

Class

Smart Specialisation and  
Policies for SMEs

IPS

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# Regional industrial policy

All European regions implement industrial policies, using the cohesion funds

Regions must define policies for each programming period (previous = 2014 – 20; new one = 2021 – 27) coherently with the national and the European strategies

2014 – 20: all European policies guided by the smart specialisation strategy

# Smart Specialisation Strategy

The smart specialisation strategy aims at innovation and development of new specialisations in territories

= RIS3 (Research and Innovation Strategy for Smart Specialisation)

Territories define their SS strategy by identifying sectors and technological domains on which to focus R&D investments

→ ‘smart’ in the sense of focused on activities on which the territory has potential strength

RIS3 thus assumes:

- Concentration of resources on specific technological domains (specialisation)
- More stress on the industrial application of research
- Promotion of knowledge exchange between technological domains within the region (relatedness) and with outside regions (connectivity)

# Smart Specialisation Strategy

Potential strength here means high complementarity with the research and productive assets of the region + likely positive impact on regional innovation

RIS3 emphasises the **policy process**: regions should define their strategy on the basis of **dialogue with stakeholders** (businesses, research centres and universities, worker representatives, etc.)

<==> **‘entrepreneurial discovery process’**

# Underlying hypotheses of RIS3

1. Critical mass is key for innovation: sufficient resources are needed (knowledge, skills, financing, etc.) → better concentrate R&D effort
2. Regional specialisation is highly path dependent (depends on the characteristics of the territory that have been developed through time) and diversification can only arise in areas linked to the existing knowledge base

# **RIS3 = primarily focused on innovation**

Stress is on innovation and developing new specialisations that are ‘smart’ (intelligent)

This is fine for advanced regions which have industrial sectors with medium and high tech specialisations

➔ What about less developed regions?

Many regions in the EU are essentially rural (prevailing agricultural sector) and have low industrial development, or essentially tourism as an economic activity

# **RIS3 = primarily focused on innovation**

How can less developed regions develop a Smart Specialisation Strategy?

- RIS3 has been criticised for being too focused on innovation (hence advanced sectors and regions)
- Now the European Commission says that RIS3 regards developing new specialisation even in low tech sectors (more industrial policy than innovation policy only)

Another problem regards less diversified regions: how can new fertilisation across sectors be achieved if the region has only one or a few sector?

# Entrepreneurial discovery process

= idea that policy should be based on dialogue with local businesses and stakeholders who can identify business opportunities on which the region can invest and focus its RIS3

In regions such as Emilia Romagna, no problem: there is a long tradition of dialogue with stakeholders

What about other regions? Where this tradition does not exist, establishing a dialogue process takes time

→ The European Commission initially did not provide guidance on this

# **All European Funds share 11 thematic objectives related to Smart (1 -3), Sustainable (4 -7) and Inclusive (8 – 11) growth and development**

- 1 Strengthen research, technological development and innovation (30% of the budget)**
- 2 Improve access to ICTs**
- 3 Promote SME competitiveness**
- 4 Support transition to a low-carbon economy**
- 5 Adapt to climate change, risk prevention and management**
- 6 Preserve the environment and cultural resources**
- 7 Promote sustainable transport**
- 8 Promote employment and favour workers' mobility**
- 9 Favour social inclusion and fight against poverty**
- 10 Invest in skills, education and continuous learning**
- 11 Strengthen institutional capacity and ensure efficient public administration**

**Example: ER region**

# SMART SPECIALISATION

		<b>PRIORITY A: productive systems that are pilars of the regional economy</b>			<b>PRIORITY B: productive systems with high growth potential</b>	
PRIORITY SECTORS (INDUSTRY) = ALSO PLATFORMS FOR INDUSTRIAL APPLIED RESEARCH:		AGRIFOOD	BUILDING	MECHATRONICS	HEALTH AND WELLBEING INDUSTRY	CULTURAL AND CREATIVE INDUSTRIES
<b>Priority C: orientation of innovative processes towards socio-economic changes</b>	Sustainable development					
	Healthy and active life					
	Information society					
<b>Priority D: strengthen role of innovation in services to increase firms' capabilities in GVCs</b>						

# PRIORITY SECTORS AND KETs

<b>Piattaforme</b>	<b>Meccanica avanzata e materiali</b>	<b>Alimentare</b>	<b>Edilizia e costruzioni</b>	<b>Scienze della vita</b>	<b>Energia e ambiente</b>	<b>ICT</b>
<b>KETs e Digital agenda</b>						
<b>Nanotecnologie</b>	XX	X	X	X	X	
<b>Nuovi materiali</b>	XX	X	XX	XX	XX	
<b>Microelettronica</b>	XX	X	X	XX	X	XX
<b>Fotonica</b>	X	X		XX	XX	
<b>Biotecnologie industriali</b>	X	XX		XX	XX	
<b>Tecnologie produttive</b>	XX	XX	X	X	XX	XX
<b>Tecnologie digitali</b>	X	X	X	XX	X	XX
<b>Wireless</b>	X		X	X	X	XX

# LINKS WITH SOCIETAL CHALLENGES OF H2020

<b>Sfide della società</b>	<b>Sanità, evoluzione demografica, benessere</b>	<b>Società inclusive, innovative, sicure</b>	<b>Sicurezza alimentare, agricoltura sostenibile</b>	<b>Energia pulita, sicura, efficiente</b>	<b>Mobilità sostenibile</b>	<b>Sfide climatiche</b>
<b>Clusters</b>						
Agroalimentare	XXX		XXX	X		XX
Edilizia	XXX	X		XXX		XX
Meccatronica-Motoristica	XX	X		XXX	XXX	XX
Industrie della Salute	XXX	XX	X			X
Industrie Culturali e Creative	X	XXX			X	

# LINKS WITH EMERGING INDUSTRIES

Industrie emergenti  Clusters	Materiali avanzati, micro e nano tecnologie	Biotecnologie Biomateriali	Tecnologie digitali	Green technologies (energia, rifiuti)	Aerospazio	Nuovi servizi
Agroalimentare	X	XX	X	XXX		
Edilizia	X	XX	X	XXX		X
Meccatronica-Motoristica	XXX	X	XX	XXX	XXX	
Industrie della Salute	XXX	XXX	XXX	X		XX
Industrie Culturali e Creative	X		XXX			XXX

# Smart specialisation in ER

The ER region has been implementing policy to develop and strengthen the regional innovation system for decades (since the early-90s)

RIS3 has induced the region to shift to a vertical approach:

Previous = horizontal: instruments equally apply to all firms and all sectors

Vertical approach: organised in clusters (smart specialisations) which have each specific measures

# Smart specialisation in ER

BUT

For each cluster (SS)

All policies / instruments affecting the sector have been coordinated:

Innovation policy + education policy + infrastructure policy + ...

Support to R&D + training of skills + R&D collaboration + access to high-speed communication infrastructure + ...

# Smart specialisation in ER

i.e. **industrial policy** has been strengthened

Combination, within specific thematic areas, of R&D and innovation policies with other complementary policies for competitiveness: training, internationalization and attraction of investment, talents and qualified touristic flows.

# Smart specialisation in ER

The region has also realised a mapping of potential links of the regional technological domains and activities with those of other regions in the EU

Iacobucci (2016) finds that the ER region is the only Italian region which has realised such a mapping

# Priorities of ER RIS3

**Priority A:** Reinforcing consolidated clusters, typical milestones of the regional economy

What? Agri-food, construction, mechatronics and automotive systems.

**Priority B:** Promoting the development of new industrial systems characterized by high growth potential and high absorption of young talents in science and technology, socio-humanistic, cultural and artistic disciplines

Health and Wellbeing + Cultural and creative industries

# Priorities of ER RIS3

**Priority C:** Promoting a general reorientation of the economy towards the key ‘drivers of the future’ = sustainable development, healthy life and active ageing, information and communication society

**Priority D:** Service Innovation, i.e. innovation in services and innovative “servitization” (or “hybridation”) of industry with other traditional service industries

Once the SS strategy is defined, the region defines an operative programme for the use of European funds = POR (programma operative regionale)

Which indicates measures to be implemented for each fund: European regional development fund, European social fund, European agricultural fund for rural development, and European fund for maritime and fishing affairs.

These measures include actions specific for SMEs

Different calls are made each year in support of SMEs: R&D investment subsidies, support to internationalisation or acquisition of new technologies, etc. (➔ BANDI)

SMEs can check what calls are available on the Region's website: e.g.

<https://fesr.regione.emilia-romagna.it/opportunita/2019/servizi-innovative-nelle-p-m-i-2019>

# Some important characteristics of funds / calls

- ◆ European regulation apply to funds, but in their implementation the national and regional regulation also apply (within the administrative laws of the State)
- ◆ Often co-financing is required (e.g. the firm gets 60% of the costs but has to finance the rest)
- ◆ Rules regarding state aids are always mentioned in the call

# NOTE ON STATE AIDS IN THE EU

## **1. Definition and rules in the European Treaties**

Articles 87-89 (TUE = art. 107-109 TL): prohibit all state aids that create obstacles to competition on the single market

The principle is that state aids are incompatible with the single market (if each State subsidises its national champion competition on the single market will not be fair)

The European Commission has great power to investigate whether state aids proposed by Member States are illegal and can ask to refund the provided aid (case of French textile firms in 1996)

MS must notify any state aid to the European Commission if the aid is higher than € 100 000 over 3 years.

## Definition of state aid:

It is a policy instrument (subsidy, fiscal advantages, grants, ...) used by the state to promote certain activities (in any productive sector). It implies that certain firms or certain industries are favoured relative to others and therefore it is a distortion to competition, discriminating firms who receive state aids from those who do not receive it.

Different types of state aids: horizontal versus vertical objectives.

## Exceptions:

- Non discriminatory aid provided for social reasons
- Aid to regions affected by natural catastrophe (e.g. earthquake)

The European Commission accepts aid which fulfil the following criteria:

- Temporaneity (aid provided for a limited period of time)
- Transparency (especially amount of aid)
- Selectivity (aid to industries or firms which have a reasonably probability of success)
- Proportionality (relative to the objective)

# Some important characteristics of funds / calls

- ◆ Generally the financing is provided in parts (e.g. 50% at the start of the project, 50% after its completion): beneficiaries often have to advance money (can be a problem for SMEs)
- ◆ Calls and forms to fill in to apply are in the language of the Member State

# The call (bando) generally contains:

- ◆ **Objectives;**
- ◆ **Specifications on who /which entities can apply;**
- ◆ **Possible interventions;**
- ◆ **Admissible / non-admissible expenses;**
- ◆ **Evaluation criteria;**
- ◆ **Forms and documents to be enclosed to the application;**
- ◆ **Rules for reporting at the end of the project (financial statement, etc.);**
- ◆ **Specific rules to observe (advertisement and communication)**

***Example:***



Allegato A

## **POR FESR 2014-2020**

### **ASSE 1 Ricerca e Innovazione**

Azione 1.1.2 Sostegno per l'acquisto di servizi per l'innovazione tecnologica, strategica, organizzativa e commerciale dell'impresa

**Progetti di innovazione e diversificazione di prodotto o servizio  
per le PMI - 2019**

## ***Example of form:***



### **MODELLO A - MODULO DI PRESENTAZIONE DELLA DOMANDA PER PMI SINGOLE**

Marca da bollo - € 16,00  
(da applicare sulla copia  
cartacea della domanda  
conservata dal soggetto  
richiedente)

*(riportare i dati reperibili sulla marca da bollo)*

Data emissione marca da bollo:	
Identificativo marca da bollo:	

*(per i soggetti esenti dall'apposizione della marca da bollo, barrare la seguente casella ed indicare la normativa che prevede l'esenzione)*

Marca da bollo non apposta in quanto soggetto esente ai sensi della seguente normativa:

.....

**Next class:**

**The impact of the coronavirus emergency on industry  
and SMEs in particular**

**Need for industrial policy in this context**