



European
Commission

▶▶ SMART SPECIALISATION AND EUROPE'S GROWTH AGENDA

*Regional and
Urban Policy*

April 2014



Foreword



Johannes Hahn,
European Commissioner
for Regional Policy

To help Europe make a sustainable recovery from the economic crisis we need actions and investments that help countries and regions to unlock new growth potential and to raise their game when it comes to innovation, productivity and competitiveness. We have therefore earmarked for innovation investments close to one third – € 110 billion – of the € 351.8 billion cohesion policy funds for the next seven years. This money will be spent on research, technological development and innovation; ICT; competitiveness of small and medium-sized businesses, and the shift towards a low-carbon economy.

Policymakers in EU Member States and regions are committed to using these funds to maximum effect. Rather than following a top-down approach, primarily involving public authorities, this new innovation investment agenda needs to be bottom-up, crafted by a collaborative effort of 'entrepreneurial discovery' that involves the private sector and the academic community, building on each region's inherent strengths, entrepreneurship and competitive advantages. Through such a process smart specialisation strategies can unleash economic transformation through modernisation, diversification or radical innovation in all regions of the Union.

This is not a 'one-size-fits-all' approach, but an innovation-driven, place-based, entrepreneurial process. It targets the economic transformation of EU regions towards higher added value and more knowledge intensive activities. That is why we have asked all Member States and their regions to develop smart specialisation strategies and made this a condition for receiving funding from the new programmes under the European Regional Development Fund.

Each Member State and region can define, through their smart specialisation strategy, their priority investment agenda for knowledge-based jobs and growth. This opens up excellent opportunities for joining forces and for coordination between regional and national bodies and across borders to enhance Europe's global competitiveness and industrial renewal.

My vision is for every euro spent on cohesion policy in the next seven years to be strategically targeted and results oriented. Smart specialisation will help us achieve that and more. I am therefore grateful for the broad consensus and support we are receiving including from the European Parliament and the European Council.

*Photographs in this publication were taken from the videos on page 12.
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'Smart specialisation strategy means the national or regional innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation own strengths to business needs in order to address emerging opportunities and market developments in a coherent manner... Smart specialisation strategies shall be developed through involving national or regional managing authorities and stakeholders such as universities and other higher education institutions, industry and social partners in an entrepreneurial discovery process.'

Regulation No 1303/2013 of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

What is smart specialisation?

Smart specialisation is a strategic approach to economic development through targeted support to research and innovation (R&I). Each region, whether it be strong or weak, high-tech or low-tech, goes through a transformative process which involves:

- developing a vision for growth;
- identifying its competitive advantage;
- setting strategic priorities; and
- making use of smart policies and actions.

'Research and innovation strategies for smart specialisation' (RIS3), as they are known, will be the basis for investments in R&I under the European Structural and Investment Funds (ESIF) for the 2014-2020 period.

The goal is for Europe's new innovation investment agenda, which is crucial for achieving growth and competitiveness, to be the result of a collaborative effort among public authorities, stakeholders and the private sector. Successful investment needs to build on each region's strengths and potentials, rather than financing projects indiscriminately and risking a duplication and fragmentation of investments. This can be achieved by creating region-specific smart specialisation strategies.

'Smart specialisation is a good yardstick for identifying growth priorities. Smart specialisation can help innovation and competitiveness in all regions in Europe, even the least developed. Innovation is certainly not just about high-tech.'

Máire Geoghegan-Quinn,
European Commissioner
for Research, Innovation and Science



What is the link between smart specialisation and Europe's growth agenda?

Europe's ongoing economic and financial crisis has led to the emergence of several new economic governance mechanisms. This has for the most part stabilised a very fragile and volatile situation. Growth has returned, albeit at a hesitant level, and needs to be made more secure and sustainable. This is not possible without microeconomic efforts that have the potential to kick-start growth and employment.

In other words, there is a great urgency to finding ways to get the real economy growing again, which is ultimately the only way of overcoming the crisis for good. And nothing drives growth in advanced economies as much as innovation. Innovation drives the modernisation and re-industrialisation of the European economy and unlocks new growth opportunities, thereby supporting the Europe 2020 strategy for growth and jobs.

Did you know?

Innovation accounts for up to 85 % of increases in productivity in developed economies.

With most European countries undergoing a necessary process of budgetary consolidation, public investments have come under much scrutiny – and 'doing more with less' has become a new mantra for policymakers and regional authorities.

Smart specialisation is precisely the strategic approach to better target and focus research and innovation investments on inherent (regional) strengths while also broadening the approach to incorporate many more actors, be they universities or small- and medium-sized clusters of companies and knowledge institutes, which is essential to matching own strengths with business needs and real market opportunities.

Conclusions of the EU Competitiveness Council, 20-21 February 2014

'The development of strategies for smart specialisation was cited as a fundamental source of progress in innovation, particularly by linking national and regional priorities with EU policy objectives. Member States... highlighted the important contribution of smart specialisation in enhancing the specific innovation-related growth potential of the European regions.'





Smart specialisation: promoting innovation and contributing to the European growth agenda



Herman Van Rompuy,
President of the European Council

For Europe to be in a position of global leadership, it needs to recover its economic competitiveness. And the only way to recover competitiveness is to use, wherever and whenever we can, the 'innovation tool'.

Innovation is the ability of a system not only to produce new ideas, but also to bring them to market, and translate them into economic growth and prosperity. This is why innovation has become the overarching priority for the European Union.

A vital part of innovation is the concept of 'smart specialisation' – supporting strategic growth agendas, focusing on the microeconomics of competitiveness, and mobilising the innovation and entrepreneurial opportunities in each region. Smart specialisation supports innovation and gives it a strong and stable foundation.

An active smart specialisation policy will enable firms, regions, and countries to build sustainable competitive positions in world markets and to participate in global value chains. In order to achieve this goal, we need to set up what I could call a 'collaborative model': a model bringing all stakeholders together.

The examples of Flanders, which decided in the 1970s to back ICT with IMEC and bio with VIB, and of Belgium, also in the 1970s, engaging in space technologies, show that it can work. An intelligently designed policy that gives priority to investments which play to the regions' existing or potential strengths can be successful if it is accompanied by an interactive process of dialogue between the private and the public sector.

I therefore applaud the Commission for their initiative to build a platform of services to support regions in their efforts to devise and implement a smart specialisation strategy.

Let us move forward, without delay, with the implementation of smart specialisation policies in Europe.

Conclusions of the European Council, 20-21 March 2014:

'...smart specialisation should be promoted at all levels, including through the efficient use of public investment in research. This will facilitate contacts between firms and clusters and improve access to innovative technologies.'



How does smart specialisation work in practice?

While innovation tends to suggest an emphasis on new versus old, high-tech versus low- and medium-tech, or start-up over established family business, smart specialisation is more nuanced and tries to build on the inherent strengths and/or comparative advantages that every region possesses.

Cooperation across industries, as well as the interplay between private and public actors, including universities and research organisations, is essential to any economic transformation process.

But it falls to public authorities to be responsible for implementing the conditions for cooperation. They should be keenly aware of the

importance of innovation and the new collaborative role they play – mixing established strengths with new strategies and technologies, tapping into entrepreneurial insights and experience, and creating unique environments for new growth opportunities.

Public authorities should put this into practice by:

- modernising, streamlining and improving their own processes and structures;
- becoming catalysts for action, hubs for collaborative projects involving many diverse actors, and facilitators of the journey of 'entrepreneurial discovery';
- providing the groundwork and strategic investments for public-private partnerships to succeed; and

Key insight for smart specialisation:
Innovation is more likely to occur at the intersection of different disciplines and sectors.

- having an international perspective to:
 - coordinate investment strategies and roadmaps across borders;
 - cooperate with partner regions to facilitate co-investment and pool resources and efforts;
 - create synergies with relevant European-level initiatives, such as European innovation partnerships or technology platforms.





How did smart specialisation help you to better target your research and innovation funding plans as well as the results-orientation of your planned investments under the European Structural and Investment Funds?



Robert Fico,
Prime Minister of the Slovak Republic,
Chairman of the Government Council
for Science, Technology and Innovation

With its smart specialisation strategy, the Slovak Republic took the decision to systematically target research and innovation funding in order to overcome fragmentation. By investing the limited public resources into the priority areas, we now focus much more on the results of the investments.

The need to develop a smart specialisation strategy was turned into an opportunity to set up a coherent framework for stimulating a structural change in the Slovak economy. Based on an increasing innovation capabilities and excellence in research and innovation, Slovakia's economy is now moving towards a sustainable growth of incomes, employment and quality of life.

The process of developing the smart specialisation strategy was an important learning exercise for us. In order to arrive at limited number of areas of specialisation, it was necessary to reconcile the diverse interests of science, academia and the main sectors of the Slovak economy. The main administering body, the Government Council for Science, Technology and Innovation chaired by the Prime Minister, coordinated the work done by ministries, science academy, universities, entrepreneurs, regional self-governments and various other partners, with a strong contribution from EU experts.

Under this formal framework, informal networks of research and innovation teams were established, which included SMEs and multi-national companies present in our country. The principles of ownership and partnership were crucial for developing a truly Slovak smart specialisation strategy and ensuring its wide acceptance. The resulting agreement lists priorities for research, development and innovation investments which are embedded in the development potential of Slovakia as well as the EU as a whole.

The strategy will soon be elaborated further into implementation action plans. We have also created instruments to ensure proper incorporation of the smart specialisation strategy into our Partnership Agreement and operational programmes for ESIF in the 2014-2020 programming period. Focusing on fewer priorities makes it easier to define the result-orientation of our planned ESIF investments.

We are aware that increasing Slovak competitiveness thanks to RIS3 implementation is, at the same time, a contribution to the competitiveness of the whole of the EU.



What tools can help develop smart specialisation strategies?

The European Commission is making a number of tools available to help countries and regions develop their smart specialisation strategies. Among these are:

Smart Specialisation Platform
The Smart Specialisation Platform is managed jointly by the Directorate General for Regional and Urban Policy and the Joint Research centre's Institute for Prospective Studies. It has so far recorded the entries of over 140 regions and 13 countries, making it a rich repository of data and information, mapping the emerging regional smart specialisations. One of the key functions of the platform is that regions can solicit comments

and engage in a peer review process, checking their own benchmarks and goals to ensure that they are sufficiently ambitious and distinctive.

Find out more
<http://s3platform.jrc.ec.europa.eu>

European Cluster Observatory
The Cluster Observatory is an online platform that provides information and mapping on clusters and cluster policy in Europe. It analyses regional competitiveness conditions, transnational cluster networks, clusters in emerging industries, and good practice in cluster organisations.

Find out more
<http://www.clusterobservatory.eu/index.html>

European Territorial Cooperation
€ 10.2 bn will be available for cross-border, transnational and interregional cooperation programmes under ESIF. The programmes can be used to support the implementation of smart specialisation strategies by funding *inter alia* the development of joint roadmaps,

action plans and flagship projects, as well as cluster cooperation. The programmes for 2014-2020 are currently being developed by the Member States.

Find out more
http://ec.europa.eu/regional_policy/index_en.cfm

Regional Innovation Monitor Plus (RIM Plus)
RIM Plus is a platform for sharing knowledge, offering detailed information on regional innovation policies and trends in 20 EU Member States.

Find out more
<http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation/monitor>

Regional Innovation Scoreboard
Europe's regions are classified into four different innovation performance groups, enabling them to compare their innovation policies.

Find out more
<http://ec.europa.eu/enterprise/policies/innovation/policy/regional-innovation>





Next steps for smart specialisation

While only a few smart specialisation strategies have so far been officially delivered, many countries and regions are still in the process of developing their strategies in order to be able to invest their ERDF funds in research and innovation.

However, defining a strategy is only the first step. Once the European Commission gives its green light for the strategy, it is up to the Member States and regions to deliver, by:

- Translating their goals into targeted support measures and smart investments;
- Defining ERDF Operational Programmes that deliver concrete, tangible results, such as:
 - upgrading innovation capabilities;
 - increasing private research and innovation investments;
 - increasing the number of innovative companies;
 - increasing revenue from new products and services;
 - providing better, more tailor-made support services for SMEs;
 - improving international exposure and commercial track-record of clusters;
 - improving access to finance for SME innovation;
 - better positioning their industries in international value chains;
 - transforming their industrial landscape towards future-proof emerging industries.

Last but not least, it is crucial to exploit cooperation and co-investment opportunities across borders by developing common roadmaps and investing into joint pilots and demonstrator projects to enable local clusters to develop their global potential. When implementing their smart specialisation strategies and ERDF Operational Programmes regions and Member States should also focus on links and synergies with other European and transnational initiatives to maximise the impact of their smart specialisation investments and to contribute to Europe's growth agenda.

Such initiatives include, amongst others:

- Horizon 2020 – support for EU research and innovation over the period 2014 to 2020;
- COSME – EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises running from 2014 to 2020;
- EIT KICs – Knowledge and Innovation Communities set up by the European Institute of Innovation and Technology;
- various EU-level Public-Private Partnerships;
- thematic platform initiatives, e.g. European Innovation Partnerships.



What are the most important issues Member States and regions need to get right now to maximise the transformative potential of smart specialisation?



Danuta Hübner,
MEP, Chair of the European Parliament Committee on Regional Development

The political, economic and social developments of recent years have shown us that Europe has to reinvent itself in order to remain competitive in an increasing global world. This is why I think that Member States and regions should focus on creating a new economic growth model that will increase the EU's overall competitiveness and reduce the heterogeneity among our 28 economies.

Sustainable innovative development is based on an aggregation of national, regional and local strengths. Member States and regions should carefully reflect on the changes brought by the new cohesion policy legislation, to which the European Parliament has contributed, and define their own local framework of using these motors for our necessary innovation-driven growth.

The smart specialisation strategy is a major policy instrument of regional policy, designed to guide regions and cities in their efforts to spur innovation, nurture it, bring talent together and attract investments. Drafting such a strategy should not be considered a mere paper exercise, but rather seen as an approach to creating real added value. Member States should design their national policies in an integrated manner to reach the Europe 2020 strategy goals, as well as to produce synergies from regional and local growth tools. In my view, truly 'smart' strategies should involve all stakeholders within a 'culture of cooperation' and partnership.

For their part, regions urgently need to kick-start their engines on the super-highway to an innovative Europe. All regions should find ways of diversifying their innovative potential. They should also cooperate among themselves, align their strategies and roadmaps, create interregional linkages, and work towards more competitive 'world-class' clusters. If we take into account how big the challenge is, we are not going fast enough. It is not about moving forwards by walking – it is about running.

Whether they already have a relatively clear picture of how to use their innovative potential, or are still on their journey of 'entrepreneurial discovery', Member States and regions should accelerate their efforts to find the right priorities for future ESIF investments. We have no other choice than to push the innovation agenda and use ESIF to preserve and restore our high quality of life in Europe.

Find out more:

European Parliament Resolution on smart specialisation: networking excellence for a sound Cohesion Policy
<http://europa.eu!cy39dr>





‘We have to realise that the competitiveness of Europe’s industry is about more than wage and energy costs. It is about more than increasing productivity by cutting costs. It is more than ever about innovation. Smart specialisation is the right way forward. Industry has to focus on domains where they can compete on a global scale.’

Kris Peeters,
Minister-President,
Government of Flanders

respective industrial sectors, these regions have committed to sharing information to support bottom-up initiatives with smart specialisations in priority areas for European industrial renewal. They will develop common roadmaps and multi-level approaches to stimulate complementary investments according to their smart specialisations and thereby enable local clusters with global potential to develop into world-class clusters.

The initiative was launched at the High Level Meeting on Smart Specialisation on 8 November 2013 in the presence of European Council President Herman Van Rompuy, Commissioners Johannes Hahn (Regional and Urban Policy) and Máire Geoghegan-Quinn (Research, Innovation and Science), and Kris Peeters, Minister-President of Flanders.

The Vanguard Initiative is working closely with the European Commission and is open to all

regions that are prepared to ‘go the extra mile’ to improve their economic performance through smart specialisation. Members undertake to develop interregional cooperation and seek to engage and/or take the lead in coordinating thematic platforms to proactively explore co-investment opportunities, such as through joint or networked pilot and demonstrator projects.

Participating regions:
(Status as of April 2014)

- Asturias (ES)
- Baden-Württemberg (DE)
- País Vasco/Euskadi (ES)
- Lombardia (IT)
- Małopolska (PL)
- Nordrhein-Westfalen (DE)
- Norte (PT)
- Oberösterreich (AT)
- Rhône-Alpes (FR)
- Scotland (UK)
- Skåne (SE)
- Tampere (FI)
- Vlaanderen (BE)
- Wallonie (BE)
- Zuid-Nederland (NL)

Ownership – the Vanguard Initiative

Smart specialisation gives ownership to Europe’s regions to develop strategies for generating new specialisations and driving the wider process of structural economic transformation. The ‘Vanguard Initiative for New Growth through Smart Specialisation’ is an initiative of the political leaders of 15 European industrial regions on the future of industry in Europe that has at its core this idea of ownership and commitment.

Pledging to use their smart specialisation strategies to raise the competitiveness of their



How did smart specialisation help you to better profile your region and improve the focus and results-orientation of your ESIF investment plans?



Iñigo Urkullu,
President, Basque Country, Spain

The Basque Country has been pursuing a regional innovation strategy for at least 34 years, far longer than any other region in the EU. As a result, the regional innovation system combines a high number of actors, including trade associations, voluntary agencies, sectoral coalitions, specialised institutions and local elites. The stakeholders are highly involved in the Basque Country’s science, technology and innovation, and enterprises and cluster associations are the main actors when referring to innovation in entrepreneurship.

The Basque policy mix has evolved a lot in recent years. Responding to specific needs at each stage, long-term plans and strategies have progressively been adapted to support the modernisation, competitiveness, specialisation, diversification and sophistication of the Basque economy, based on existing capacities and exploitation of the areas of greatest potential opportunity.

Synergies of Basque policies with EU policies have been sought more actively than with national policies. In this sense, the great effort made by the Basque Country to invest EU funds for R&D and other policy areas such as energy and climate change, as well as for cohesion policy (ERDF and ESF) into existing capacities and exploit areas of greatest potential opportunity, is remarkable.

Facing one of its main weaknesses, the Basque Country has recently made an important effort to diagnose, discuss and review strategic research priorities for the territory. This comprehensive and highly participatory reflection process has been closely aligned with EU proposals on the design of smart specialisation strategies. This involves identifying the characteristics and assets of each region, emphasising its competitive advantages and bringing participants together around a shared vision. A set of initial criteria – such as entrepreneurial skills that generate employment and wealth or the presence of significant technological and scientific capacities – have been defined to select the priority areas.

As a result of this priority setting process, three main priorities have been chosen: advanced manufacturing, energy and biosciences. These priorities are interlinked and they constitute a solid, diversified and complementary choice. The result is a balanced strategy that combines a cross-cutting priority to various sectors in which the Basque Country has strong expertise and capacities (advanced manufacturing), a key sector (energy), and a commitment to diversification by including a high-tech sector with high growth potential (biosciences).



Where can
I find out more
about smart
specialisation?

Have a look at the **Smart Specialisation Platform:**

<http://s3platform.jrc.ec.europa.eu/>

Follow it on Twitter: [twitter.com/@s3platform](https://twitter.com/s3platform)

Read the **smart specialisation strategies guide** for Managing Authorities:

http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/sme_guide/sme_guide_en.pdf

See also the **OECD** report on smart specialisation:

<http://www.oecd.org/sti/inno/smartspecialisation.htm>

Watch the **five videos** produced by the European Commission that illustrate what smart specialisation is all about:

http://ec.europa.eu/regional_policy/videos/index.cfm?LAN=EN

Video 1

Cartoon-style video to explain smart specialisation to general audiences: The King of Smart wonders what to do to revive the declining fortunes of his kingdom. He opts for smart specialisation by way of feeding hungry dwarves (= modernisation and adoption of technology by SMEs), unleashing excited goblins (= breakthrough innovation) and waking-up sleeping giants (= transition, diversification of industries).

Video 2

Regional case-study featuring Marche, Italy: Modernising the shoemaking industry through advanced manufacturing and customisation (e.g. offering made to measure shoes thanks to 3D scanners).

Video 3

Regional case-study featuring Lower Silesia, Poland: Entrepreneurial discovery, involving industry stakeholders, and EU-wide cooperation, with a specific focus on the aerospace industry.

Video 4

Regional case-study featuring the Canary Islands, Spain: Radical innovation with a focus on oceanography featuring a competence centre for marine science providing cutting edge research and advanced ocean technology.

Video 5

Regional case-study featuring Flanders, Belgium: Transition to personalised health care solutions via breakthrough research and innovation to improve healthcare and diversify the economy thanks to innovative solutions.



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