

EC Pilot Action for
Industrial Transition

Findings from Capitalisation phase

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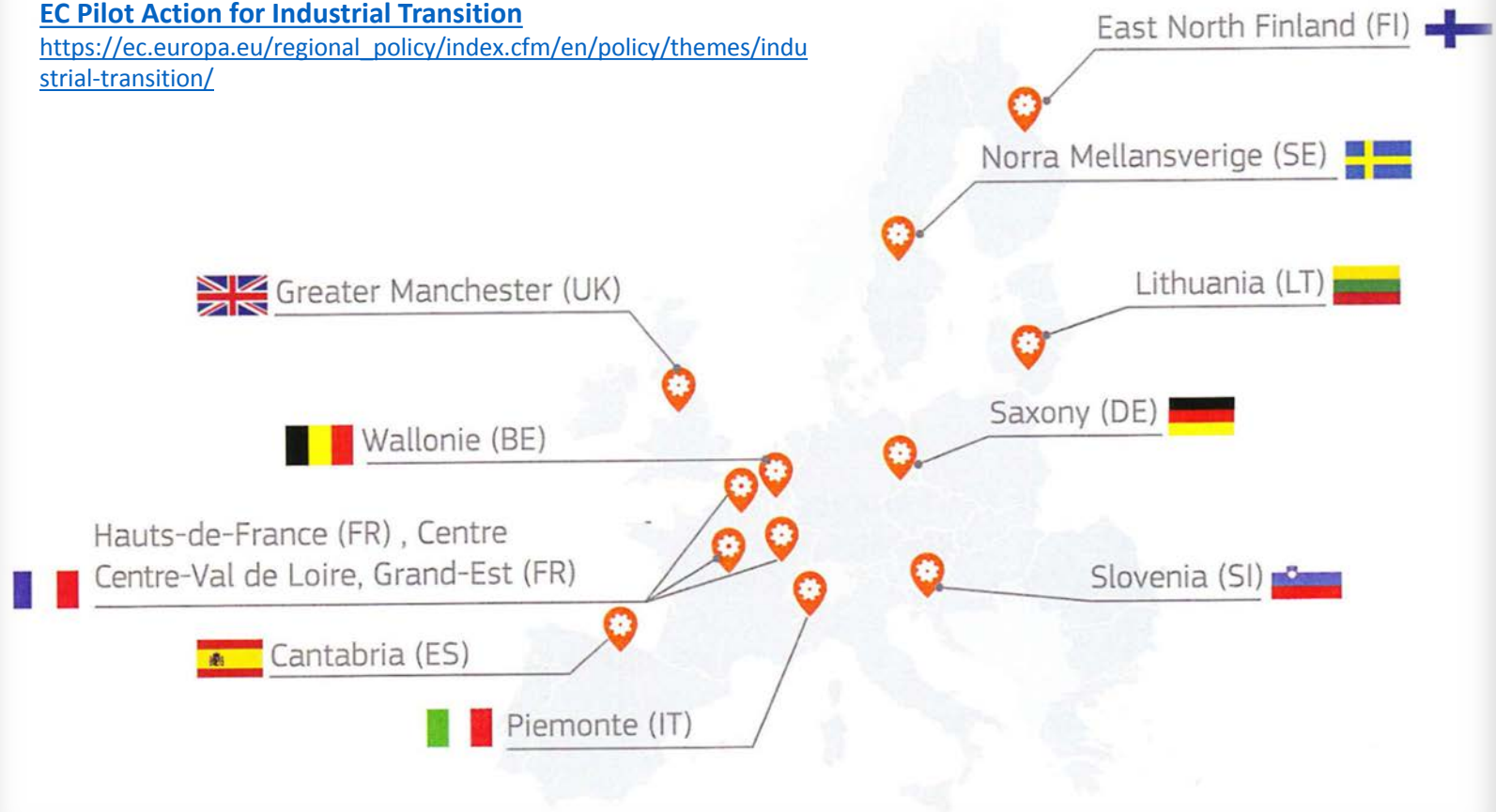
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EC Pilot Action for Industrial Transition

The 12 Pilot Regions

EC Pilot Action for Industrial Transition

https://ec.europa.eu/regional_policy/index.cfm/en/policy/themes/industrial-transition/





INDUSTRIAL TRANSITION

Why is this important for Croatia..?

EC Proposed Enabling Condition for Smart Specialisation under PO1 2021-2027

'Common understanding' wording January 2020

Enabling Condition aspect	Current fulfilment stage
1. Up-to-date analysis of challenges for innovation diffusion and digitalisation	
2. Existence of competent regional / national institution or body, responsible for the management of the smart specialisation strategy	
3. Monitoring and evaluation tools to measure performance towards the objectives of the strategy	
4. Functioning of stakeholder cooperation ('entrepreneurial discovery process')	
5. Actions necessary to improve national or regional research and innovation systems, where relevant	
6. Where relevant, actions to support industrial transition	
7. Measures for enhancing cooperation with partners outside a given Member State in priority areas supported by the smart specialisation strategy	

Lessons learnt from the Action in the Pilot Regions

Towards challenge-driven innovation policy for industrial transition

Learning for deployment of new S3 policy tools

How to make it all happen ?

Scope of Capitalisation

- **OECD peer review exercise 2018**
- **Workshops by European Observatory for Clusters and Industrial Change (EOCIC)**
- **Pilot Regions' experiences with 'enhancing' Smart Specialisation Strategies (S3)**
- **Development and launch of €300K High Impact Action (HIA) in each Pilot Region**

Five core industrial transition challenges



- **Preparing for the jobs for the future (in the context of Industry 4.0)**
- **Broadening and diffusing innovation**
- **Promoting entrepreneurship and private sector engagement**
- **Transition to a low-carbon and circular economy**
- **Promoting inclusive growth**

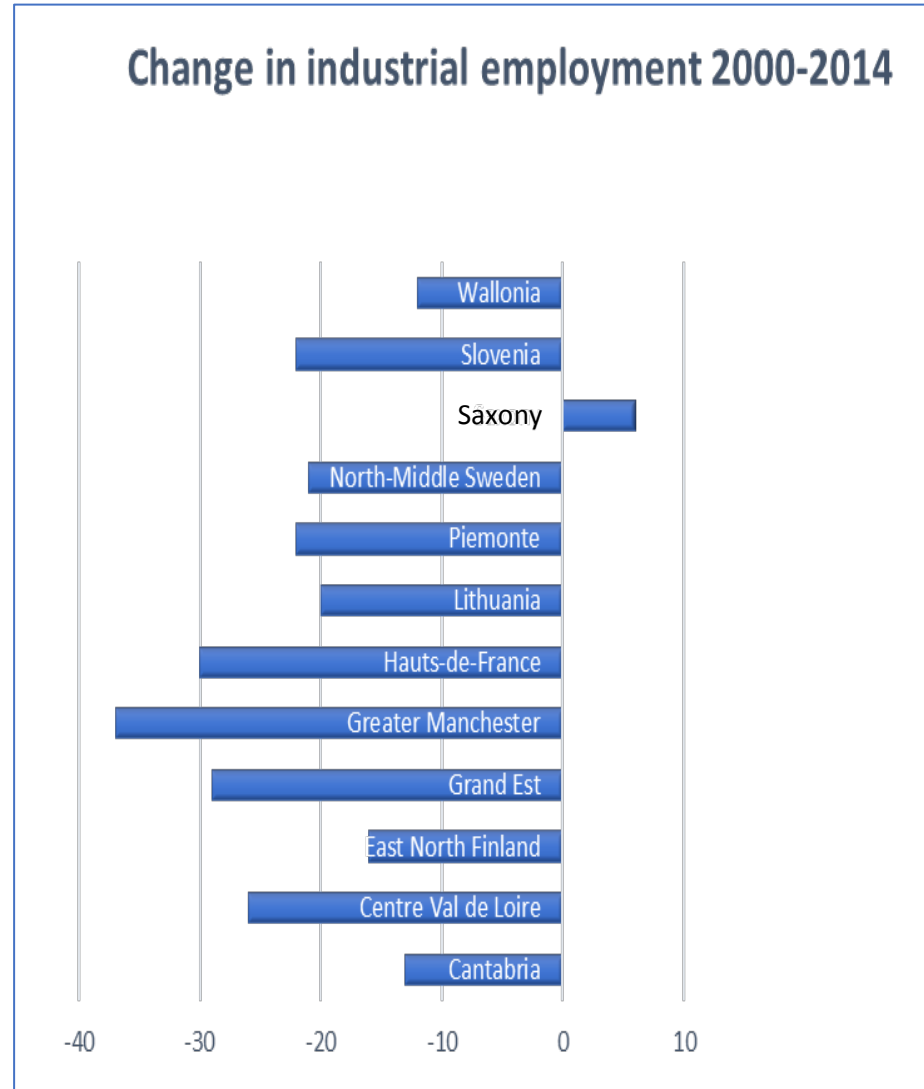
Towards challenge-driven innovation policy for industrial transition

- **Core development problems of the Pilot Regions**
- **Industrial transition = societal transformation**
- **Challenge-driven S3 priority domains**
- **Tackling dual economy/society syndrome**
- **Changing role of regional authorities**
- **Increasing sense of urgency...**

Core development problems of the Pilot Regions

Common characteristics of the 12 Industrial Transition Regions

- **Deficit of attractiveness as ‘second-tier’ regions:** talent, companies, research, technologies and investments
- **Dual economy syndrome:** small ‘pockets of excellence’ versus large less innovation-aware segments (urban/rural territorial fracture)
- **Divided society:** deep and growing divide between skilled and less-skilled



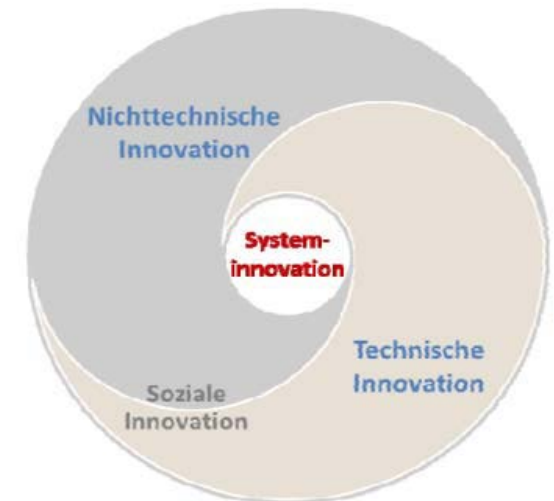
Industrial transition = societal transformation

Human-centred Industrial transition

- All 5 'OECD Challenges' relevant in Pilot Regions
- Challenges to be addressed in an **integrated** way across policy domains - RTDI, industry, education, environment, social etc.
- Yet **incomplete integration in practice**, due to different policy governance structures across domains
- **Inclusive growth** - most elusive for many regions, yet also the most crucial challenge (*inherent tension with a 'strengthening the strengths' approach?*)
- Innovation to solve **societal problems** and achieve **societal goals**

Greater Manchester HIA

The Good Employment Charter has inclusive growth at its heart - directly targeting low-income, low-productivity sectors: e.g. hospitality, retail, caring etc.



Saxony - Integration of innovation dimensions in enhanced S3 context

Challenge-driven S3 priority domains

Applying existing competences, technologies, assets in areas of societal importance

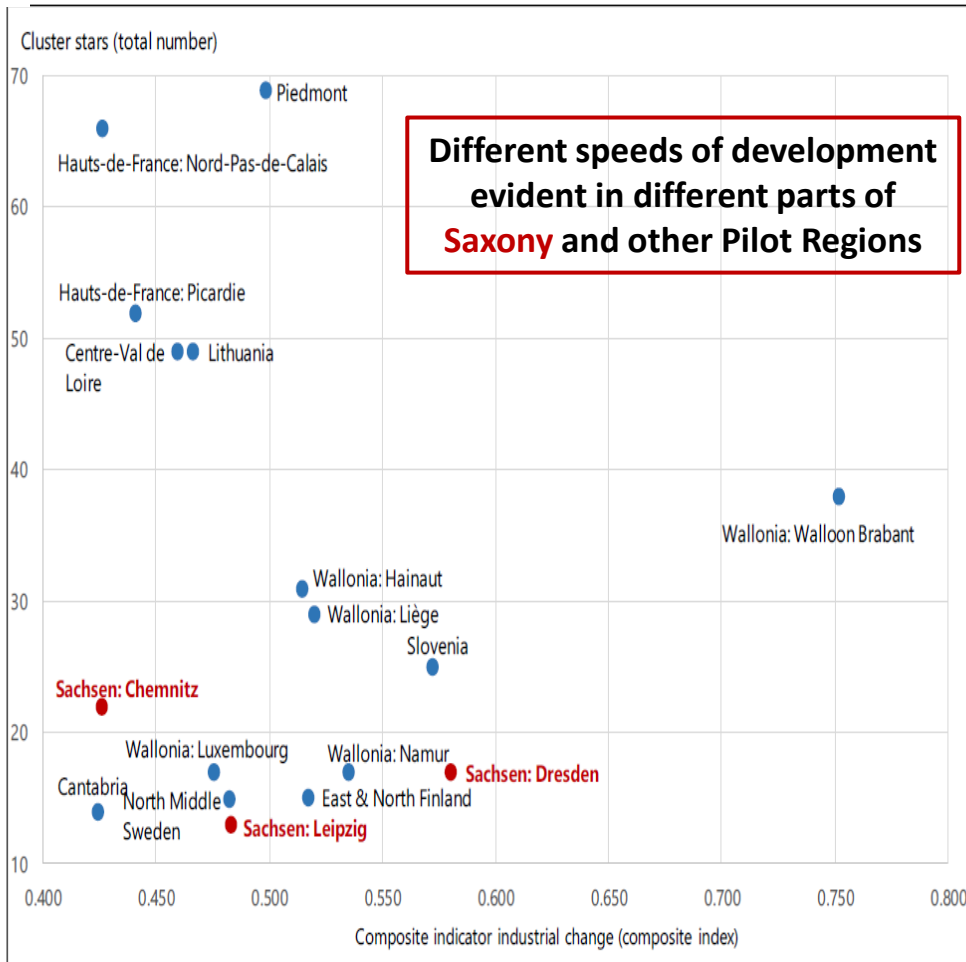
- From technology-based to double perspective “**technologies-challenges**” - e.g. paper/pulp to bio-economy (NM Sweden); mechatronics to health (Piemonte)
- **Circular economy = transversal driver** (EN Finland, Piemonte, tested in Wallonia HIA)
- Two directions evident for S3 priority domains:
 - **Narrowing down:** more fine-grained specialisation areas (Slovenia, Hauts-de-France)
 - **Broadening:** too strict definition of S3 areas acts against the transformation goal (Lithuania); less sectoral and more user-centric (Wallonia)

Piemonte – in line with S3 priorities, the ‘Environment Park’ mission has shifted from urban regeneration infrastructure, towards being a catalyst for clean technology specialisation in SMEs. It operates as both physical innovation space and cluster – also involving local utilities and companies in the construction sector



Tackling dual economy/society syndrome

- Composite indicator industrial change (total index) and cluster stars (total) for pilot regions



➤ **Redistribution approach**
dedicated envelopes: compatible with open innovation?

versus

➤ **Empowering actors**
tailoring programmes to potential in less dynamic areas

Saxony – despite high territorial fracture - maintains a competitive, but relatively low threshold, grant funding for SMEs. Substantial funding only provided for projects which launch particularly convincing/complex networks

Cantabria – with flourishing urbanised coast and poor depopulated rural hinterland – focuses HIA experiment on traditionally lower-skilled actors in the rural agri-food sector

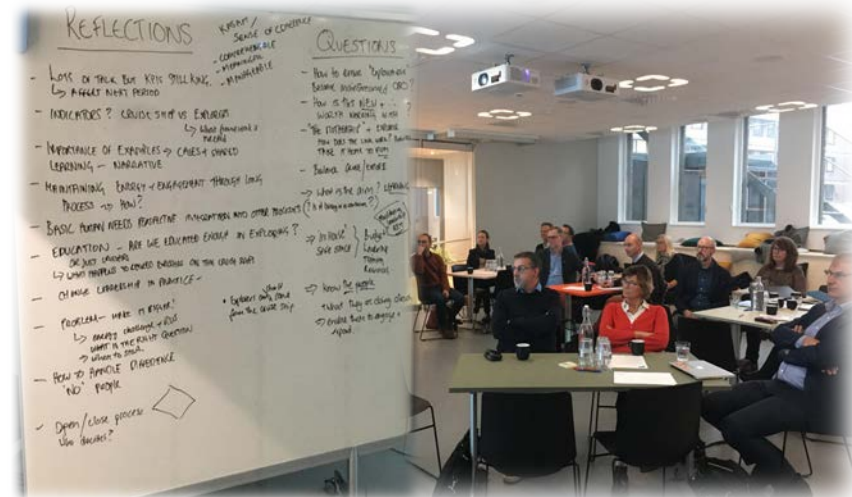
Source: EOCIC, based on various data sources and own calculations

Changing role of regional authorities

- **New skills for regional authorities:** facilitating co-creation with stakeholders
- **Empowerment** of regional authorities through their work on S3: strategic involvement provides credibility and legitimacy
- **Risk-taking** in public bodies
- **Creativity and competence** in regional development organisations, clusters
- Risk of disconnection with **OP Managing Authorities** ('spend imperative'...)

NM Sweden - HIA

Challenge Lab approach requires important skills in regional authorities. They are key players in engaging a diverse range of stakeholders, across three Counties, to work together on addressing complex systemic challenges related to energy transition and resource efficient society



Increasing sense of urgency...

Crucial dilemma for the Pilot Regions with regard to the time perspective

- **System transition** implies cultural transition and takes time
 - policy action needs to take a long-term perspective
- Yet there is a new **social urgency** and no time to waste:
 - quick wins are needed too...



Source: www.delitsdopinion.com

Strategic imperative: combining long-term deep change dimension with tangible short-term wins

Urgency is an entirely new perspective for innovation policy to arise from the Pilot Action – yet was cited by many Pilot Regions: e.g. the persistent rise of the ‘Gilets jaunes’ in Hauts-de-France and increasing tendencies towards populist/right-wing politics generally - even in NM Sweden...

Learning for deployment of new S3 policy tools

- **Skills beyond acquisition of technologies**
- **Broadening and diffusing innovation**
- **Implementing international value chain approaches**
- **Building more effective innovation support systems**

Skills beyond acquisition of technologies

Creating the capacity for change...

- Key skill sets increasingly rapidly **obsolete**
- Legacy of **strong engineering and technical skills**:
lower accent on managerial skills - creativity - attitudes
- Need **more accessible and agile forms of re-skilling**
 - closely linked with evolving needs of the economy
 - major challenge to boost lifelong learning
- **Digitalisation beyond technology** - must pay consideration to:
 - public acceptability
 - individual creativity / capacity to learn
 - transition management in companies



Source: <https://www.ifrath.fr/cht/>

Slovenia – Use of ESF to reform vocational training institutional structure

Piemonte – ‘Apprenticeships for Higher Education and Research’ with large companies proved successful beyond expectations, now increasingly experimenting with SMEs (co-funded by ERDF and ESF)

Centre Val de Loire HIA – Central focus on SME management skills for digital transition

Shortage of relevant skills a major bottleneck to industrial transition in all Pilot Regions

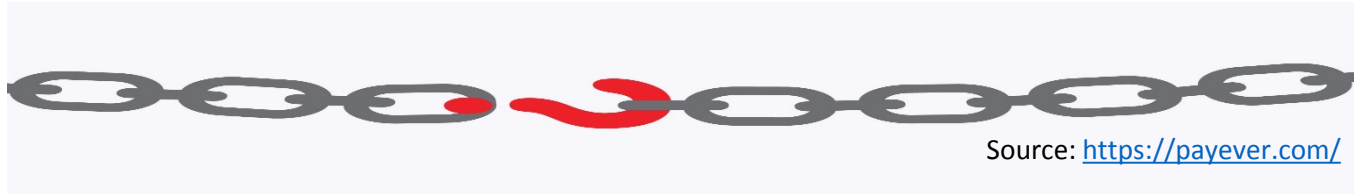
Broadening and diffusing innovation

New momentum and wider scope – strong linkage with inclusive growth

Target	Policy Direction
Competitive SMEs: from excellent product makers to out-of-the-box innovators	Boosting capacity of SMEs to tap into business opportunities of digitalisation
Less innovation-aware SMEs	Enhanced focus on SMEs absorptive capacities and human resources; broader innovation concept; pro-active support (Hauts-de-France HIA and Centre Val de Loire; Wallonia HIA; Grand Est - large scale industry diagnoses; Lithuanian Innovation Centre...)
Innovation closer to the market	Enhanced focus on higher TRL levels (ENF HIA; Lithuania...)
SMEs in less developed areas	Fostering innovation in activities of special importance for the territories left behind (Cantabria HIA and ENF HIA...)
Multi-National Corporations	Developing linkages between local SMEs and MNCs (EN Finland HIA, Co-creation approaches in NMS involving MNCs, supporting agglomeration dynamics around MNCs in Piemonte...)
Universities/Research institutes	New role to support innovation; open labs; partnerships in competence centres (Politecnico Torino third mission, open labs in Lithuania, S3-oriented Cooperative research programme in Centre Val de Loire...)

Implementing international value chain approaches

Credible route towards industrial transition – a major expectation for enhanced S3



- **Internationalisation and inter-regional cooperation** = strategic goals in all S3
- Regions = **strong innovative nodes in international value chains**
- Actors in regions team up with players with **complementary** expertise and assets outside of the region
- However - responsibilities, structures and means (budgets) are usually tied to **places seen as self-contained entities**
- Strong interest in **EU programmes** and **cooperation platforms**

EN Finland - maximising potential of the wood value chain a dominating concern throughout the Pilot Action

Slovenia HIA - extending support from neighbouring countries

Grand Est - Innovation hub for automobile sector crosses border with Germany and Belgium

Arctic investment platform - in preparation under INTERREG for Northern Sparsely Populated Areas (NSPA)

Building more effective innovation support systems

An 'ecosystem' view across the entire policy mix



Complementarity along TRL

- **Wallonia:** industrial pilots and demonstrators at high TRL
- **Saxony:** living labs, experimental innovation zones
- **Piemonte:** Projects for industrialization of research (Strumento IR²) (TRL 5-8)

Coverage of enterprise life cycle

- **Centre Val de Loire-Piemonte:** filling gap in supporting scaling up of new enterprises

Performance-driven funding models

- **Piemonte-Slovenia:** clusters seeking to reorient the logic of their support from a sectoral towards a challenge-based approach

Reducing fragmentation between instruments

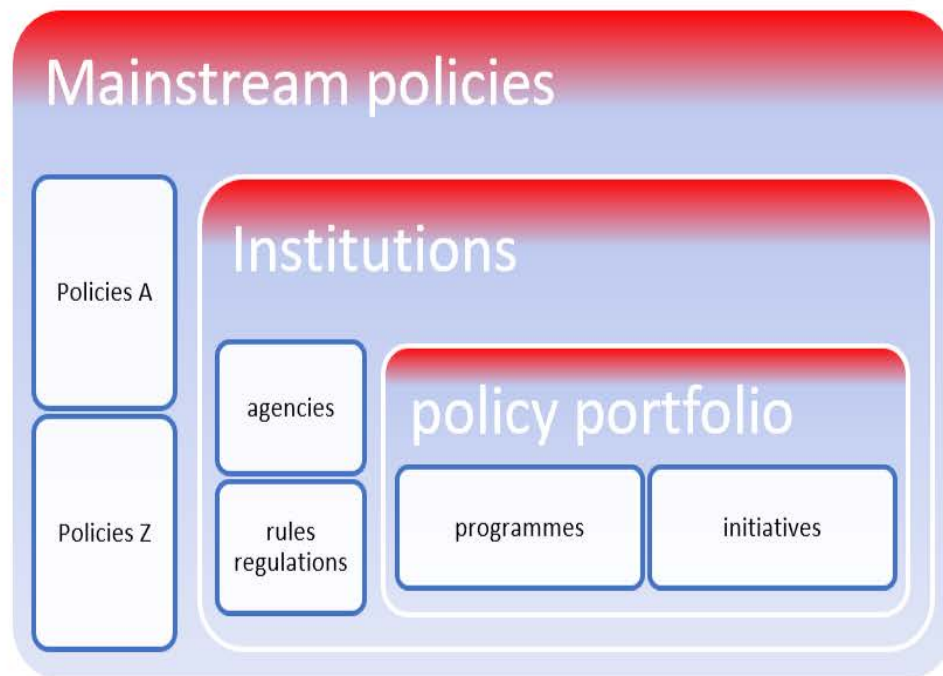
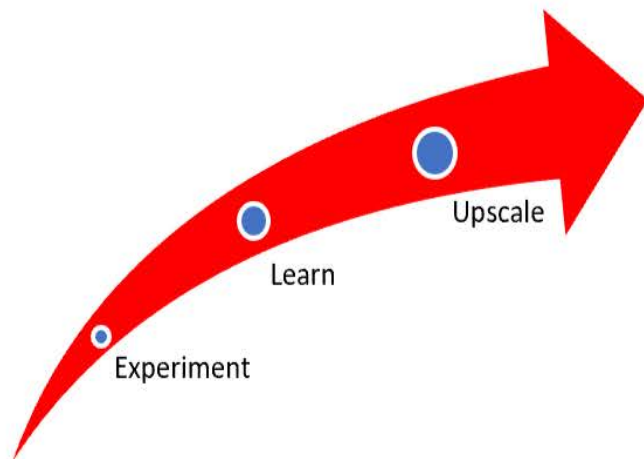
- **Slovenia:** tailored “policy packages”
- **EN Finland and NM Sweden:** cross-regional instruments

How to make it all happen ?

- **Experimenting, learning, scaling up and mainstreaming**
- **EU Cohesion Policy fit for purpose..?**
- **Monitoring and evaluation in a transition context**

Experimenting, learning, scaling up and mainstreaming

New policy discovery processes



Lithuania HIA - addressing an entirely unexplored policy area - circular economy. Experimental in the domestic industrial context - strong learning component

Wallonia HIA - testing new ways to mobilise cluster power, through a challenge-based approach. Replicable for later integration into cluster missions

Cantabria HIA – the experimental tool for stimulating innovation in rural areas is a risky one; if successful it will be incorporated into the regional Accelerator programme.

EU Cohesion Policy fit for purpose..?

- **Integrated PO1** should help bring forward broader **challenge-based approaches**
- New **circular economy focus**, under **PO2**, also relevant for enhanced S3
- **ESF+** may 'support' ERDF in PO1, but must be **programmed under PO4**
- Strong interest in new **INTERREG Component 5** to encourage development of **European value chains**

POLICY OBJECTIVE 1 - 2021-2027

Proposed ERDF Specific Objectives

- 1.1 Enhancing research and innovation capacities and the uptake of advanced technologies
- 1.2 Reaping the benefits of digitisation for citizens, companies and governments
- 1.3 Enhancing growth and competitiveness of SMEs
- 1.4 Developing skills for smart specialisation, industrial transition and entrepreneurship

HOWEVER - No visible encouragement of experimentation, or related 'right to fail'...

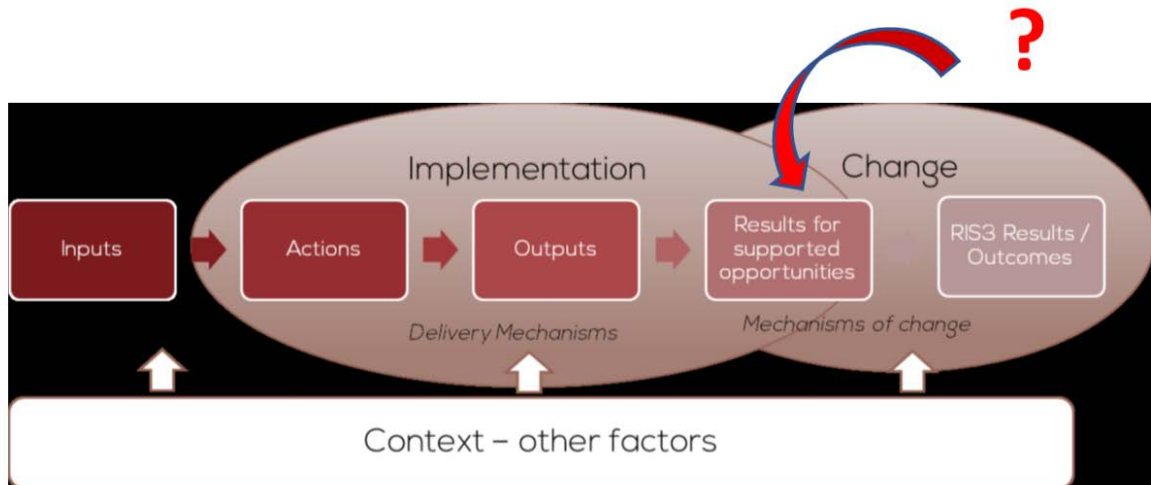
Many persons interviewed in the Pilot Regions complained at the time needed to apply for and obtain financial support for S3-related investments from ERDF or ESF - as well as the complexity of domestic procedures. ESF is bypassed altogether in some cases!

Substantial scope for suitably **responsive Financial Instruments** in 2021-2027



Monitoring and evaluation in a transition context: work in progress

Capturing transformative power of strategy



Source: Centre Val de Loire presentation

None of the Pilot Regions have fully transition-oriented M&E systems in place for enhanced S3 scenario. However, many have work in progress in this area.

Saxony and Centre Val de Loire – external evaluation of S3 domains

Lithuania – monitoring review by STRATA of supported specialisations

Piemonte – monitoring review and thematic evaluations (IRES)

NM Sweden – to combine project data with structured learning

Hauts-de-France – novel use of multi-dimensional ‘big data’ on companies (ASTRIDE)

What is needed?

- Capturing low-hanging fruit: better organised **monitoring data**
- New “**transition indicators**”, bridging the gap between traditional outcome indicators and internationally comparable context indicators
- **Formative evaluations** to elucidate impacts of interventions



INDUSTRIAL TRANSITION IN CROATIA

Possible points for discussion:

- What is Croatia's geography of industrial transition?
- How do the 'OECD Challenges' manifest themselves in the Croatian context?
- What kind of Actions for industrial transition might be foreseen in Croatia for 2021-2027..?

