs, launched in April 2012 as an integral part of the Apulian Smart Specialisation Policy, includes various initiatives that put technology at the service of the public and have a positive effect on living conditions. Mr Vendola explained how the first two calls



Nichi Vendola



for projects had already funded 34 projects from 68 companies, for a total amount of over EUR 8 million and a project value of over EUR 15 million. The new call "Towards Digital Puglia 2020" would provide an additional EUR 15 million to finance new innovative projects with a view to creating "SmartPuglia". Smart Puglia is a strategic vision for responsible economic development, based on the progressive strengthening of interconnection capacity and dialogue and on the use of smart, inclusive and sustainable technologies. The goal is to guide the repositioning of Puglia's production system, in order to enhance its competitiveness in global markets and thus to promote more skilled jobs and widespread prosperity.

**Antti Valle and Elman Hussmann** reported from the networking lunch, drawing attention to the risk of "innovating" and on the need to focus innovation funding on high-tech advanced regions, where local venture capital is available and innovation agencies can support the initiatives. Instruments to promote innovation are available, but many actors need help through the process. The key is to support start-ups by funding smartly, combining innovation funding with advice. The networking groups had also emphasised the need for genuine multi-level governance in the follow-up of EU-level objectives to ensure that regional interests were respected. Impetus should be given to the challenge of engaging society as a whole and all citizens in innovative practices.

**Herbert Rath** presented the activities of ZENIT GmbH, a public-private partnership owned by the state of North Rhine-Westphalia (NRW), a consortium of banks and an association comprising some 200 enterprises. On behalf of EU, national and regional bodies, it provides services for companies, especially SMEs, as well as universities and research institutions. It focuses on consulting services designed to offer a complete package to SMEs from the generation of ideas to their successful implementation. The emphasis is on enabling technology transfer as one of the keys to further regional development. Along the lines of Horizon 2020, NRW aims for an integrated and holistic approach to tackling societal challenges and helping develop new regional strategies by identifying lead markets and combining research and business opportunities to encourage technological transfer. NRW has

not only a very strong industrial base but also a very dense grid of universities and research entities. Clusters are regarded as an excellent platform to bring industry and science together, to initiate innovations, and to support technology transfer. In NRW there are 16 clusters in different branches or field of technologies with an even larger number of regional centres in the relevant areas. In its cluster secretariat, regional and thematic clusters are brought together with the intention to initiate cross innovations. Furthermore, the NRW regional innovation strategy aims to increase the number of scientific results to be patented and transferred to industrial production.

**Marek Darecki** explained how the Aviation Valley cluster had successfully responded to the need to reorientate the socio-economic development of Podkarpace province in Poland, one of the poorest EU regions now successfully implementing the smart specialisation strategy to reform the region. The long-term objective of the Aviation Valley Association was to transform south-eastern Poland into one of Europe's leading aerospace regions, able to provide a diverse cross-section of products and services. The Aviation Valley Association currently represents 90 companies within the region. With a clear vision based on skills and with the help of benchmarking and clustering, over 5 000 aerospace-related jobs have been created during the past years, with an increase of a further 4 000 jobs foreseen. A key to success has been the modernisation of education and skills in this previously undeveloped region, to create educational opportunities and expertise at all levels of education, from primary to secondary school and training centre education, up to state-of-the-art university courses and research centres, involving major financial investment. Major challenges to be tackled in the future are the regional differences: the north and south of the region are developing at different speeds. As a potential solution, the new Podkarpace 2020 strategy focuses on two different smart specialisations: in the north of the region, the Aviation Valley focuses on high-tech production whilst the southern part of the region has opted for a life quality cluster.



Antti Valle



Elman Hussmann



Herbert Rath



Marek Darecki





**Katja Reppel** reminded participants that in the less-developed regions, the ERDF was the most important source of funding for research and innovation, with key investments being made in research and innovation capacity-building, entrepreneurship and ICT capacities, and research and take-up, as well as investment in human capital for innovation. Specifically, more than 160 000 SMEs and micro-enterprises had been supported, and at least 44 000 jobs created through EU financial instruments. During the next financing period, between EUR 80-100 billion in ERDF funds would be invested in innovation drivers and take-up, notably in research and innovation projects, SME competitiveness, digital growth and energy efficiency/renewable energies. A further EUR 70 billion was reserved for ESF investments in skills, life-long learning, social integration, employment services and social innovation, and via the Cohesion Fund around EUR 66 billion would go into transport connections and environmental projects. The Commission provides for guidance on SME support to support the regional intelligence systems. Moreover, the Regional Innovation

Strategies for Smart Specialisation (RIS3) are the strategic approach to economic development through targeted support to research

and innovation. It will be the basis for Structural Fund investments in R&I as part of the future Cohesion Policy's contribution to the Europe 2020 agenda. The S3 platform helps regions to develop, implement and review Research and Innovation Strategies for Smart Specialisation. Ms Reppel concluded by stressing the importance of finding a region's competitive advantage and analysing what investment was needed to convert the sectors concerned to provide for the necessary economic transformation in the various European regions.

Commenting on the presentations, **Gerhard Huemer** draw attention to the conceptual change in the definition of innovation: within the past 10 years, this definition had been expanded from encompassing classical research and high-tech activities by large companies to also including access to finance and existing technologies, as well as the successful management of innovation projects and qualified people and optimising the use of networks and cluster support. As far as SMEs are concerned, it is important to create the right incentives and a supportive environment. Identifying the need for innovation and support for technology transfer are of key importance. Innovation is best driven by societal needs and a market approach, rather than being purely based on academic needs. A clear vision and a well-defined strategy, with the right policy mix, are the necessary ingredients for developing innovation that meets regional needs.



Katja Reppel



Gerhard Huemer

## Workshop 3

# Networking across borders



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In this workshop, experiences and prospects of programmes and projects funded under the European Territorial Cooperation objective were examined, with a particular look at the Baltic Sea Region Stars (BSR) programme. This facilitated policy learning with regard to smart specialisation strategies. In addition, future aspects of the development of the European Institute of Innovation and Technology (EIT) and its Knowledge and Innovation Communities (KICs) were presented.

The workshop was chaired by **W.B.H.J. van de Donk**, King's Commissioner, province of North Brabant, the Netherlands, and member of the CoR. Speakers included **Karin Nygård Skalman**, programme manager with VINNOVA, the Swedish governmental agency for innovation systems; **Mathea Fammels**, head of unit, European Institute of Innovation and Technology, Budapest, Hungary and **Joep Brouwers**, vice-director at Brainport Development NV, Eindhoven, the Netherlands. The networking report was delivered by **Richard Tufts**, ERRIN.

The chair started the session by asking all the participants to present themselves, so as to get to know the audience and their particular in-

terests. Afterwards, some insights from the networking event were shared by **Richard Tufts**, who highlighted certain ideas gathered there: the results achieved by existing networks and projects should not be locked away; there should be more focus on wide yet targeted dissemination; lasting, sustainable networks should be built that companies and knowledge institutes can use; networking across borders is a necessity in order to be able to follow our international industries; and inter-regional programmes should be simplified, especially for SMEs and universities.

**Wim van de Donk** invited **Karin Nygård Skalman** to give a short presentation on the BSR programme. She started by explaining that the BSR Stars programme is







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aimed at strengthening competitiveness and economic growth in the Baltic Sea region. When they realised how much geography matters, they began looking for partners in the neighbourhood, linking up clusters in order to become globally competitive, with the aim of having a 60-million-inhabitant home market, she said. The pilot project started in 2010 and during the first year and a half they thought about what they wanted to do and tried to understand the rules of Interreg which are not always easy to follow. The countries involved in this project are: Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland and Sweden. After this period they came up with five different projects that combined the knowledge and expertise of each of the partners. The speaker underlined the benefits of the programme and

the collaboration, but added that it took a long time and much effort before being able to work together.

After mentioning that the EIT was a recent initiative (2008) with the aim of unlocking the European innovation landscape, **Mathea Fammels** underlined that the EIT addressed innovation differently, with a people-based approach rather than a technological one. Moreover, the EIT is the first initiative that brings together the three sides of the knowledge triangle: higher education; research and technology; and business (including SMEs). **Ms Fammels** continued by explaining the concept of the Knowledge and Innovation Communities (KICs); she spoke about their operational bases and said that they were highly integrated partnerships, based on excellence, and internationally distributed, with an autonomous and long-term strategy, grouped in three thematic areas: Climate-KIC, EIT ICT Labs and KIC InnoEnergy. These three KICs brought together 350 partners, including regions. The speaker emphasised the bottom-up approach; the EIT does not dictate what a KIC has to do. She finished by announcing the proposed themes for the future KICs: Healthy living and active ageing; Added-value manufacturing; Urban mobility; Raw materials; and Food. The selection process is to start in February 2014.

After expressing his admiration for the BSR project, **Joep Brouwers** put a series of questions to **Karin Nygård Skalman** on the type of synergy involved in the project and its achievements. Her response was that the aim of the BSR was to increase innovation capacity and become more attractive as a region, which was already happening as there had been more investments recently.

As regards the second presentation, **Mr Brouwers** underlined the considerable efforts that had to be made to get on board with the EIT and asked how SMEs could be helped to be part of KICs without so much effort and how to convince them to take ownership of the proposal. **Ms Fammels** replied that the initial learning would set up the next experience and that their approach was one of "learning by doing". **Mr Brouwers** concluded that innovation should be the driver of our economy in the future and that this should be spread all across Europe.

**Mr van de Donk** wrapped up the discussion by stressing the importance of the CoR's initiative in organising this event, which had provided an opportunity to share knowledge, as innovation was not about a formal or informal approach, but about variety. He called for this innovation to be built on.



Mathea Fammels



Joep Brouwers



## Workshop 4

# Open Innovation 2.0



The workshop was chaired by **Markku Markkula**, board member of Helsinki-Uusimaa regional council and member of the CoR. He first gave the floor to **Bror Salmelin** from DG Connect who was the rapporteur for the lunch networking session. All ideas that came out of this brainstorming session were translated into the Meshmoon (virtual reality system) by JP Virtanen and that system would remain active for all participants to add any new ideas over the coming months. As a conclusion from this lunch networking, it appeared that the ideas were all very much aligned; that the creation of new markets is necessary and mainly that we need to be faster in implementing and validating the projects with the end users. There is thus the need for new dynamics, new competences; the sharing of cultures and experimentation in the real world (need for a legal framework). Other challenges to tackle: what will be the role of the region/city and of the public sector?

Following this short presentation, Mr Markkula asked each of the three speakers to make a short presenta-

tion starting with **Tuula Antola**, director, economic and business development of the City of Espoo in Finland. She presented the Otaniemi project, a technology hub and innovation garden in Espoo, which links nature, entrepreneurship and innovation. This hub is a mixture of business (Nokia, Microsoft, Kone, Angry Birds), culture and academia. In terms of innovative events, she mentioned the "Slush" conference, which is the biggest start-up conference in northern Europe, gathering over 5 000 participants from around the world and organised by students, as well as the AppCampus, a project of Aalto University which receives EUR 20 million in subsidies from Nokia and Microsoft to create new mobile applications. She also stressed the fact that we should no longer talk about incubators but accelerators.

The next speaker to take the floor was **Pia Kihlström**, chair of the Skåne regional assembly (SE), who explained the situation of the city of Malmö, capital of the Skåne region which is the smallest region in Sweden and the only one to be regionalised. Her region is strongly linked with



Markku Markkula



Bror Salmelin



Tuula Antola

the neighbouring countries and hosts important European research facilities such as ESS, European Spallation Source, a hub within European research. The region is very innovative and has many clusters, mainly with Denmark, but also very strong links to other countries in the world. She stressed the fact that while those clusters need to be based on research, SMEs and academia, they also need big companies. Her region prioritised three main areas of innovation: personal health, smart sustainable cities and smart materials. Their main challenges are how to connect societies with needs with companies with solutions; how to speed up the processes and how to make innovation a core value of society.

The last speaker was **Francesco Fionda**, project manager at the region of Valle d'Aosta (IT), who presented his region as being the smallest and most mountainous region of Italy, bordering France and Switzerland. They have developed a pilot action called "Living Lab" which is an ecosystem of open innovation, based on the development of partnerships between enterprises, research centres, universities, end users, and the public sector. In terms of pre-commercial public procurement of eco-innovation, he referred to the Alcotra innovation project (2010-2013) which involved the following partners: Piedmont, Valle d'Aosta, Liguria for Italy, Rhône-Alpes and Provence-Alpes-Côte d'Azur for France. This project was aimed at creating and developing a culture of partnership and action among the innovation actors on both sides of the Alpine border of Italy and France, in order to improve their innovation capacity and ability to compete internationally. The project was based on smart energies and smart mobility and was subsidised by a territorial cooperation programme which closely involved the public and resulted in specific projects, rather than merely ideas.

Following these short presentations of innovative projects in Finland, Sweden and Italy, **Jan Wester**, senior strategist at TNO, Economic Board Utrecht, North-wing (NL) presented the case of Utrecht which was recently



voted the most competitive region of Europe. His colleague, J. Huismans showed a short demo about the AmersfoortBREED project, which is based on a bottom-up approach (answering existing needs). This is a multimedia cloud-based platform which can be used by various communities, whether local or European, for sharing information via a webpage (all media: photos, text, news, TV broadcasts, videos, etc.). This solution is very interactive, easy to use, cheap and scalable for any users. They encouraged other users to join the platform and use the knowledge for other regions.

Wrapping up the workshop, **Mr Markkula** stressed the fact that all the ideas and information gathered during the day via the virtual reality tool should remain alive and be taken further with ERRIN and DG Connect for example. The participants were invited to regularly use this tool and get involved in each other's projects, to share the knowledge and maybe also involve libraries and schools in the project in order for Europe to be as competitive as any other region in the world.



Pia Kinhult



Francesco Fionda



Jan Wester

## Closing session



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The **closing session** was addressed by **Hermann Winkler**, Member of the European Parliament and **Pierre Delsaux**, deputy director-general at the European Commission's DG MARKT. **Hank Kune**, member of the New Club of Paris, reported from the four workshops and thematic sub-group discussions during the networking lunch. The event was closed by **Mercedes Bresso**, First Vice-President of the CoR. The session was moderated by **Mark Rogerson**.

**Hermann Winkler** started off by stating that "smart specialisation" had become a political reality. It was no longer just an academic concept, but a logical consequence of cluster policy. Innovation was crucial, because everybody had to make better use of the financial resources available, which would continue to diminish at every level: public, private and EU. The EU had to become more competitive and more resistant to crisis, to remain an economic powerhouse.

Looking at the subject from the perspective of a legislator, the ex-ante conditionality within the new framework should be regarded as an opportunity – an opportunity to take stock of developments and repair any wrong decisions. Just looking at this exercise as a necessary administrative step to receive money from Brussels would

not move things forward. The issues that needed to be borne in mind by authorities were setting the right priorities, fostering entrepreneurial spirit, and seeking synergies and other regions to work with.

Prioritising was not easy. Arguably, each region had some sort of unique potential, but how could it find the critical mass for specialisation? It was not only a question of ideas, but how to market the idea, to create a new value chain. The major problem was getting innovation to the market. This cannot be done without successful players in training, administration and business. One cannot create new strategies while relying on the usual suspects as stakeholders. Mr Winkler emphasised the need to create a business-friendly environment for SMEs and a new mentality in administration. Sustainable strategies should also leave some room for manoeuvre, with a built-in capacity to adjust the process if it goes down the wrong path. This was easier to achieve with better networking among stakeholders and a good monitoring system in place. Looking at the EU role in this bottom-up approach, Mr Winkler concluded by saying that the EU cannot decide on innovation, but could certainly support it, providing suggestions



Hermann Winkler



and advice, especially when it came to the external dimension. No region has everything, but we have almost everything in Europe and we just need to bring it all together.

**Pierre Delsaux** shared his vision of a kind of European “Silicon Valley”, which people would think of in the near future. Innovation was a fundamental issue for Europe. Lacking natural resources, there was actually no choice. A study was recently commissioned to show the impact of innovation, how much it meant in terms of growth and jobs. The findings of the study revealed that 26% of jobs in Europe came from intellectual-property-intensive companies and that, on average, people were 40% better paid in these sectors. The conclusion was that intellectual property has to function in the EU, otherwise there would be no reason to innovate.

Another key message conveyed by Mr Delsaux was that innovation should be a cross-cutting policy, not just linked to regional funds. The new EU framework tells regions and Member States that they have to use part of the cohesion funds for innovation, research and development, but the idea is not to make Brussels a big management body, where all come to get money. The European Commission wants to create a real partnership. “We are all in the same boat and we must choose all the tools available”, said Mr Delsaux. He then gave the example of public procurement and the new procedure aimed at boosting innovation. Municipalities and regional authorities would not need to earmark money for this, but to apply new procedures. He also emphasised the importance of involving private stakeholders.

**Hank Kune** presented a summary of the discussions during the networking lunch, where four groups were asked to come up with key issues for further debate during the workshops. The clustered ideas revealed some common ground, such as the overall importance of entrepreneurship, creating value for citizens and stakeholders alike, and the need for evidence-based results. There was also support voiced for moving from closed systems (clus-

ters) to open ones (ecosystems). Even on fertile ground, nothing worth harvesting grows without gardeners. Equal emphasis has to be placed on getting good products to the market. First you need to invest money and time (there may be some money, but regions also need support to access it) and politicians need courage to do things differently. There is a need for an entrepreneurial perspective and a focus on the long-term impact. Finally, it is about people and achieving a real outcome. Therefore, before looking at smart specialisation, it is important for regions to know themselves. With a lot of questions and challenges ahead and no magic formula at hand, the Committee of the Regions could present new ideas to a new European Commission, to create new narratives on a Europe of new opportunities.

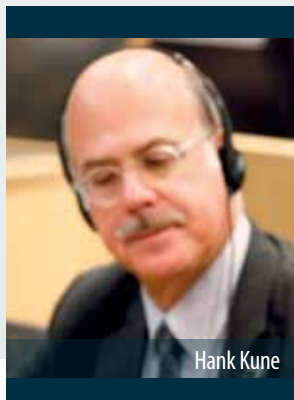
**Mercedes Bresso** agreed with the previous speakers that the EU and its regions needed to get to know each other better and the Committee of the Regions was there to provide its support. She mentioned the European Entrepreneurial Region Award, a label launched by the CoR, which, with the help of the European Commission and the European Parliament, could have a greater impact on triggering positive competition in innovation and research.

Touching on the various themes of the workshops, Ms Bresso underlined that the CoR was strongly encouraging smart specialisation, given that in the current economic environment, regions and cities clearly needed to focus their efforts on the most promising, productive and beneficial economic activities. Entrepreneurship was the standard way of working and the importance of cooperation should not be underestimated. Local and regional authorities were key enablers for all of the above, bringing together centres of excellence, academia and industry in an approach that met the needs of their citizens, whereby policymakers helped create a climate of innovation and growth.

Closing the conference, Ms Bresso reminded the participants that this was the last in a series of seven events dedicated to the Europe 2020 flagship initiatives. The main findings from these conferences and related surveys would feed into a CoR political declaration on the mid-term review of the Europe 2020 strategy, to be presented at the 6<sup>th</sup> European Summit of Regions and Cities (7-8 March 2014, Athens). She once again thanked all the participants for their contribution.



Pierre Delsaux



Hank Kune



Mercedes Bresso

## Total allocations of Cohesion Policy 2014-2020<sup>1</sup>

(million €, 2011 prices) (provisional)

BE	2 061	LU	57
BG	7 153	HU	20 498
CZ	20 585	MT	684
DK	494	NL	1 250
DE	17 207	AT	1 114
EE	3 369	PL	72 823
IE	1 017	PT	19 599
EL	14 443	RO	21 826
ES	25 116	SI	2 891
FR	14 288	SK	13 086
HR	8 029	FI	1 325
IT	29 341	SE	1 840
CY <sup>2</sup>	703	UK	10 364
LV	4 236	IC <sup>3</sup>	500
LT	6 434	<b>Total</b>	<b>322 332</b>

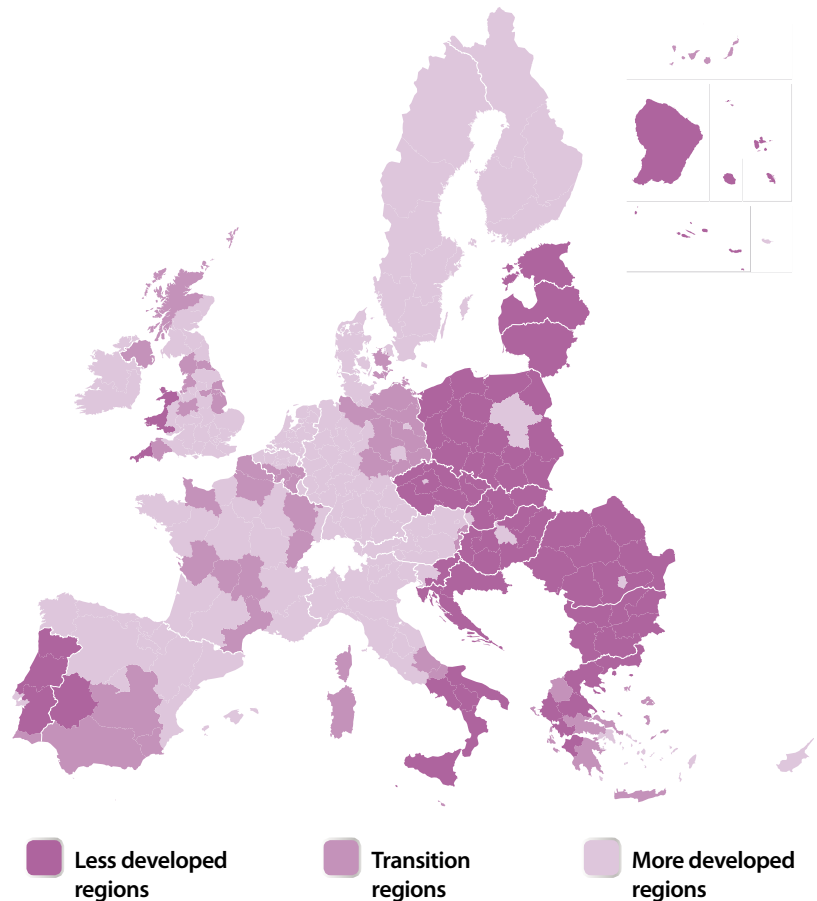
<sup>1</sup> The youth employment initiative (top up) of EUR 3 billion is not included in the table

<sup>2</sup> Including an additional allocation of EUR 186.6 million to be financed within the annual budgetary procedure in 2014 and 2015 using available margins or the flexibility instrument

<sup>3</sup> Interregional cooperation

## EUR 325 billion between 2014-2020 for smart, sustainable and inclusive growth

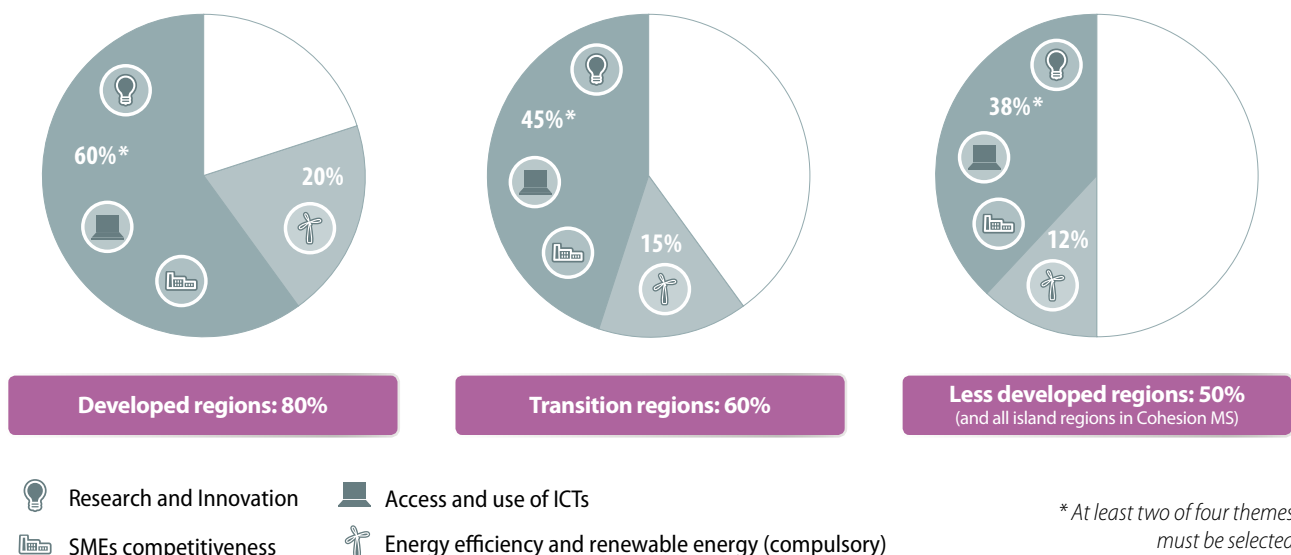
(more than 70% of this amount will be spent in the less developed regions and member states)



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## Thematic concentration of the ERDF





On 27 November 2013, the Committee of the Regions organised a conference on "Innovation Union: The contribution of the Regions and cities". It was the final in a series of seven conferences about the Europe 2020 flagship initiatives. The aim of the conference was to bring together key representatives of EU institutions, Member States and regions to take stock of the implementation of the flagship initiative at regional level. Accompanied by an exhibition of good practice from Europe's regions and cities, the event focused on four aspects:

- Smart specialisation strategies;
- Innovation, enterprises and jobs;
- Networking across borders;
- Open Innovation 2.0.

The conclusions of the conference will feed into the contribution of the Committee of the Regions' mid-term assessment of the Europe 2020 strategy, which will be presented on the occasion of the 6th European Summit of Regions and Cities on 7 and 8 March 2014 in Athens.

More information at: [www.cor.europa.eu/europe2020](http://www.cor.europa.eu/europe2020)

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