

New technologies and regional policy: Towards the next cohesion policy framework

Cohesion policy as a way to promote European innovation-led growth

Through cohesion policy and other instruments, the European Union (EU) helps its Member States and their regions to foster productivity improvements, encourage business competitiveness, stimulate innovation-led growth, promote new skills and job creation, and thereby pave the way for more sustainable development.

Cohesion funding is heavily concentrated in the less developed EU regions. The aim is to reduce the economic, social and other disparities that remain between the advanced and the disadvantaged areas of the Union. Nonetheless, economic inequalities among Europe's regions have grown during the past two decades, widening the gap between perceived winners and losers. Although the economic performance of Member States is tending to converge, performance among regions is diverging, particularly in regions of the Member States which have joined from 2004 on.

For its next cohesion policy framework, the EU needs to address these growing regional differences in economic development more forcefully. Cohesion policy must be made more effective, so as to maximise impact and deliver significant results. Here, new technology, including digital technology, is expected to play an important role. Innovation-led growth remains at the core of the EU's regional economic policy. Cohesion policy could be made more flexible and adaptable to meet new challenges.

The 10 policy options listed below focus on new directions in cohesion policy, on priorities, and on means for policy implementation to enhance regional economic strengths and, eventually, to build confidence in the EU's added value. These policy options stem from a [workshop](#) organised by the [European Parliament's Science and Technology Options Assessment \(STOA\) Panel](#), from follow-up interviews, and from recent research and policy evaluation reports. For more policy options, see the [full report](#).

Smart specialisation remains relevant for regional growth strategies

In cohesion policy, the EU promotes the mobilisation of public as well as private actors in a given region to the benefit of that region. The construction of a specialisation strategy is about identifying priority areas and mobilising relevant capabilities in order to achieve success. It is an inside-out perspective on economic development, sustained by resources already available in the region for achieving innovation, new business development and economic growth.

When launched nearly 10 years ago, smart specialisation represented a move towards more collaborative or distributed leadership of regional innovation-led growth. According to the EU handbooks, the preferred form of regional governance is based on public-private partnerships and the formation of consensus among selected regional stakeholders. The public sector acts as an animator, catalyst and node when networking among the other regional actors, including business enterprises. Shared management by working groups, networks, partnership fora, etc. is still being practised with the best of intentions: combining resources across sectors and boosting synergies among funding programmes, while accepting the EU's overall regulatory requirements.

In their reflection paper on the future of EU finances (COM(2017) 358, 28 June 2017), Commissioners Günther Oettinger and Corina Crețu acknowledge that the results of cohesion policy are considered 'globally positive'. Yet cohesion policy initiatives have become complex to manage, 'hampering implementation on the ground and creating delays. The layers of controls and bureaucratic complexity

make it difficult for beneficiaries to access these funds and deliver projects quickly'. The Commissioners underline that 'a much more radical approach to simplifying implementation and allowing for more agile and flexible programming is needed'. Cohesion policy could be made more effective and its impact greater by fast implementation, increased national and other EU co-financing and more professional operational leadership by local and regional authorities.

Market creation: bringing the regional authorities back in

Ideally, regional specialisation measures will maximise the economic impact of the EU resources made available to a region, and ensure that action meets the needs of business enterprises and other stakeholders involved. There must be a willingness among participating entrepreneurs and companies to cooperate and engage in research and development, engineering design and other innovation-related activities and, when successful, to absorb the results in business and modernise the regional economy. Without professional management capabilities, no regional innovation-oriented growth strategy will be translated effectively into action.

It is recommended that the public sector should reclaim part of its regional leadership role. This requires a policy capacity and organisational culture open to experimentation and ready for risk-taking and potential failures. The regional authority must be ready to tackle uncertainties and manage operations in a multi-level governance system. For example, organising for market creation will require capacity among regional authorities absorb and learn from experimental design, prototyping and testing – and to do this in small scale projects as well as through large undertakings over several years.

Going beyond smart specialisation strategy: mission-oriented policy

Mission-orientation implies setting directions of change. Rather than focusing on particular sectors, as in traditional regional policy, mission-oriented policy is designed to face particular challenges and address problems that could be solved by innovation. Since resources tend to be limited, choices must be made. Emphasis on societal problems such as healthcare for the elderly or urban resilience creates more potential for synergies and greater spillover effects than might be offered by a sectoral approach to regional development.

A mission-oriented and market-creating policy framework for innovation-led growth seems better for mobilising appropriate resources within a regional eco-system of public, private and third-sector actors. This requires strategic investments or public policies aimed at shaping emerging markets, rather than just fixing market failures. As a result, a market-creating policy framework could bring public authorities more firmly back in. In hindsight, it is easy to detect areas where public agencies have in the past been successfully involved in the creation of new technology markets, such as for green energy and public transport.

Dynamic positioning for achieving flexibility, synergies and fast-track activities

In such an open and accessible economic context, dynamic positioning by a regional public authority means persistent actions and coherent initiatives, backed up by analyses of how the regional economy could be advanced in the ever-changing regional economy. Dynamic positioning is code for a pro-active policy approach to influence conditions of change in regional development and react swiftly to changes in the economic environment, while keeping the course (towards innovation-led growth) steadfast and unwavering. The attention is more on smart and effective delivery of relevant results than on strategy. Regional innovation-led growth is encouraged by the active engagement of entrepreneurs, start-ups, small and medium-sized enterprises (SMEs) and other business enterprises willing to invest or co-invest in new ventures in cooperation with the public sector. Advantages are gained by managing resource effectiveness according to fast-track procedures.

The term dynamic positioning signals that the region's decision-makers must remain alert, stay watchful and become pro-active when confronted with new issues affecting the region's changing economic fortunes. At the same time, the decision-makers need always to consider the overall direction of development and be constantly concerned about the economic, technological and other forces that might cause radical change and challenge the competitiveness of the region and its enterprises.

Dynamic positioning requires not only quick actions, but also an updated diagnosis that defines and helps explain the region's major economic challenges. In this sense, dynamic positioning is clearly evidence-based. Dynamic positioning depends on methodologies for identifying critical features of the region's economy as well as new challenges facing the region and its surroundings. Consequently, these

methodologies contain elements of foresight studies, helping a region's decision-makers to look for emerging trends.

By always finding new, effective ways to influence innovation-led regional growth, dynamic positioning implies uninterrupted implementation. The region's decision-makers – in all sectors concerned – must practice openness and collaboration across sectors if the region is to succeed in growing. Moreover, attention should be paid by the region's decision-makers to all EU policies, not just cohesion policy, with a bearing on the region's changing economic circumstances.

The European structural and investment funds (ESIFs) and other EU-funded instruments operate in diverse and sometimes complicated policy arenas, involving a variety of actors from all sectors in society. There are strong calls to harmonise regulations, guidelines and procedures to make the most of the EU's resources and achieve synergistic effects. Reports have repeated the message that synergies between cohesion policy, Horizon 2020 and other EU programmes are critical for the success of these programmes. Compliance with regulatory frameworks, procedures, time frames, eligibility rules, etc. remains a priority, but regulations and good management should not be a constraint to synergies or hinder the effective use of the EU resources.

Operational programmes designed to become more effective

Smart specialisation and other regional growth strategies may look good on paper, but fail because the implementation process is inappropriate or ineffective and hampered by administrative hurdles and a lack of professionals. Drawing lessons from a variety of regional experiences, the transformation process from strategy to action, results and impact will need further consideration in the design of the next cohesion policy framework. This must include operational programmes (OPs), such as detailed plans for how a Member State and its regions will spend money from the ESIF in an agreed period. Ideally, the OPs should be demand-driven. This could make a region's multi-level leadership role more complicated and demanding. Public and private organisations – when working closely together – might have to rethink their responsibilities and functions in the making of a more effective regional policy.

The implementation process might need to be stress tested to find potentially weak points between strategy and execution. The outcome of a stress test should be clearly formulated and better anchored in result targets, along with a presentation of the management methods needed to achieve these targets in cooperation with regional partners and stakeholders.

Ten policy options to pave the way for cohesion policy post-2020

New technology and productivity improvements: The fastest way to promote economic productivity in the regions is by adjusting the criteria now being used for the selection and implementation of EU-funded activities. The least competitive regions need to attain more flexibility when facing new challenges and improve their ability to position their economies dynamically. In the next stage of cohesion policy, a new EU policy instrument could be considered for systematically promoting excellence in innovation in the regional economic context.

Smart specialisation: knowledge for innovation-led growth: Some regions report that the smart specialisation strategy process has been sufficiently tested and that the results are disappointing owing to the lack of resources, potential partners, tech transfer support systems, etc. Careful consideration is needed when developing new cohesion policy initiatives in order to overcome the huge differences in the tangible and intangible resource-base among EU regions. An impact-focused approach is recommended for the design of future cohesion policy initiatives, to make innovation-led growth more relevant and achievable.

Technology, big data and governance: In the same way as in the business enterprise sector, digital technology provides a variety of new opportunities to rethink public policy, and the workings of democratic institutions at the regional and national levels, and to make public authorities more effective and transparent for the benefit of citizens, firms and organisations. Such opportunities will make cohesion policy initiatives more effective and transparent.

Bringing the regional authorities back in: There are indications from several EU regions that the 'shared management' model does not always work as intended. To speed up regional policymaking and achieve more and better results, regional authorities should reconsider their leadership roles. For these reasons, cohesion policy should allow for a wider variety of management practices and operational programmes to help EU-funding of innovation-led growth to succeed in any type of region.

Dynamic positioning as a fast and flexible approach: When attempts at smart specialisation using the region's own resources have failed, requests are made for cohesion policy funds with fewer strings attached. A dynamic strategic approach by the regional authorities is proposed on the basis of contributions from various consultations. Dynamic positioning is to be achieved by (a) an on-going regional 'economic diagnosis' that defines and explains principal and practical challenges; (b) a flexible guiding policy dealing with both obstacles and opportunities; and (c) a set of coherent actions needed to address ever-changing regional circumstances. Success is achieved by keeping the course towards innovation-led growth steady and by involving resourceful regional stakeholders.

Regional innovation policy – revising the current framework: Mission-oriented innovation policy could become an important complement to other development policies, especially in regions that lack the variety of resources needed to develop strategies through smart specialisation. Mission-orientation will typically respond to sector-specific needs and wider societal challenges and could open up new markets – inside as well as outside a region.

Shaping markets through mission-oriented investments: By combining horizontal (sector-neutral) policies and vertical (sector-specific) policies, some regional authorities are implementing more 'market-creating' policy frameworks, for instance by means of innovation-oriented public procurement. EU cohesion policies need to consider and embrace the evolution towards more active public-sector involvement in innovation-led growth in various regions and promote conditions for evolving business ecosystems that generate growth – even when the private sector is hesitant, on account of initial risks.

Outside-in approaches to innovation-led growth: Some regions are implementing outside-in policies to seize opportunities for acquiring up-to-date technology, know-how and inventive solutions, by actively inviting inward investments. Manufacturing as an advanced service for companies outside the region could drive local productivity enhancement. European and global production networks are considered potential assets for promoting innovation-led growth in a region. Companies representing global value chains serve as catalysts for advancing new industrial capabilities in the region.

Science parks, areas of innovation and the importance of location: Science and technology parks highlight the importance of local and regional clustering of competencies for invention and innovation. Professionally managed science parks foster a culture that accepts risks while attempting to shape novel ideas into new products and services. Cohesion policy could support them as effective nodes in networks that foster business development, particularly small, knowledge-intensive enterprises with growth potential. A new generation of science parks can be built up in urban areas, thereby stimulating a wider constituency of entrepreneurs and businesses to innovate and grow.

Technology, regions and the digital platform economy: No region escapes the challenges posed by digital platform economics. Digital platforms easily attract new customers, clients and other users and drive the scaling-up of SMEs into large enterprises. Prospects for achieving greater pan-European and worldwide market access by means of digital platforms seem to be immense - even for small businesses in remote regions. Cohesion policy must help the EU's regional economies to increase value by making use of existing digital platforms and building new ones.

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