

# Friends of Smart Specialisation

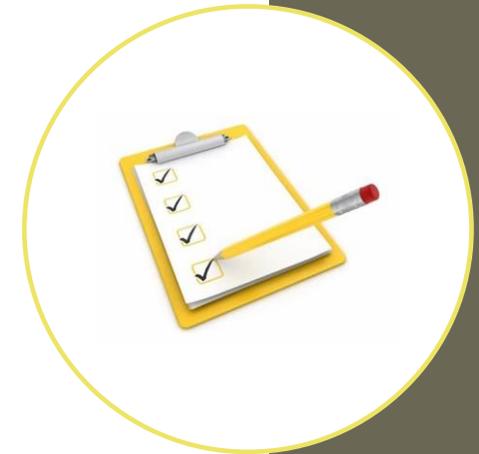
Green Deal, Industrial Policy and the  
Recovery Plan through the  
lens of Smart Specialisation



SOST  
1<sup>st</sup> July 2020

# Presentation outline

- Friends of Smart Specialisation
  - Mainstreaming smart specialisation at all policy levels!
- Quick take aways
- The EU Green Deal, New Industrial Strategy
- Smart specialisation
  - Advantages and unmet potential
- The Recovery and Resilience Facility
- Post-pandemic recovery
  - Post-COVID economics and analysis
- The role of Local and Regional Authorities (LRAs)...
- Discussion



# Who we are?



- **Friends of Smart Specialisation (FoSS)**

- An initiative from an independent group of experts and practitioners concerned for the future directions of S3
- Started in 2018 by Dimitri Corpakis, Jan Larosse, Richard Tuffs (supported by EFIS, the European Future Innovation System Centre)
- Mailing list: >170 policy experts
- Purpose: mainstreaming of Smart Specialisation
- Key activities: policy labs, policy papers, presentations...
- Find more on: <http://www.efiscentre.eu/portfolio-item/friends-of-smart-specialisation>

# FoSS Activities

- **Policy Labs – interactive learning spaces with regional/EU policy shapers**
  - Policy Lab – Brussels – December 2018 (launch of FoSS)
  - Policy Lab – Leuven – April 2019
  - Policy Lab – Brussels – June 2019
- **Presentations at Conferences/Webinars**
  - Triple Helix Workshop St Mary’s University (London, June 2019)
  - Special Session at the European Regional Science Association (Lyon Congress, 27-30/8/19)
  - ERRIN S3 Working Group (Brussels, 24/10/19)
  - Regional Studies Association (RSA) Winter Conference (London, 14-15/11/19)
  - Smart Regions (Brussels, 15/11/19)
  - Vanguard Initiative (on-line Brussels 08/06/20)
  - Triple Helix Conference (on-line Tampere 17/06/20)
  - ERRIN and Committee of Regions (on-line Brussels 22/06/20)
  - Galicia/Norte (on-line 25/06/20)
  - SOST/CDTI (on-line 01/07/20)
  - A New European Industrial Strategy (Growth, Investment, Territory Group) (on-line 08/07/20)
- **Policy papers – 2020>**
  - Green Deal and S3 (Feb 2020)
  - Critique of New Industrial Strategy (March 2020)
  - Call for Action (April 2020)
  - The European Semester and smart specialisation (June 2020) – in development



# FoSS: Disclaimer – Caveat Emptor

- *Friends of Smart Specialisation* are three independent retired experts based in Brussels with experience of the European Commission, regional administration (regional development and innovation...) and European networks.
- We give our opinion and knowledge based on our experience and contacts but cannot commit to provide any ‘official’ information.

# Quick take aways!



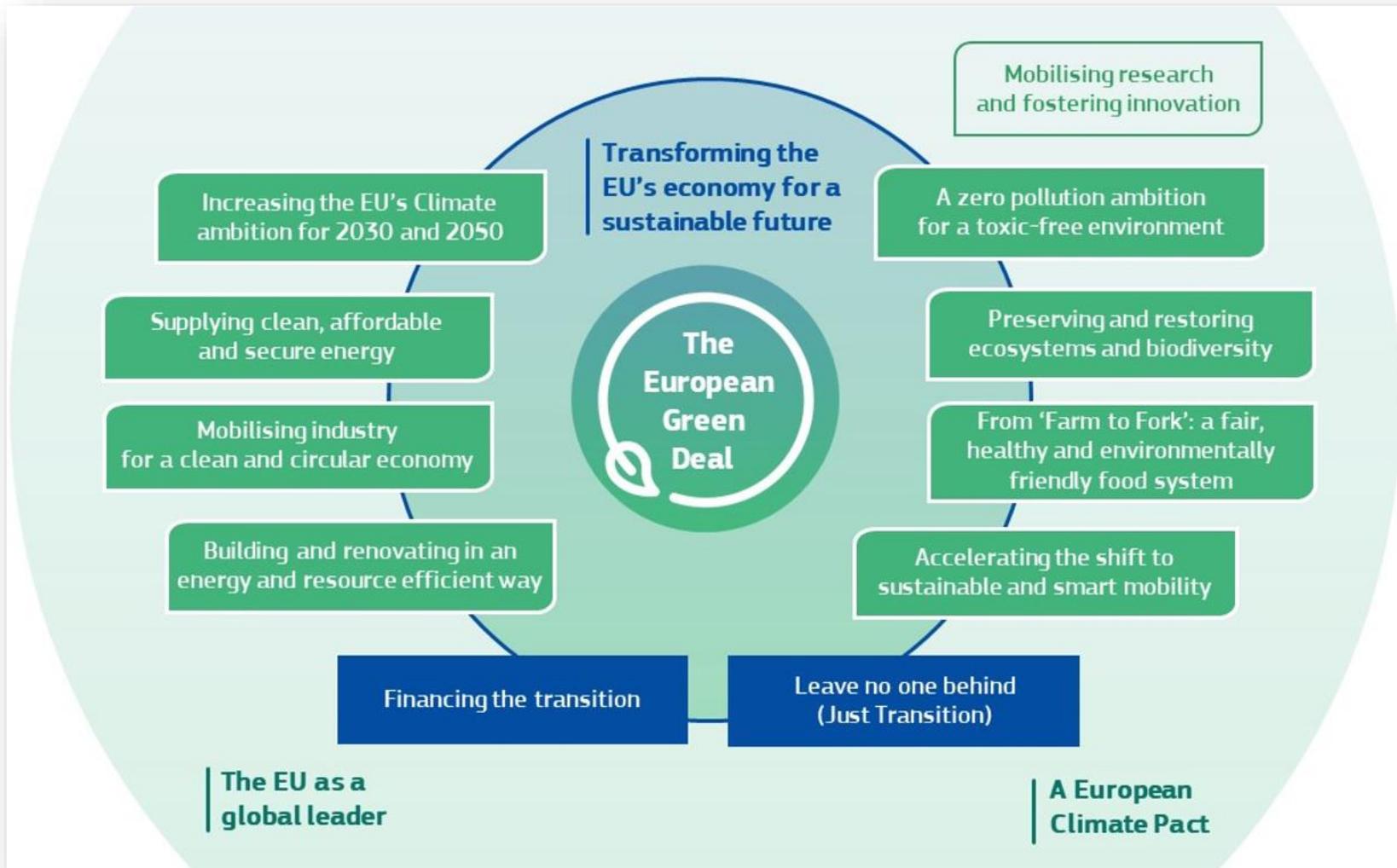
- The Covid19 crisis involves charting our path to the future. The Next Generation EU is an unprecedented support and growth package, pointing to the Green and Digital Transitions. **But we have not seen yet a clear role for the regions.**
- S3 2.0 or 'S4' (+ sustainability) is one way of strengthening the regional dimension in the current European strategies for systemic transformation
- Investment is the key to the future of the EU: we have the *direction* but we need to identify the *profiles*. **Targeted and aligned investment in S3 priorities is a success condition for the efficient and effective deployment of these co-investments in new value chains.**
- The *Friends of Smart Specialisation* argue for *targeted, place-based, joint co-investment efforts driving new European value chains*. Smart complementarities, interregional partnerships driven by clusters and linked skills strategies will make change happen.
- **But above all we need a new European multi-level governance, supporting an overall mainstreaming of Smart Specialisation**

# “Europe’s defining moment”

- **The Green Deal**: a new growth strategy
- **The New Industrial Strategy**: implementing the twin transitions – green and digital
- **The Recovery and Resilience Facility** (*Next Generation EU*): the financial mechanism for EU support

***Key question: how to connect local investment decisions for innovation and transformation with top-down Europe wide priorities?***

# Green Deal - overview



‘...a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.’

‘The EU Green Deal is the S3 for the EU today’

Mikel Landabaso,  
JRC Seville, 22<sup>nd</sup> June 2020

# FoSS position - overview



- A systemic challenge such as the Green Deal needs the **mobilisation of all resources and all actors all over Europe.**
- **Smart specialisation can be the key delivery mechanism for this new growth strategy:**
  - By combining the **directionality of the European Green Deal** roadmap and from a **bottom up perspective** identifying new future activities based on the **unique characteristics of all places.**
  - By stimulating **interregional partnerships** (such as S3 thematic partnerships) able also to play a key role in leveraging the alignment of place-based strengths.

***However the Green Deal has no reference to smart specialisation!***

# The Commission's proposal for A New Industrial Strategy for Europe



## Europe's new industrial strategy

- New focus on industrial eco-systems...
- Globally competitive and paving way to climate neutrality...
- SME Strategy, Just Transition Platform, Skills Agenda for Europe in 2030, Digital Innovation Hubs, PPPs, IPCEIs...

## Reinforcing Europe's industrial and strategic autonomy

## Joining the dots: A partnership approach to governance

- Industrial Forums, Industrial alliances

***Where are the regions & smart specialisation strategies?***

# Industrial Ecosystems in Europe



# FoSS Response – Overview

- The new Industrial Strategy should fully **involve the European regions** and their EU-supported **smart specialisation strategies** for green and digital transformations.
- We need a **two-stage industrial strategy**:
  - The **first stage** must concentrate on the survival of industry with the biggest future potential.
  - The **second stage** should focus on the reconstruction and renewal phase in a new global context. This involves the stages of **recovery, renewal, refocusing & regional resilience**.
- **Regional resilience** involves diversity and adaptability to ensure strategic autonomy in new growth areas (Green Deal) and productivity (digital transformation) supported by strong institutions and governance
- Regional governance must be embedded in a **multi-level governance** framework supporting a place-based industrial policy
- S3 can contribute to a cross-border **alignment of investment priorities** developing **new value chains** that build on ‘**smart complementarities**’ with other regions (with their RIS3 and their clusters) to leverage mutual investments.

# Smart Specialisation: advantages

- ✓ S3 is not looking at the comparative advantages of the past but **at competitive positioning in the economy of the future.**
- ✓ S3 can therefore be restyled as **smart complementarity** to highlight interdependency between regions seeking the co-creation of new longer-term 'co-opetition' conditions in the European internal market.
- ✓ Smart specialisation can help **to align resources** as effectively as possible based on place-based entrepreneurial opportunities triggered by a shared European vision.
- ✓ Smart specialisation requires **tailored policy mixes and policy integration.** It stimulates integration of innovation policy in the broader set of education, training, regulation and infrastructure policies to make it work.
- ✓ Smart specialisation can and must engage civic society and build **trust in the future**

# But also an unmet potential...



- The full potential of smart specialisation has not been used
- This is due to in part to:
  - ❖ The **fragmentation of innovation and transformation** policies in the EU between the different policy domains at the regional, national and European level.
  - ❖ S3 – strongly linked to cohesion funding (DG REGIO) and **needs a wider bandwidth** within the Commission (e.g. DG RTD and Horizon Europe)
  - ❖ S3 strategies often too **inward-looking** at the regional level
  - ❖ A lack of **regional capacity** to develop, implement and monitor S3 strategies as a full part of their economic development policies
  - ❖ A **lack of co-investment** – the responsibility of regional policy makers is to make co-investment happen, by committing own resources!

# Recovery and Resilience Facility



- The EC has proposed the ‘**Recovery and Resilience**’ Facility’ (proposed €560 billion) within the proposed European Recovery Instrument ‘Next Generation EU’, proposed budget €750 billion. The RRF will be €310 billion in grants and up to €250 billion in loans.
- **This Facility is ‘voluntary’ but it puts national reform plans centre stage.**
- **The grant support is linked to the successful implementation of policies.**
- The Member States will formulate their priorities in a draft Recovery and Resilience Plan to be submitted by Oct 2020, April 2021, April 2022 taking into account the findings of the European Semester, as well as national energy and climate plans and Just Transition plans. The support is disbursed on completion of milestones.

# EU recovery initiatives

TOPICS	REACT-EU Top up to Cohesion Policy	HORIZON EUROPE	EU4 HEALTH	JUST TRANSITION FUND	InvestEU Including SOLVENCY SUPPORT	STRATEGIC FACILITY Top up to Invest EU	RECOVERY AND RESILIENCE FACILITY	SURE UNEMPLOY- MENT
EXTRA EU budget	55 € bn.	13.5 € bn.	7.7 € bn.	30 € bn. + 15 € bn. for rural areas	26 € bn.	15 € bn.	560 € bn.:	100 € bn
SMEs including working capital								
Employment & Skills								
Health								
R&D								
Strategic autonomy value chain								
Green & Digital transition								
Tourism & Culture								
Agri, rural , maritime & Fishery								
Support to poverty including child								

Thanks to Christian Saublens  
EURADA

# S3 can support Recovery and Resilience Plan

- ✓ Smart specialisation is a distinctly **European collaborative approach** because it capitalises on Europe's diversity with 'smart complementarities'
- ✓ Smart specialisation finds its legitimacy in a **bottom-up** governance process in places. The use of the Entrepreneurial Discovery Process enables a range of regional stakeholders to contribute to priority setting.
- ✓ An ambitious new recovery and growth strategy needs an **ambitious policy and governance framework** that involves regions. This requires administrative and institutional **capacity** at the local and regional level and the **political commitment** of regional leaders that understand European opportunities.
  - ✓ *We need a strategic policy discussion on the evolving role of S3, from a cohesion policy instrument to a political component of a multi-level governance process within the European Semester).*

# S3 in the European Semester ?

- S3 strategies can play a role in a revamped European Semester around the reform of economies with the help of Resilience and Recovery Plans which have both a national and regional components
- S3 offers a proven and transparent approach ensuring the effectiveness of the EC funding and its territorial balance,
- S3 can inspire ‘Smart Recovery Plans’: with strong place-based innovation strategies leading to structural transformation and alignment in European value chains

# Post-pandemic recovery: how to...

- **Update S3** with an **outward** looking approach and mission orientation in line with the new European growth strategy.
- Enrich the **methodology** for interregional partnering through the co-developing of joint strategies between leading cluster organisations
- Ensure **political mandate and commitment**, to engage in European partnerships for the Green Deal and industrial transformation.

*Engineer a **leadership** approach with a **new narrative** on the role of multi-level governance in European green and digital transformation through a **reinvigorated** (resilience-proofed) S3.*

# Post-COVID economic considerations

- **Macroeconomic**

- Avoid recession
- Stabilise demand
- Global/EU/national dimension

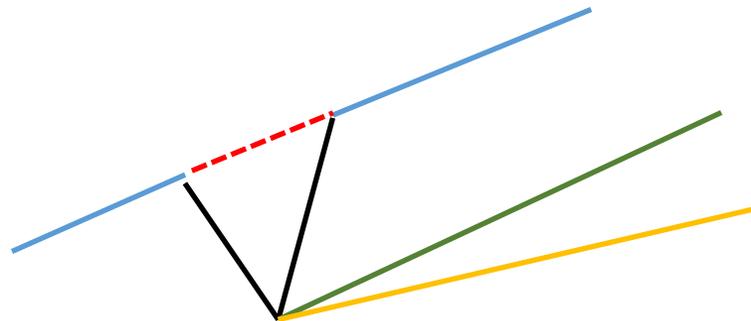


- **Microeconomic**

- Firms
- Sectors
- Location specific
- SMEs
- Clusters...

- **Forecast growth curves**

- V
- U
- L
- W

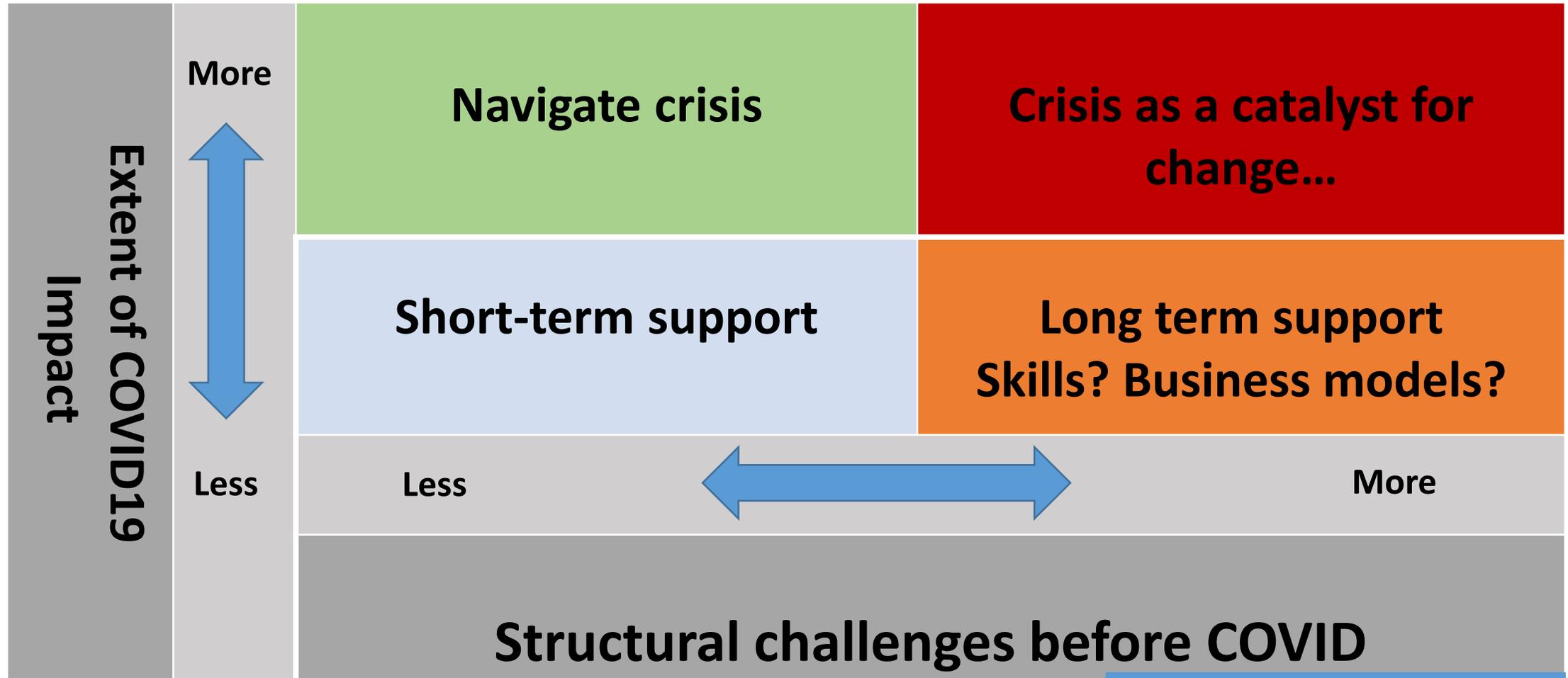


Thanks to Christian Ketels June 2020

# Updating S3: Post-COVID segment analysis

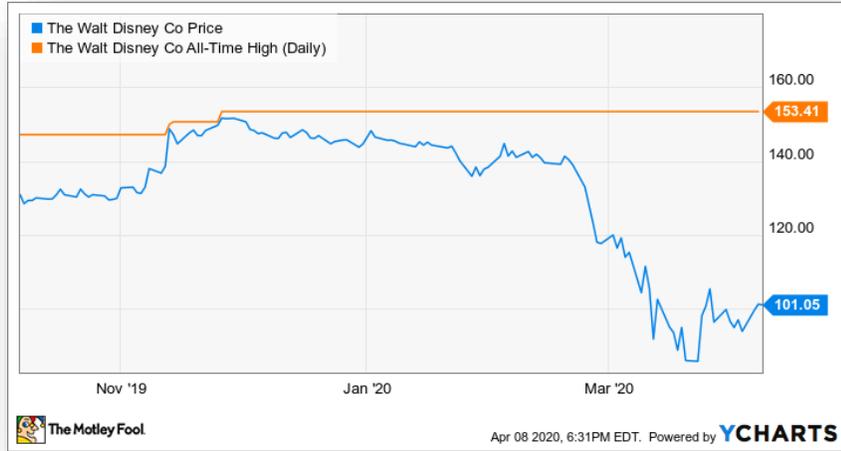
Business	Seizing	Continuing	Rebounding	Recovering Slowly	Consolidating	Straying (struggling)
<b>Sectors</b>	Food retail ...	Pharma Insurance ICT Food and drink...	Con- struction Health Energy Admin Transport...	Banking ...	Textiles Manu- facturing...	Arts Entertainment Accom- modation Food outlets Air Transport...
<b>Challenges pre-COVID</b>	Low	Low	Low	Medium	High	Medium
<b>COVID Impact</b>	Low	Low	Medium	Medium	High	High
<b>Structural challenges post-COVID</b>	Low	Low	Low	Low	High	High
<b>Business Priorities</b>					Adapted from McKinsey & Company Report June 2020	

# Updating S3: future support



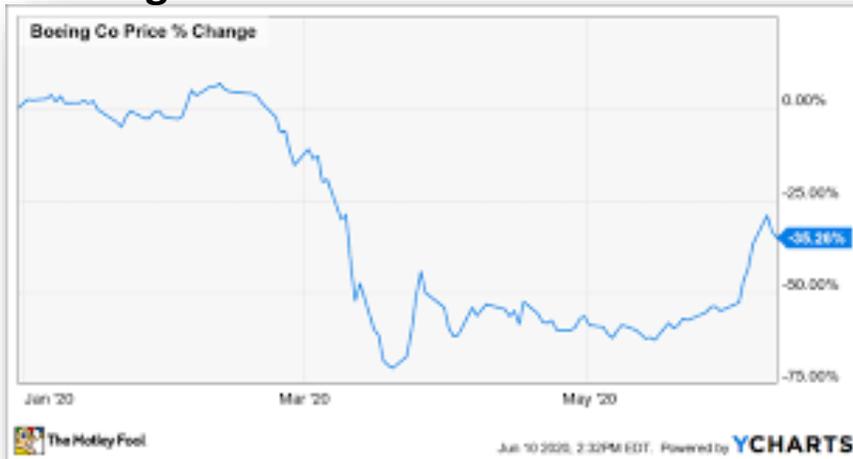
Adapted from McKinsey & Company Report June 2020

# Share prices in 2020 – winners and losers



March

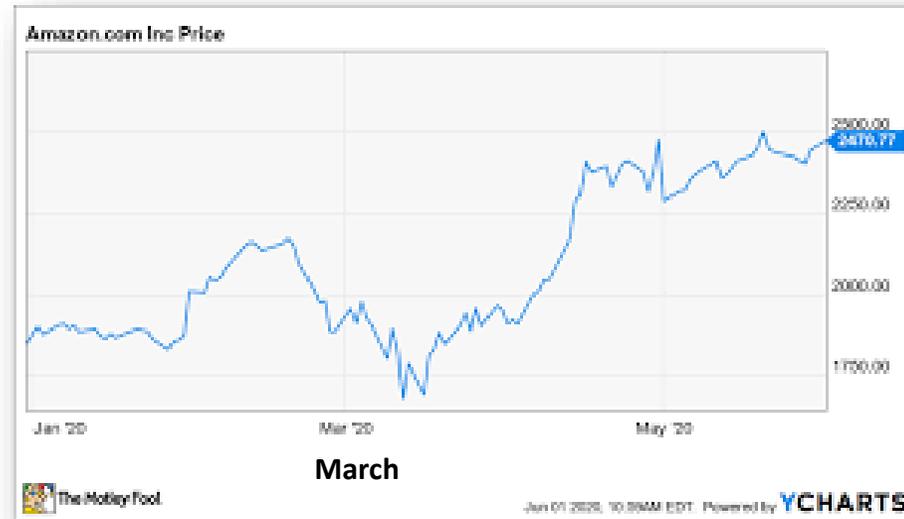
## Boeing



March

## Disney

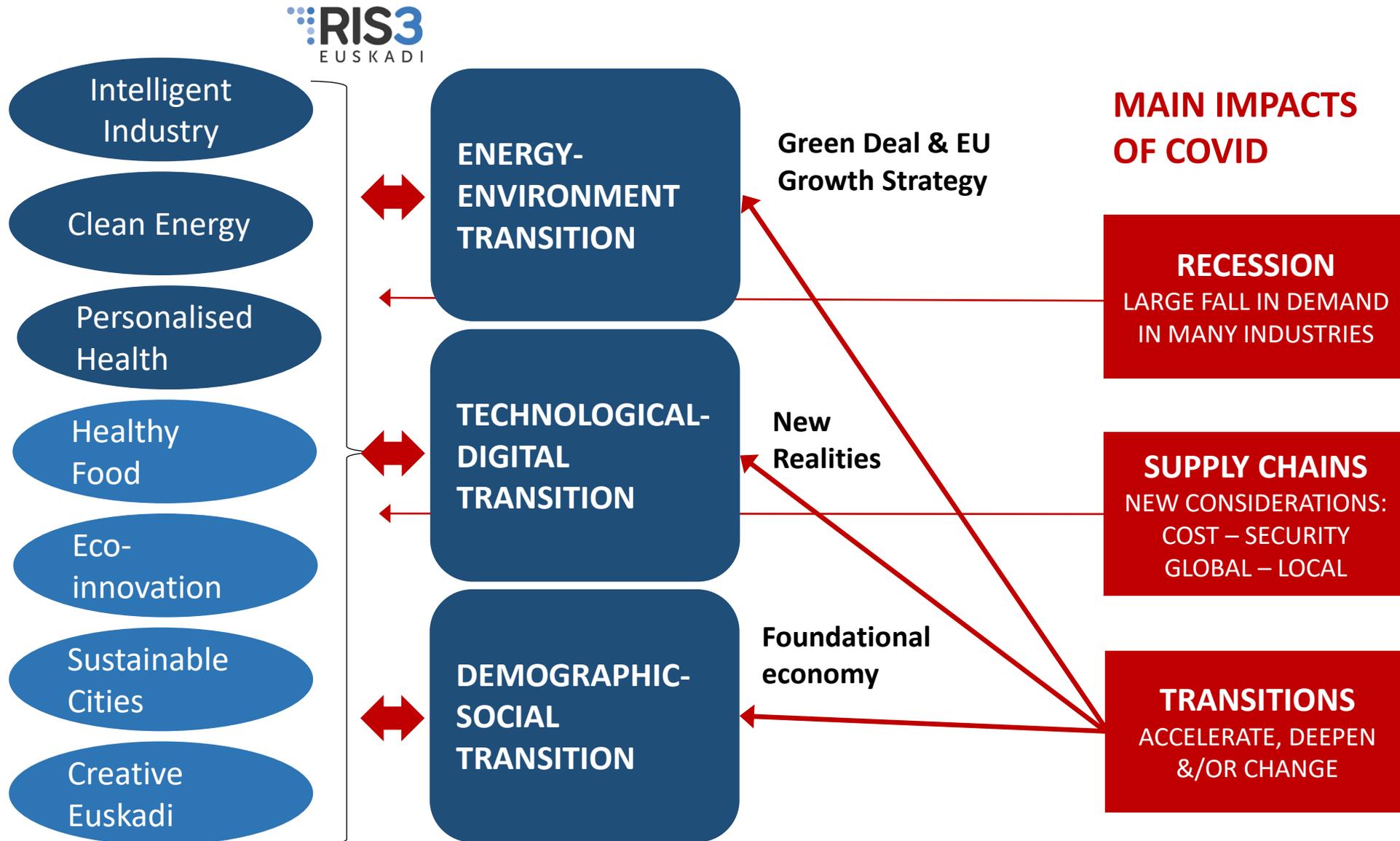
08/11/2020



## Amazon

March  
2020

# Basque Country: - new RIS3 opportunities post-covid?

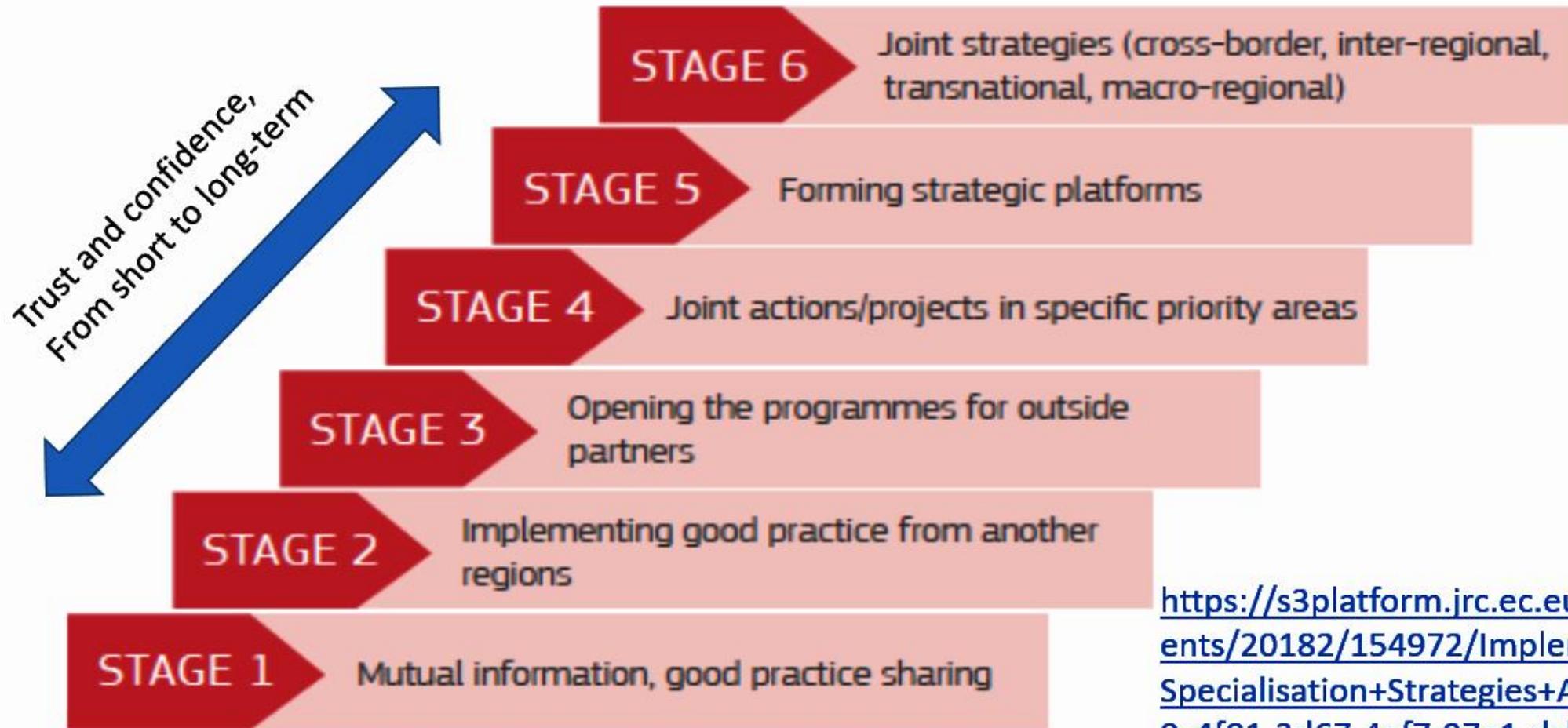


Thanks to James Wilson, Orkestra

# The role of Local and Regional Authorities (LRAs)...

- Regions (LRAs) should actively promote the need for a strong **regional focus** in any future EU recovery plan.
- If LRAs are to play a stronger role then an improvement in local and regional **capacities and commitment** needed in developing industrial strategies and specifically smart specialisation.
- LRAs need to be in the forefront of building **quadruple helix formations** and develop effective **entrepreneurial discovery processes (EDP)** – **democratic legitimacy**
- LRAs need also to think about how their regions' economic structure could better connect to **Global Production Networks (GPN)** through the strengthening of European **value-chains** in times of the re-organisation of **global supply-chains**.

# Interregional collaboration



<https://s3platform.jrc.ec.europa.eu/documents/20182/154972/Implementing+Smart+Specialisation+Strategies+A+Handbook/2a0c4f81-3d67-4ef7-97e1-dcbad00e1cc9>

# Thanks for inviting us!



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