



# NATIONAL/REGIONAL INNOVATION STRATEGIES FOR SMART SPECIALISATION (RIS3)

## COHESION POLICY 2014-2020

The new rules and legislation governing the next round of EU Cohesion Policy investment for 2014-2020 have been formally endorsed by the Council of the European Union in December 2013.

This factsheet is one in a series highlighting key elements of the new approach.

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National/Regional Research and Innovation Strategies for Smart Specialisation (RIS3 strategies) are integrated, place-based economic transformation agendas that do five important things:

- » They focus policy support and investments on key national/regional priorities, challenges and needs for knowledge-based development.
- » They build on each country/region's strengths, competitive advantages and potential for excellence.
- » They support technological as well as practice-based innovation and aim to stimulate private sector investment.
- » They get stakeholders fully involved and encourage innovation and experimentation.
- » They are evidence-based and include sound monitoring and evaluation systems.

## What is the issue?

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Europe 2020 is the EU's growth strategy for the coming decade. In a changing world, we want the EU to **become a smart, sustainable and inclusive economy**. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion.

Concretely, the Union has set five ambitious objectives – on employment, **innovation**, education, social inclusion and climate/energy – to be reached by 2020. Each Member State has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy.

National and regional authorities across Europe **shall design smart specialisation strategies in entrepreneurial discovery process**, so that the European Structural Investment Funds (ESIF) can be used **more efficiently and synergies** between different EU, national and regional policies, as well as public and private investments can be **increased**.

# What is the aim?

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## The RIS3 policy rationale

### **To make innovation a priority for all regions**

'Europe 2020' requires policy makers to consider how the different aspects of smart, sustainable and inclusive growth are interrelated. Integrated smart specialisation strategies respond to complex development challenges by adapting the policy to the regional context.

RIS3 supports the creation of knowledge-based jobs and growth not only in leading research and innovation (R&I) hubs but also in less developed and rural regions.

RIS3 is a key part of the proposed EU Cohesion Policy reform supporting thematic concentration and reinforcing strategic programming and performance orientation.

### **To focus investment and create synergies**

RIS3 focuses economic development efforts and investments on each region's relative strengths, exploiting its economic opportunities and emerging trends, and taking action to boost its economic growth.

RIS3 enhances the added value, impact and visibility of EU funding. It ensures value for money in times of tighter budgets and scarce(r) public resources.

RIS3 ensures synergies between European policies and funding, complementing national and regional schemes and private investment.

### **To improve the innovation process**

RIS3 requires smart, strategic choices and evidence-based policy making. Priorities are set on the basis of a bottom-up entrepreneurial discovery process supported by strategic intelligence about a region's assets <sup>(1)</sup>, its challenges <sup>(2)</sup>, competitive advantages and potential for excellence <sup>(3)</sup>.

RIS3 involves making sure that the policy mix, i.e. the combination of policy instruments available in a given regional environment – grants, loans and other support – is effective in reaching the overall policy goals, helps businesses, and leverages private investment.

RIS3 entails developing result indicators and using them to drive, steer and adjust policies and programmes. They thus promote continuous policy evaluation and learning, sharing experience and good practices between regions.

### **To improve governance and to get stakeholders more closely involved**

RIS3 encourages all stakeholders to unite under a shared vision. It links small, medium-sized and large firms, encourages multi-level governance and helps to build creative and social capital within the community.

The RIS3 process must be interactive, regionally-driven and consensus-based. While the precise mix of organisations involved will depend on the regional context, it is important that all partners be fully involved in developing, implementing and monitoring smart specialisation strategies.

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(1) Including industrial structures, clusters, universities, research institutes, science, technology, skills, human capital, environment, market access, governance systems, and linkages and connections with other regions.

(2) Including an ageing population, labour market mismatches, remote location and environmental aspects.

(3) For example, SWOT, foresight and trend analyses, technology mapping, cluster analysis, entrepreneurial knowledge of markets.

## The economic rationale

### **To develop and implement strategies for economic transformation**

RIS3 requires an integrated and place-based approach to policy design and delivery. Policies must be tailored to the local context, acknowledging that there are different pathways for regional innovation and development.

These include: a) rejuvenating traditional sectors through higher value-added activities and new market niches; b) modernising by adopting and disseminating new technologies; c) diversifying technologically from existing specialisations into related fields; d) developing new economic activities through radical technological change and breakthrough innovations; and e) exploiting new forms of innovation such as open and user-led innovation, social innovation and service innovation.

### **To respond to economic and societal challenges**

Europe faces relentless global competition for talent, ideas and capital. At the same time, fiscal austerity requires governments to focus scarce resources on a few areas and measures that have genuine potential to create sustainable jobs and growth.

Most regions can only acquire a real competitive edge by finding niches or by mainstreaming new technology into traditional industries and exploiting their 'smart' regional potential.

Smart specialisation strategies can also be a powerful instrument to tackle social, environmental, climate and energy challenges, such as demographic change, resource efficiency, energy security and climate resilience.

### **To make regions more visible to international investors**

By focusing on what gives a region its greatest competitive potential, smart specialisation helps position the region in specific global markets/niches and international value chains.

To attract private investment and to get the attention of international investors it is important to brand a region's expertise in a specific knowledge domain or niche market and to provide solid, integrated support to help strengthen this specialisation.

### **To improve a region's internal and external connections**

Improving internal connections has long been a trademark of innovation policy (e.g. triple or quadruple helix networks, knowledge triangles, university-business cooperation, clusters, etc.).

However, regions also need to be outward looking, to position themselves in European and global value chains, and to improve their connections and cooperation with other regions, clusters and innovation players. This is important for the internationalisation of their companies, to achieve a critical potential of cluster activities and to generate inflows of knowledge relevant to the region's existing knowledge base <sup>(4)</sup>.

### **To avoid overlaps and replication in development strategies**

In the past, regions facing development challenges have often tried to replicate the same or similar priorities as other, leading, regions, even when they had few assets and little chance of becoming world leaders in their chosen fields.

RIS3 encourages regions to adopt policies realistically tailored to their capabilities, opportunities and needs.

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(4) [http://www.eurada.org/index.php?option=com\\_content&view=article&id=184&Itemid=202&lang=en](http://www.eurada.org/index.php?option=com_content&view=article&id=184&Itemid=202&lang=en)

International differentiation and technology diversification are key to (re-)positioning a region in a global, highly dynamic and changing context, and to making its strategy stand out from that of other regions.

### **To accumulate a 'critical mass' of resources**

RIS3 can ensure that research and innovation resources reach critical mass, i.e. sufficient momentum to become self-sustaining, or critical potential, supporting them through targeted action to boost human resources and knowledge infrastructure.

It clearly pays to focus on areas of real potential and strength rather than spreading investments thinly over unrelated areas. Critical mass/potential can be accumulated either internally within the region or via insourcing and cooperation with other regions.

### **To promote knowledge spill over and technological diversification**

The most promising way for a region to promote its knowledge-based growth is to diversify into technologies, products and services that are closely related to existing dominant technologies and the regional skills base. Knowledge spillover is most successful if it is within related industries (as opposed to a diversity of unrelated sectors).

New industries will grow out of the most successful existing clusters, but only if sectoral boundaries are abandoned. What matters is not diversification per se but rather specialised technological diversification in emerging economic activities. This starts from existing regional knowledge and economic capabilities and aims for related but higher value-added activities.

Regions should thus prioritise complementarity between related economic activities, and find better ways to combine their strengths so as to create new industrial capability in areas with high growth potential (e.g. cross-clustering).

## What is the legal base?

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The Regulation (EU) 1301/2013 of the European Parliament and of the Council of 17 December 2013 is a legal base which defines ‘smart specialisation strategy’.

**‘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, while avoiding duplication and fragmentation of efforts.

*A smart specialisation strategy may take the form of, or be included in a national or regional research and innovation (R&I) strategic policy framework.*

*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.*

The existence of a national or regional smart specialisation strategy in line with the National Reform Program, to leverage private research and innovation expenditure, which complies with the features of well-performing national or regional R&I systems is a prerequisite for the effective and efficient achievement of a specific objective for all investment priorities under thematic objective n° 1: Strengthening research, technological development and innovation.

The RIS3 *ex-ante* conditionality requires EU Member States and regions to **have smart specialisation in place that:**

- » is based on a SWOT or similar analysis to concentrate resources on a limited set of research and innovation priorities;
- » outlines measures to stimulate private research, technology and development (RTD) investment;
- » contains a monitoring and review system;
- » sees a Member State has adopted a framework outlining available budgetary resources for research and innovation; and
- » a Member State has adopted a multi-annual plan for budgeting and prioritisation of investments linked to EU priorities (European Strategy Forum on Research Infrastructures –ESFRI).

## What are the practical effects?

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The RIS3 ex-ante conditionality requires EU Member States and regions to **identify the knowledge specialisations** that best fit their innovation potential, based on their assets and capabilities.

They must do this through a process of **'entrepreneurial discovery'**, i.e. involving key innovation stakeholders and business. Thus, rather than being a strategy imposed from above, smart specialisation involves **businesses, research centres and universities working together** to identify a Member State or region's most promising areas of specialisation, but also the weaknesses that hamper innovation there <sup>(5)</sup>.

The national or regional authorities must then draw up **a document outlining the proposed strategy for that country or region** and, in particular, the **planned public and private investments including from Structural Funds** in research, technology development and innovation.

This strategy should not only build on and/or aim at **regional scientific excellence** but also support **practice-based ('non-technological') innovation** <sup>(6)</sup> and include the adoption and diffusion of **knowledge and innovation**.

The strategy should be self-assessed and, if possible, peer-reviewed. The Commission will assess the fulfilment of the conditionality in relation to the negotiation of the Partnership Agreement and Operational programmes.

**More specific guidance** for regions and Member States on how to develop and implement regional innovation strategies for smart specialisation is available in the form of a methodological and practical guide <sup>(7)</sup>.

Regional strategy development is also being supported through the **Smart Specialisation Platform** that was launched in June 2011. The Platform is managed by a team at the Joint Research Centre (JRC-IPTS) in Seville, Spain. It is monitored by a Steering Team that includes experts from several European Commission departments. It also receives input from a Mirror Group of European high-level experts and network representatives. It will offer a range of services, including guidance, training, and support in peer-reviewing national/regional strategies. Member States and regions are encouraged to sign up for the Platform by accessing the platform homepage <sup>(8)</sup>.

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(5) [http://ec.europa.eu/invest-in-research/monitoring/knowledge\\_en.htm](http://ec.europa.eu/invest-in-research/monitoring/knowledge_en.htm) (cf. D. Foray et al., Smart Specialisation – the concept, June 2009).

(6) For instance, social and service innovations, action to address social challenges, new business models and demand-side measures such as public procurement.

(7) [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/smart\\_specialisation/smart\\_ris3\\_2012.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/smart_specialisation/smart_ris3_2012.pdf)

(8) <http://s3platform.jrc.ec.europa.eu>

## What is different from 2007-2013?

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**Smart specialisation is not new.** Rather, it is a **refinement and upgrading of the existing methodology for Structural Funds programming**. It is based on 15 years of experience in supporting innovation strategies in the regions, and on frontline economic thinking by major international institutions such as the World Bank, the OECD and the IMF. The most advanced regions are already engaging in similar strategic exercises, as highlighted by the Regions for Economic Change initiative<sup>(9)</sup> or the Regional Innovation Monitor<sup>(10)</sup>.

Smart specialisation is about **identifying the unique characteristics and assets of each country and region**, highlighting each region's **competitive advantages**, and rallying regional stakeholders and resources around an **excellence-driven vision of their future**. It also means strengthening regional innovation systems, maximising knowledge flows and spreading the benefits of innovation throughout the entire regional economy.

**It is about reconciling two logics of political action:**

- » **setting vertical priorities regarding fields, technologies, activities rather than generic priorities such as increasing cooperation between research and industry or improving human capital;**
- » **involving dynamism, competitive entries and entrepreneurial knowledge combining science, technology, engineering with knowledge of market developments, business needs and emerging opportunities.**

What is new is that the Commission proposes to make such strategies a **pre-condition for ERDF funding**. Thus EU Members States and regions **must have RIS3 strategies in place** before **their Operational Programmes supporting these investments are approved**.

For more information

**For more factsheets related to aspects of Cohesion Policy:**

[http://ec.europa.eu/regional\\_policy/what/future/publication/index\\_en.cfm](http://ec.europa.eu/regional_policy/what/future/publication/index_en.cfm)

**For more general information about Regional Policy:**

[http://ec.europa.eu/regional\\_policy/index\\_en.cfm](http://ec.europa.eu/regional_policy/index_en.cfm)

(9) [http://europa.eu/legislation\\_summaries/regional\\_policy/review\\_and\\_future/g24240\\_en.htm](http://europa.eu/legislation_summaries/regional_policy/review_and_future/g24240_en.htm)

(10) <http://www.rim-europa.eu>