

The rationale and need for a joint use of R&I and ESI funds

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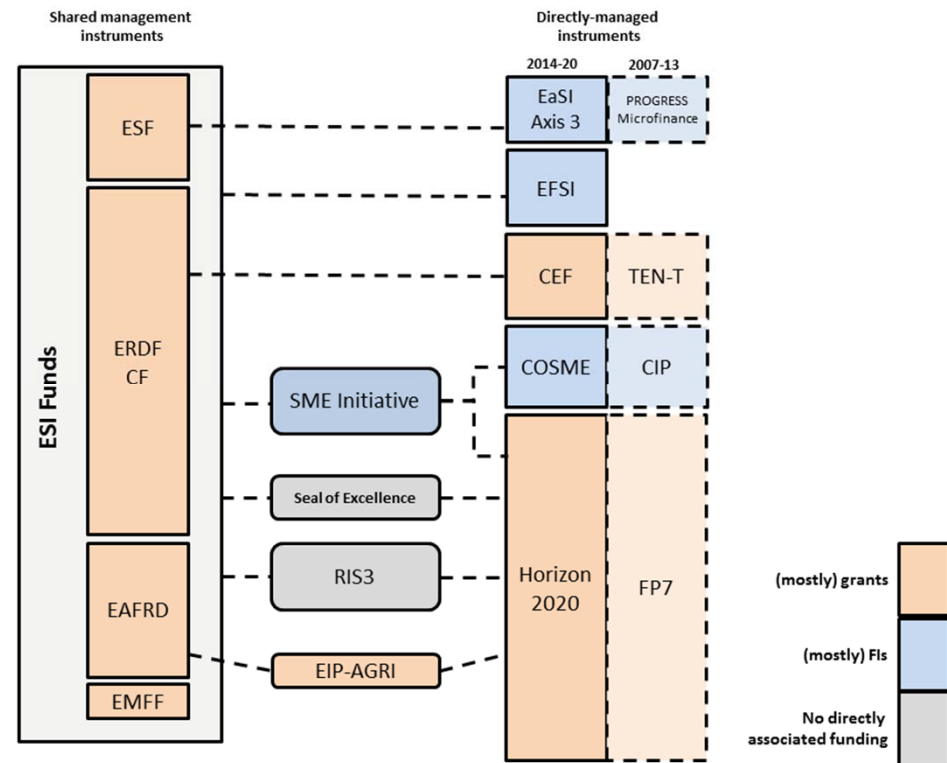
Shared versus directly managed European funds

- Different 'intervention logics' or 'rationales' – the long-standing 'cohesion versus excellence' debate
- Different, if increasingly 'aligned' regulations and operational rules
- But all, in principle, working towards Europe 2020 objectives.

In this context, 'joint use' can occur via

- Synergies
- Complementarity
- Coordination
- Coherence

Relationships between ESIF and directly-managed EU instruments



Source: European Parliament (2016) Maximising Synergies Study

Rationale 1: closing the cohesion gap ?



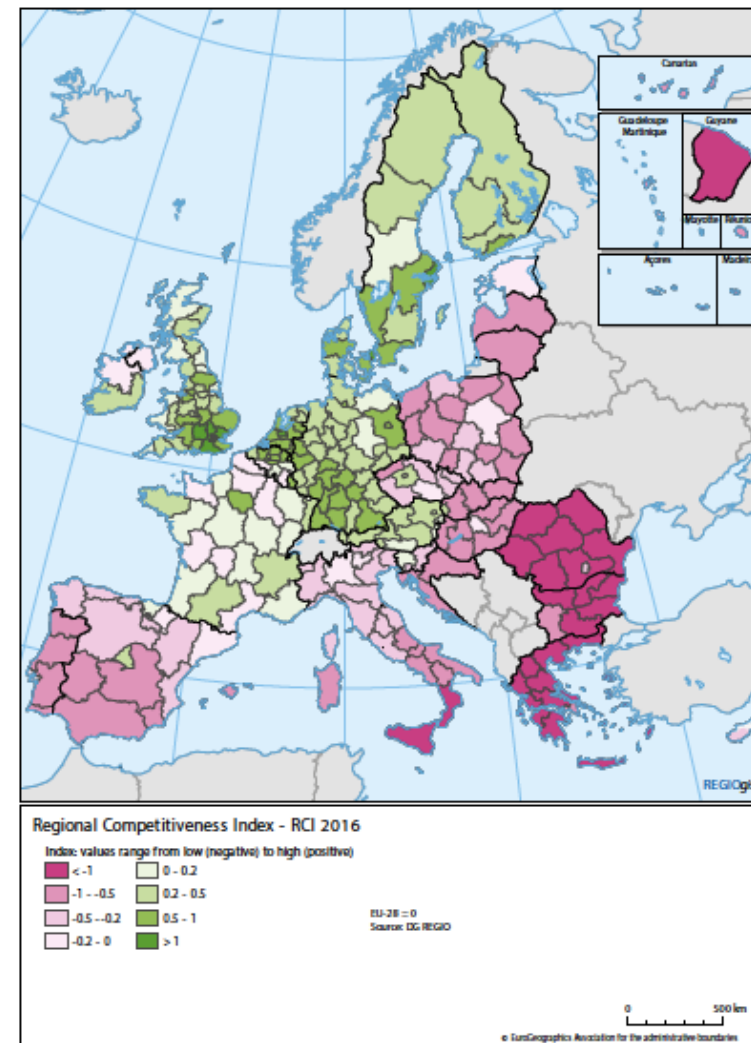
Underdeveloped regional innovation systems, skills gap and poor institutional quality undermine the growth potential of lagging regions. Innovation lacks efficient interactions between higher education institutions and the productive sector. Lack of human capital and poor institutional quality hampers competitiveness and investment decisions. Low-income regions still have significant gaps in their infrastructure, while low-growth regions need well targeted investment to improve accessibility.

Competitiveness in low-income and low-growth regions. The lagging regions report. (2017)

Rationale 2 : closing the cohesion gap ?

Between 2013 and 2016, around 10% of the regions improved and 10% reduced their level of competitiveness, while between 2010 and 2013 more regions increased (26 %) than decreased (11 %) their score

Regional Competitiveness Index 2017



By building on pockets of excellence ?

“scientific pockets of excellence exist in less-favoured regions, but that there are only very few and hence less likely to embark into interdisciplinary research or to act as a major attraction for private investment”

RISE Group Report, June 2017

Step I: Consider regions in countries with an overall weaker R&I system



Step II: Consider regions with STI potential



Step III: Consider regions capable of linking up to top-European research networks



Regions with a GDP per capita less than 75% of the average GDP of the EU-25 in modestly innovating countries



Regions with a R&I and economic performance gap or faster rate of closing the gap on EU average (or own country) than economic convergence



Regions with strong system linkages

Regional
Competitiveness
Innovation sub-index

Regional Eco-system
Scoreboard

By boosting regional innovation ?

Regional Innovation Scoreboard (2016)

	INNOVATION LEADERS	STRONG INNOVATORS	MODERATE INNOVATORS	MODEST INNOVATORS
RII2008	0.552	0.422	0.300	0.205
RII2010	0.567	0.429	0.320	0.229
RII2012	0.564	0.445	0.324	0.224
RII2014	0.577	0.457	0.318	0.215
RII2016	0.525	0.438	0.305	0.190
Average growth rate RII2008-RII2016 per two-year period	-1.3%	0.9%	0.4%	-1.9%
Average growth rate RII2008-RII2014 per two-year period	1.4%	2.7%	2.0%	1.5%
Growth rate RII2014- RII2016	-9.0%	-4.2%	-4.2%	-11.4%

The regional innovation paradox Still biting !

"The regional innovation paradox refers to the apparent contradiction between the comparatively greater need to spend on innovation in lagging regions and their relatively lower capacity to absorb public funds earmarked for the promotion of innovation and to invest in innovation related activities, compared to more advanced regions." (Oughton et al., 2002)

Muscio et al (2015) found that

- Neither EU R&D nor SF RTDI funding made a significant contribution to growth from 2000-9 in Eastern European regions.
- Moreover, these regions (that badly need to use available funding effectively) are not advantaged in terms of future use of SF RTDI funding once all other factors are held constant (HRST, BERD, etc.).

<http://dx.doi.org/10.1080/17487870.2015.1013545>

Rationale 2: the linear model revisited ?



Structural funds can help in creating a better R&I system. This can be through structural investments in universities etc. By doing this, they create a more dynamic R&I system that can compete.

But right now, the two programmes, H2020 and the structural funds, are not very well linked. Of course, they should keep their distinct role. But they should also have a common approach to support R&I. This should be built on a common narrative and overarching strategy. And it should create better direct synergies

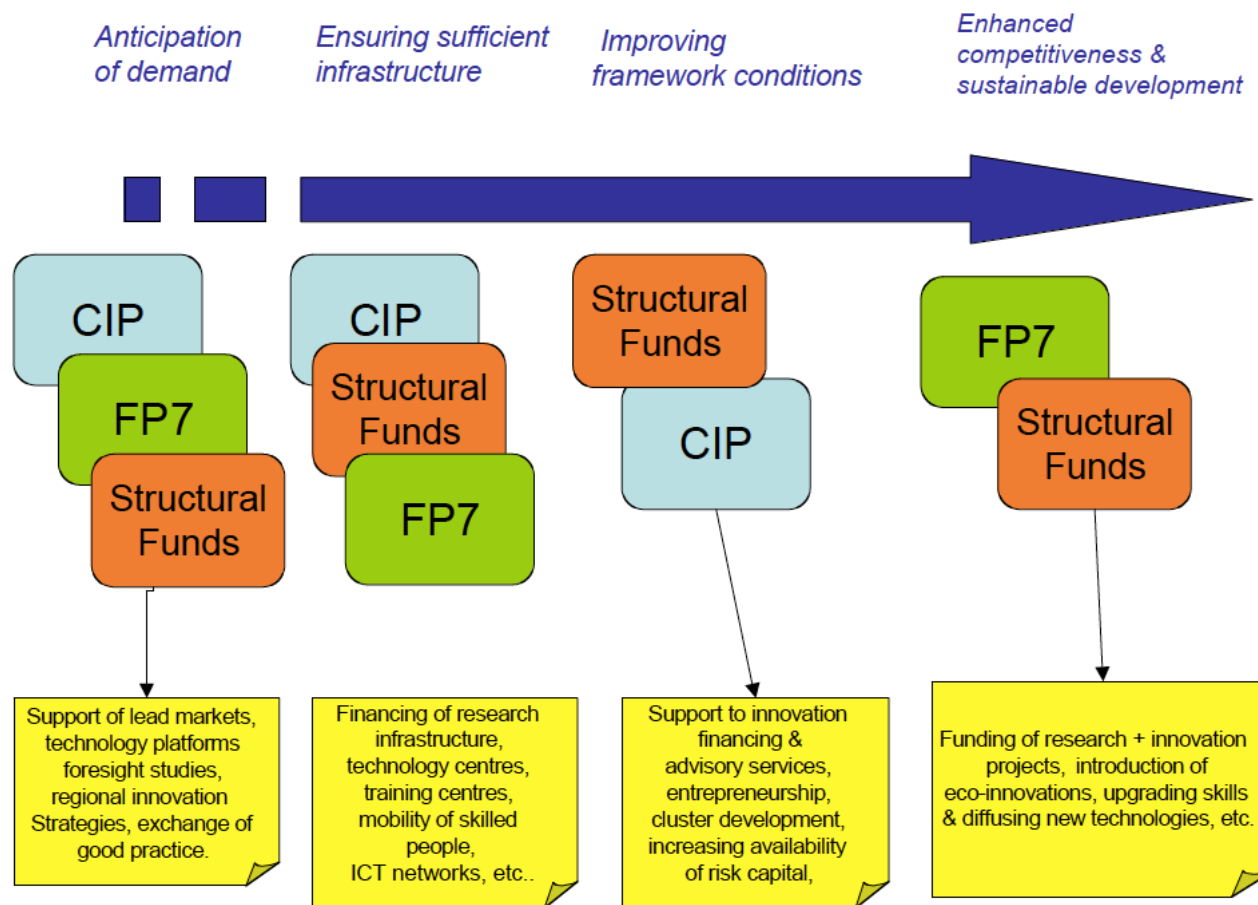
Commissioner Moedas, June 2017

21/06/2017

Déjà vu ?

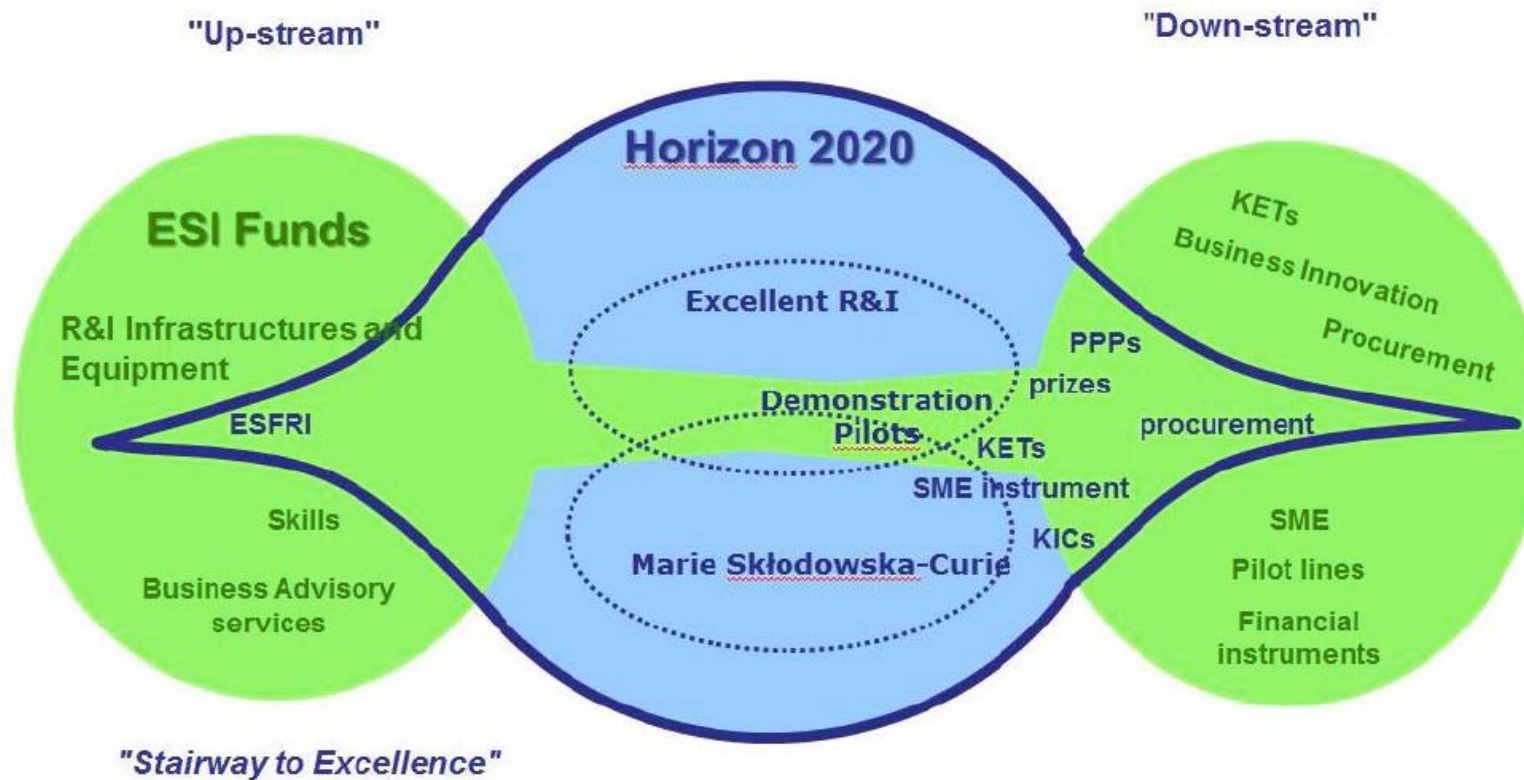
<p><i>“...the new EU research and innovation policy offers many opportunities for synergies with the new Structural Fund programmes....this potential is best developed at ‘grassroots’ level by structured strategic collaboration between regional stakeholders”</i></p>	<p>Strategic Evaluation on Innovation and the knowledge based economy in relation to the Structural and Cohesion Funds, for the programming period 2007-2013</p> <p>Report for DG REGIO, 2006</p>
<p><i>“...potential synergies of funding from different EU instruments will depend on a bottom-up process of selecting strategic objectives reflected in the policy mix of SF Operational Programmes at national and regional level. The need to combine more than one funding source must be internalised into planning at an early stage.”</i></p>	<p>Synergies between the EU 7th Research Framework Programme, the Competitiveness and Innovation Framework Programme and the Structural Funds</p> <p>Report for the European Parliament, ITRE Committee, 2007</p>

2007-13 period – aligning funds ?



Synergies between the EU 7th Research Framework Programme, the Competitiveness and Innovation Framework Programme and the Structural Funds. Report for the European Parliament, ITRE Committee, 2007

Rationale 2: the linear model revisited ?



Commissions Guide on Synergies, 2014

Synergies guidance (EC, 2014)

Synergies mean joint or coordinated efforts to achieve greater impact and efficiency, not only combining ESIF and Horizon 2020 money in the same project!

Synergies can be achieved through:

- bringing together Horizon 2020 and ESIF money in the same project (that could be a single action or a group of coordinated actions/operations, but always provided that there is no double funding of the same expenditure item) in view of achieving greater impact and efficiency;
- successive projects that build on each other or;
- parallel projects that complement each other.

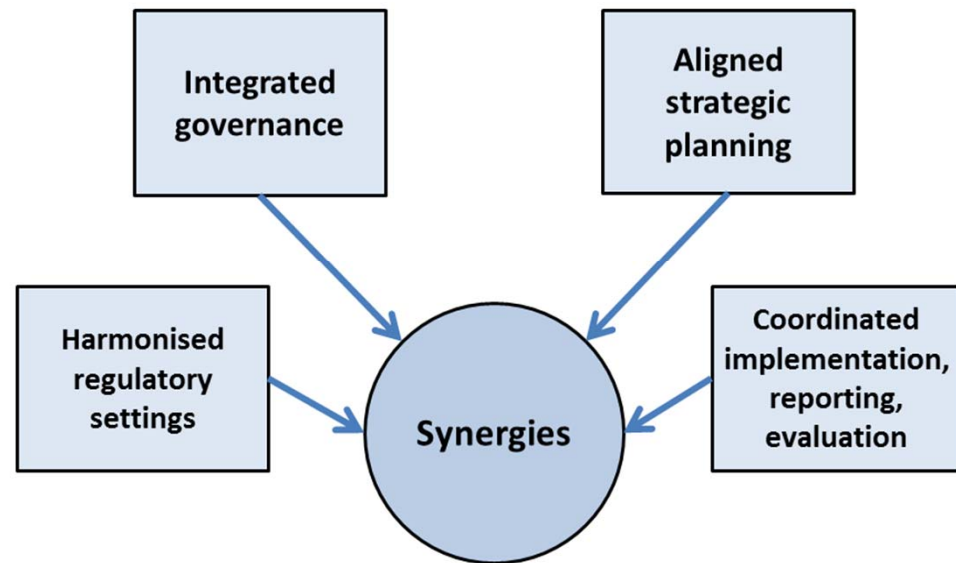
ESIF programmes could also be designed and implemented to take up high quality project proposals from Horizon 2020 or other centrally managed programmes, for which there is not enough budget available in the respective programmes.

Joint use of funds - not plain sailing

Capacity-building for synergies is important, particularly in Member States and regions in specific policy fields with limited knowledge and experience of working in this way.

Much of the success of synergies relies on relationships at the Member State level: the links between ministries and departments, between governments and regions, between ESIF authorities and non-ESIF national contact points and domestic policy systems.

The role of training programmes, seminars and workshops is emphasised.



Source: European Parliament (2016) Maximising Synergies Study

Observed strategies towards creating synergies



- ‘Stairway to nowhere’: Significant investment by SF in research infrastructure and to some business R&D capacity – with no marked change in R&D FP success rates or innovation performance.
 - ‘Modest and moderate innovators’ but not only..
- ‘Super-powered NCP’: co-ordinated effort to boost success in EU funding bids – aimed at HEI/PRO and business (with mixed results)
 - Widely observed more rarely linked to SF RTDI priorities.
- ‘Inspiration seekers’: pro-active regional involvement in EU level initiatives - feeding-back ‘new ideas’ to regional stakeholders and positioning regions on European ‘playing-field’
- ‘Joined up thinking’: regional/national strategies integrate the full set of options to ensure funding for priority initiatives
 - Few and far between, even through RIS3

Joint use of funds needs to be embedded in strategic framework – not project driven !



Example of Wave & Tidal developments in northern Scotland (Caithness & Orkney)

- Significant natural resource advantage recognised and long-term public-private strategy developed
- ESIF and national funds used to upgrade infrastructure (harbours, EMEC campus) & support tech-start-ups, etc.
- FP7/Horizon 2020 significant funder of pre-commercial R&D and testing projects
- Wave Energy Scotland initiative to attract international expertise & businesses for testing
- 2016, launch of the world's first large-scale tidal energy farm !
- 2017, EIB Funding requested for flagship MeyGen tidal array



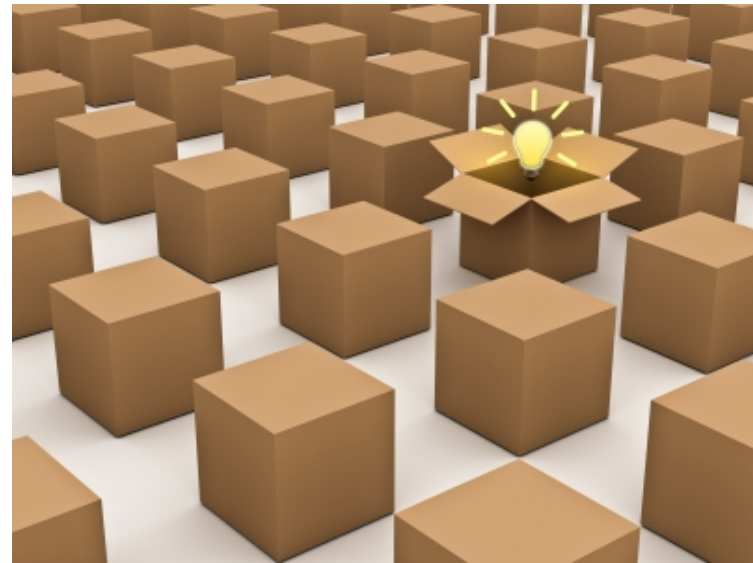
Timing is everything

- Early pre-identification of joint funding options for longer-run strategic initiatives
 - Few of the RIS3 included a detailed mapping of synergies
- Avoid fixing in stone ESIF allocations from day 1:
 - build in flexibility and an on-going 'discovery process' allowing iteration between EIS and other EU funds



Think out of the box

- Synergies are not just about getting more €€€
 - Strategic positioning in line with region priorities (KICs, EIPs, etc.)
- Involvement in inter-/macro-regional partnerships can be used to create structured & lasting 'value chains' / platforms
 - avoid 'project syndrome'



Beyond the boundaries – inter-regional value chains and co-investment



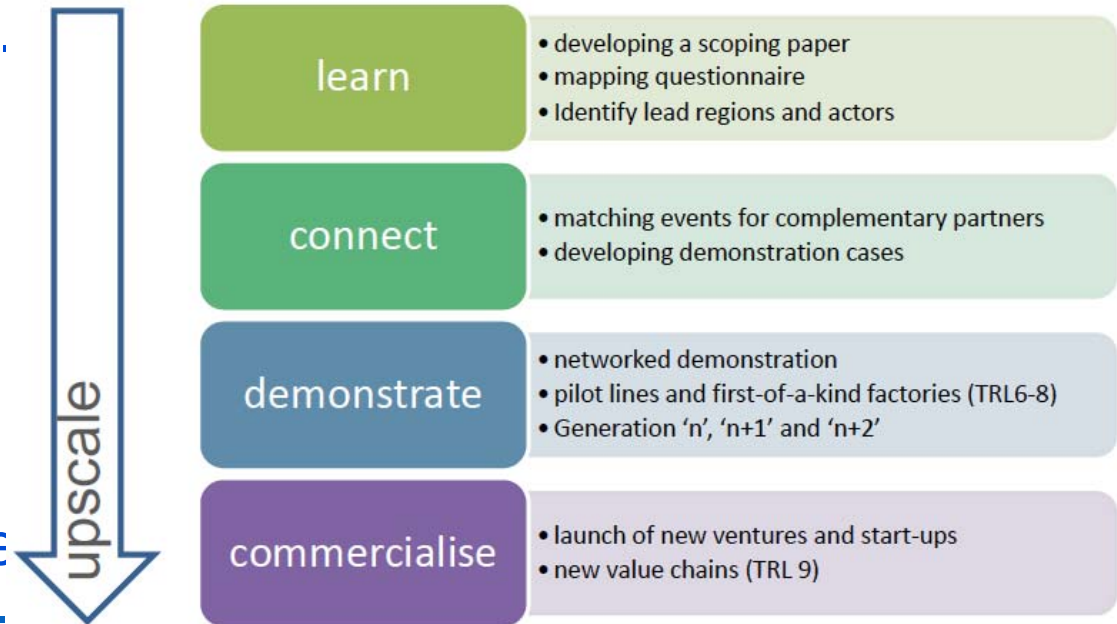
- Regional firms need access to complementary know-how/technologies, critical mass for investors, access to value/supply chains, etc. - business logic/needs do not respect regional boundaries
- Most regional strategies (smart specialisation, etc.) do not take into account (fully enough) the inter-regional dimension (limited use of 'Article 70', etc.).
- Even in a time of plenty....it makes sense that public (co-)investment in similar or related research and innovation infrastructures or testing, pilot and development sites should be optimised – inter-regional co-investment and 'open access' can increase effectiveness
- The EFSI Regulation places significant emphasis on the role of Investment Platforms within the European Fund for Strategic Investments as a tool for pooling investment projects with a thematic or geographic focus.

Example of the Vanguard Initiative

- Political cooperation on an interregional basis building on smart specialisation strategies and alignment of priorities and roadmaps to achieve complementarities.
- Focus on an investment boost for demonstrators and pilots to help develop and deploy new markets and solutions to societal challenges (in KETs, offshore energy, 3D printing, smart grids, low-carbon transport water technologies, etc.),
 - supported by instruments at all policy levels.
- Upgrading regional clusters into world-class clusters through cross-border cooperation and networking in international value chains.

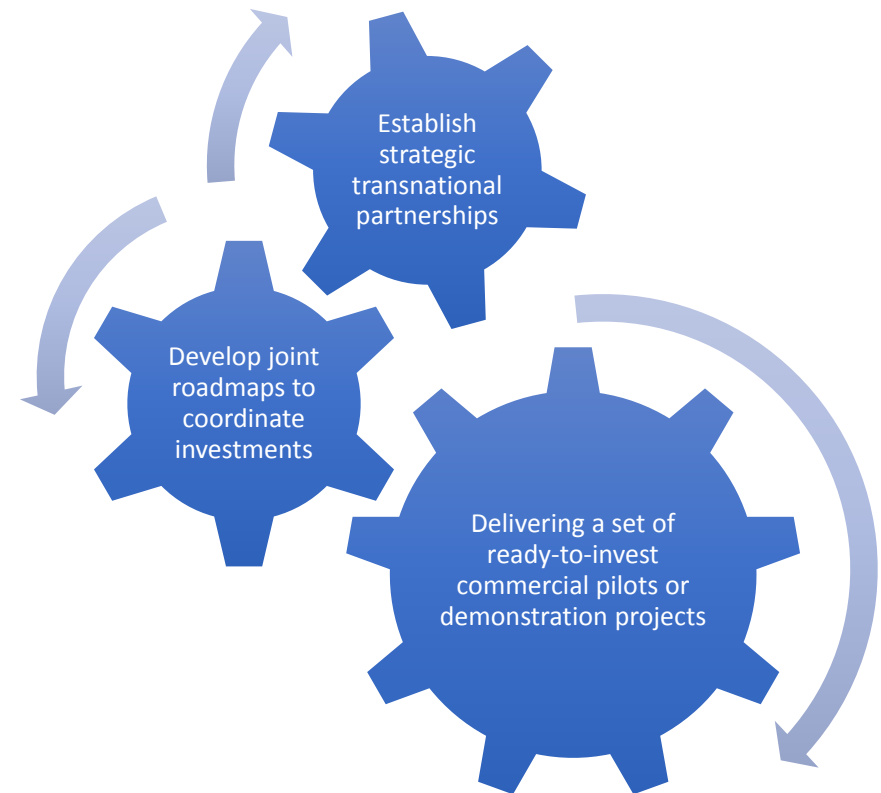
Vanguard Initiative model process for developing inter-regional platforms

- Original model developed at request of DG REGIO in 2014.
- Adopted for three pilot actions
 - 3D printing
 - Offshore technologies
 - Efficient and Sustainable Manufacturing
- Now an inspiration to develop further thematic smart specialisations platforms – see <http://s3platform.jrc.ec.europa.eu/s3-thematic-platforms>



From shared priorities to co-investment: the challenges

- Even if there are common priorities it takes time and a mix of political will and technical expertise to agree on co-investment
- The roadmap and an investment plan -need to be industry led – role for clusters as ‘gatekeepers’ to regional ecosystems;
- An inter-regional investment platform is a complex instrument and not yet ‘proven’ – cross-border investment frameworks riskier for business angels and smaller investors





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