

VANGUARD INITIATIVE
New growth through smart specialisation

Background Document

Joining Forces for Investment in the Future of Europe

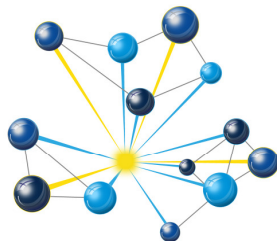
This document describes policy building blocks that are at the basis of the Milan Declaration and the work programme of the Vanguard Initiative in the next period. The political engagement of the Vanguard Initiative for a renaissance of industry and new growth is grounded in a new approach for cross-regional cooperation.

Joining Forces for Investment in the Future of Europe

The Declaration of Milan is built on the 'Letter of Engagement' to the President of the European Council, that was signed at the meeting of political leaders and representatives on 30 January in Brussels. In its short existence the Vanguard Initiative has already been able to influence the European agenda through its messages and its engagement to lead-by-example. But the present political and economic situation is pressing for **a further acceleration of interregional collaborations, using smart specialisation strategies as compass for co-investment**. The call of the new President of the European Commission for a 'grand coalition investment programme' to revive Europe's economy and in particular leverage a reindustrialisation of Europe, goes to the heart of the Vanguard Initiative's political engagement. The Declaration of Milan comes at a time when the future of Europe depends on joining forces for investment in new growth opportunities. The Vanguard Initiative is advocating a bigger role for regions, smart specialisation strategies and bottom-up driven clusters in European innovation and industrial policies for new growth.

A new approach to growth and job creation in Europe

Europe has to adopt an effective growth strategy with an alignment of policies and instruments at European, national and regional levels. The Vanguard Initiative proposes new ways to mobilise and align resources on the basis of smart specialisation principles. Regional public private partnerships or clusters play a key role in this approach to connect EU-wide entrepreneurship and innovation (in particular in SMEs) to the European agenda.



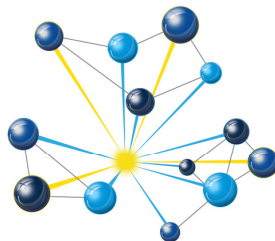
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The partners of the Vanguard Initiative are convinced that an effective implementation of the EU innovation and industrial policy for new growth needs to build on **regional resources and potentials**. Interlinking the regional eco-systems and clusters into new innovation driven cross-EU value chains could be the key to articulate competitive positions, meet global challenges and achieve a balanced and sustainable growth. On the other hand, it's increasingly vital for Regions to adopt a **European perspective** for tackling common goals and societal challenges, and for the sake of efficient use of their resources. The priority action lines for the industrial renaissance and the European strategies of European Technology Platforms, European Public Private Partnerships, European Innovation Partnerships, are important references for developing smart specialisation strategies. The latter have to be linked to the huge potential in the regions.

Smart specialisation is therefore a **coordination principle** to involve the innovation potential of the regions in a European agenda for growth and priority actions for industrial renaissance. The Vanguard Initiative is putting this into practice with its pilot initiatives for the Smart Specialisation Platform Advanced Manufacturing. These initiatives build interregional networks among cluster organisations to scale-up regional efforts in complementary actions and co-investment in European priority domains.

In that perspective, Smart Specialisation Strategies go well beyond the cohesion policy domain. Therefore smart specialisation strategy must be brought **at the core of European innovation and industrial policies and become core part of national innovation strategies**. All policy levels need to support the growth of cross-border cluster networks that enhance the transformation of existing and emergence of new value chains and industries thanks to better use of complementarities. This is an important avenue for the Industrial Policy Roadmap that has to be proposed to the European Council in March 2015 and can build on the proposal of the Industrial Policy Communication of 22 January 2014 'For a European Industrial Renaissance' to develop Smart Specialisation Platforms in the six priority domains.

The Vanguard Initiative propose a **methodology** to identify the opportunities for interregional cooperation in priority areas based on 'mapping' the potential in the regions and 'matching' the relevant actors to engage in further co-investment trajectories.



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The Vanguard Initiative partners are ready to engage in **mutual policy learning to deepen their smart specialisation strategies**, notably as regards international collaboration. A pilot for policy learning on the next generation of smart specialisation strategies can be organised through the new Policy Learning Facility of the European Commission.

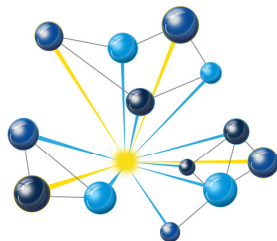
A focus on the growth of industry clusters

The **new growth initiative** of the European Commission urges for a better quality of the public budget ('Research and innovation as sources of renewed growth'), a concentration of public-private investments on future infrastructures (such as broadband, energy, transport) and the promotion of industry clusters, to stimulate the renaissance of industry and innovation driven growth (a € 300 billion investment programme announced by the new President of the EC Juncker). **World-class industry clusters** are the key to this re-industrialisation strategy.

The consultation on the Small Business Act (SBA) also announces a new European Cluster Strategy aiming at giving a more strategic perspective to EU initiatives in that field, unlocking potential of SMEs in emerging industries and fostering cross-sectoral cooperation. The Cluster Conference of 20-22 October started a wide consultation on the role and implementation of a **new European Cluster Strategy for Growth**.

The Vanguard Initiative gives its full support to those new impulses for industry clusters that should be at the heart of the coming Industrial Policy Roadmap. But **cluster policies have to be closely connected to smart specialisation strategies** and the need for transformation. A coherent set of policy tools (across EU programmes) is needed to support the growth of trans-border cluster networks that enhance the transformation of existing and emergence of new value chains and industries thanks to better use of complementarities between regions. This includes the development of strategic capabilities of cluster organisations and the support to the organisation of European eco-systems for the discovery of new cooperation opportunities.

Industrial policy has to refrain from the mistakes of 'picking winners'. Therefore cluster platforms that are grounded in regional eco-systems signal better the potential for renewal. Regional clusters and innovation platforms through their anchorage within entrepreneurial grounds can foster a broader participation of SMEs



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in European programmes and close the gap to the markets. The Vanguard Initiative advocates a **combination** of this bottom-up entrepreneurship and innovation dynamic in regional clusters with a European mission for industrial renaissance, expressed in priority actions, as the most effective way to meet global competitiveness and societal challenges. National innovation strategies play an important role in linking these dynamics.

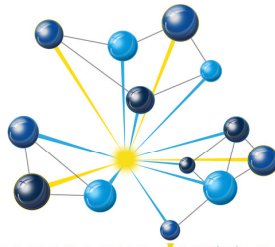
The bottom-up cluster partnerships that bundle the capabilities in regions are the **complement** of the top-down public private partnerships that have been installed by the Horizon 2020 strategy for industrial leadership and challenge-based innovation. The alignment between these two levels on European priority actions is according to the Vanguard Initiative a success condition for new growth initiatives.

The partners of the Vanguard Initiative are committed to the principle of **co-creation** among entrepreneurial and innovation actors to ensure the dynamics of regional clusters and interregional collaboration. There are different types of public-private platforms that reflect this dynamics of co-creation and cluster synergies in the regions. The challenge is to **upgrade** these regional clusters to dynamic trans-regional clusters. Smart specialisation strategies **capitalise on comparative advantages** of regions to recombine strengths within entrepreneurial discovery processes at European scale. Europe can exploit its **diversity** of regional ecosystems to enable the emergence of interlinked specialised cluster nodes in strong European value chains. **European word-class clusters** therefore can grow out of regional clusters through strategic links in international value chains.

Joint efforts for public-private investments

The European Commission will propose an industrial policy roadmap by the end of 2014 and a € 300 billion investment programme for new growth by February 2015. These are important building-blocks in the revision of the Europe 2020 Strategy to provide new perspectives for a stagnating economy.

The Vanguard Initiative shares the analysis of the European Commission that more effective alignment of private and public investments will increase substantially the impact on competitiveness, sustainable growth and jobs. Smart specialisation strategies are a precondition to identify complementarities and design **cooperative strategies for co-investment**.



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The Vanguard Initiative for New Growth through Smart Specialisation is committed to implement its proposals for a new approach. Therefore the Vanguard Initiative wants to continue to develop **pilot initiatives for the thematic 'Smart Specialisation Platforms'** (SSP), launched in the Industrial Policy Communication of January 2014. Such Platforms support the search process for partners in building international value chains through interregional cluster collaborations in key emerging industries. This role of the SSP can be focused on the important stage of piloting and demonstration. The pilot SSP on Advanced Manufacturing that is being explored in cooperation with the European Commission, can be a model for a full-fledged support mechanism for entrepreneurial discovery and organisation of European eco-systems in all (6) European priority areas, by identifying specific themes that are opportunities for regional clusters and where interregional cooperation can make a difference and give a boost to deployment of new markets and investments.

In the next step, the identified opportunities for cooperation need to be supported through **dedicated thematic networks**, such as Interreg projects, that prepare roadmaps and enable the establishment of consortia for international cooperation and European calls. But finally, new effective approaches must be designed to **leverage public-private co-investment** for the deployment of emerging industries, in particular in the piloting of new value chains.

Different instruments should be explored and mobilised in that perspective. The Horizon 2020 programme and the European Structural Investment Fund will remain important channels for European cluster cooperation. The **synergies** between these programmes have to be used. The legal base in articles 70 and 96 for spending structural funds money outside the territory is another option. Interregional cooperation projects for co-investing at higher TRL-levels could be supported more systematically in H2020. The 'Important Projects of Common European Interest' (IPCEIs) are a new instrument that can enhance public-private investment efforts in networked initiatives of European scale.

The Vanguard Initiative is willing to explore, together with the European Commission, the need for an additional instrument to give **access to finance for investment projects stemming from interregional cluster collaboration through EIB/EIF**. A 'Fund of Funds' might be an ideal instrument for risk sharing between European and regional funding in setting-up pilots, modernising production processes

and creating new production-lines in European priority areas, according the regional strengths.

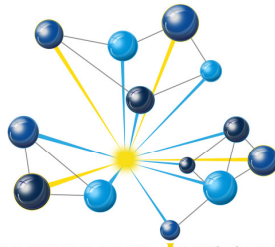
To this end, the Vanguard Initiative will actively contribute to the development and the implementation of the new European Cluster Strategy for Growth and stress the importance of **multi-level and cross-policy alignment of support instruments for the internationalisation of these clusters**. The strengthening of strategic cluster management capacity, of intercluster linkages and international cluster missions are also issues that the European Commission programmes can promote strongly. But a strategic focus should be on the upgrading of regional clusters to world-class clusters through using smart specialisation as a coordination principle.

The achievements and engagements of the Vanguard Initiative

The Vanguard Initiative has established in its first year of existence a clear political agenda for European innovation and industrial policies, in particular in the context of the Industrial Policy Roadmap and the new investment programme of the European Commission that wants to enhance European industry clusters. Regions and their cluster platforms are called-upon to **join forces** in and with the Vanguard Initiative. On that strong basis the Vanguard Initiative will develop its work programme for the next period.

The Vanguard Initiative has put smart specialisation on the agenda as a leading principle for the whole of innovation and industrial policy for regions with ambitions to play a role in the re-industrialisation of Europe. Smart specialisation strategies have to acquire the capacity to identify and implement better co-investment opportunities for regional clusters. Smart specialisation strategies and interregional collaboration need to be better aligned with the strategies of the European strategic platforms (ETPs, EIP, and public-private partnerships). Therefore Vanguard Initiative partners will improve the **mutual learning and policy development** for smart specialisation strategies of high-quality.

The Vanguard Initiative has confirmed the essential role of regions in a multi-level support strategy directed at the living forces of entrepreneurship and innovation in localised eco-systems. It has contributed to bring renewed cluster strategy high on the agenda of innovation and industrial policy, to engage innovative SMEs better in the European agenda. The **multi-level support to industry-driven clusters and**



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innovation platforms implies a mutual leveraging of support instruments. The EIB/EIF has also an important role to play in leveraging regional and national smart specialisation based strategies and roadmaps in order to support the growth of European industrial clusters. The Vanguard Initiative will actively seek to contribute to the development of the new European investment programme, in particular for industry clusters.

The Vanguard Initiative explores new ways of policy development in using the principle of leading-by-example. It is engaged for stimulating interregional collaboration and collaborative policy development with Commission services through pilots. The Vanguard will continue the **piloting** of dedicated **smart specialisation platforms in European priority areas**, to develop these as a search and connecting mechanism and promote eco-systems for the development of world-class and networked clusters. Doing so, it advocates smart specialisation as a coordination approach for new growth and interregional collaboration as an operational environment for this new growth approach.