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**"Synergies between the Structural Funds and HORIZON 2020: new opportunities for fostering research and innovation in Europe" – speech at the**

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Ladies and gentlemen, dear hosts,

Thank you for having been invited to speak at this distinguished conference. It is a particular pleasure for me to deal with research and innovation because I can make use of experiences which I have made in my previous post. Before I took up my current position I have been an official for eight years in Directorate General "Information Society" in the EU Commission and thus got quite familiar with issues of research and innovation. Currently working in Directorate General "Regional Policy" I am therefore particularly happy to be able to assure you that the focus of our Regional Policy in the forthcoming planning period 2014 – 2020 will be strongly put on research and innovation.

The fact that you are interested in the opportunities which our structural funds are offering for research and innovation, is not surprising –

after all they are the funding instruments of our Cohesion Policy which is - at least financially – the most important single EU policy - we currently use 36% of our budget for it. But before I come to the role of research and innovation in Cohesion Policy I think it could be helpful to briefly recall how it works. I will do this by showing you how its principles which are still valid today entered into force over the years.

To start with: The goal of our cohesion policy is to strengthen the economic, social and territorial cohesion of the EU. All other EU policies and all national and regional policies have to contribute to the territorial cohesion as well. Thus "cohesion" and "cohesion policy" are not exclusive tasks of the EU, but are responsibilities of several political levels. At European level we find the EU Cohesion Policy and in its centre we find the European social policy with the European Social Fund ESF and the European regional policy with its two "structural" funds, the European Fund for Regional Development (EFRD) and the Cohesion Fund. In that way regional policy is not identical with but a part of cohesion policy.

This architecture is the result of a historic development which added layer to layer, policy to policy, and fund to fund. Already our founding fathers worded the vision for today's Cohesion policy in the treaty of Rome 1957:

"The Community shall aim at reducing the disparities between the levels of development of the various regions".

Just to fly over the history of regional policy I mention that in the early days the Regional Fund operated purely national, projects were predetermined exclusively by Member States which had to apply for European support at project level – thus the European influence was little. New Member States like Greece, Portugal and Spain brought increased regional disparities. In the 1980s EU funding became key means of bringing their wealth up to EU average.

Regional policy now was designed to offset the burden of the single market for the less-favoured regions of the EU and to make their economies more efficient. In 1988 four key principles were introduced and I mention them because they are still characterising our Regional Policy:

- Concentration – focusing on poorest regions
- Partnership – involvement of regional and local partners
- Multi-annual programming, not annually anymore
- Additionality – EU expenditure must not substitute national subsidies

In the early nineties standardised rules for regional policy spending were set up,

and the principle of shared management of supported projects was introduced,- valid still today - , meaning that not everything has to be done by officials in Brussels, but together with administrations in member States. Probably more important even was that "priority objectives" for regional policy actions were introduced, and the share for regional policy in the EU budget was increased from a mere 16% in 1988 to 31% in 1993. A reform in 1994 intensified the European influence on the regional policy by setting up a clear system of close cooperation between Member States and the Commission for implementing a multiannual regional policy funding program. How does it work in its current version?

1. The Structural Funds budget and the rules for its use are decided by the Council and the European Parliament on the basis of a proposal from the European Commission.
2. The Commission makes a proposal after having consulted closely with Member States over the "Community strategic guidelines on cohesion". This is the pillar of the policy which gives it a strategic dimension. The guidelines guarantee that Member States adjust their programming in line with the priorities of the Union.
3. Each Member State prepares a National Strategic Reference Framework (NSRF), coherent with the Strategic Guidelines. That document defines the strategy chosen by the Member

State and proposes a list of operational programs that it hopes to implement.

4. The Commission validates each operational program (OP) which present the priorities of the Member State (and/or regions) as well as the way in which it will lead its programming. For the current 2007-2013 period, 317 operational programs were adopted by the EU Commission.

5. After the Commission has taken a decision on the operational programs, the Member States and its regions then have the task of implementing them, i.e. selecting the thousands of projects, and to monitor and assess them.

All this work takes place through what are known as "management authorities" in each country and/or each region, it does not take place in Brussels.

6. Finally the Commission pays the certified expenditure and monitors each operational program alongside the Member State.

As you can clearly see: The system of cooperation which I just described harmonizes all Member States' and the region's interests AND realizes European priorities in same time.

In the program period 2000 -2006 regional policy was mainly focused on the preparation for enlargement,

which brought 20 % of increase in EU population, but only 5% increase in GDP. The funds were augmented and new pre-accession instruments introduced.

Yes, many regions developed well thanks to EU support. Allow therefore just a snapshot of cohesion policy's main achievements in the last seven years programming period:

- Regional disparities were reduced: The index of disparity between most and least developed regions fell by a sixth thanks to sustained growth in the less developed regions,
- An estimated 1, 4 million jobs were created, around 1 million of which in enterprises, mainly in SME;
- Transport links were modernized: Cohesion policy funded 4700 km of motorways, 1200 km of high speed rail and 7300 km normal rail.
- Development of small and medium sized enterprises (SME) was supported: 230 000 SME received mainly grants but also loans;
- And, last but not least and although research& innovation were not the main priority of our regional policy until 2007, investment in R&D was intensified: nearly 38 000 R&D projects obtained support with the creation of over 13 000 long term research jobs.

So far some – as I think impressive- Cohesion policy achievements – but why then is a European Cohesion policy still necessary? Let me remind you that the EU generates 43% of its economic output in just 14% of its territory.

Regional economic and social disparities in Europe are still substantial and they have significantly deepened with recent enlargements. Enlargement took place some 7 years ago, but we still have to cope with its effects: Luxembourg, the wealthiest Member State in terms of per-capita income, is now seven times richer than the poorest one, Romania.

Thus despite the good results of our Cohesion policy 2000-2006 it has to be continued – but how does the current one look like? Our cohesion policy continues to promote the economic, social and territorial cohesion of the Union by reducing development disparities between regions and Member States, and by striving for a spatially balanced economic development.

Doing this our cohesion policy implements also the goals of overarching EU strategies like the EU 2020 with its focus on competitiveness and employment by smart, inclusive and sustainable growth.

The majority of our financial support has to be earmarked to achieve these overarching EU 2020 goals. With the current Cohesion Policy we follow three concrete objectives:

First: "Convergence" – acceleration of the least developed regions' catching-up process; it concerns 84 regions, whose per capita GDP is less than 75% of the EU average. Convergence regions are concentrated in the central and east European – new – Member States and the Mediterranean area. Convergence is our dominant goal: 82% of the Cohesion Policy budget is foreseen for that. Focus of investments is on improving infrastructures, modernizing the economy and employment.

-Second objective: Improving "Competitiveness and employment" in other, in the advanced regions. A total of 168 regions are eligible. 16% of the total allocation is used for this objective. Here in these advanced regions investments in innovation are in the foreground.

Third objective: "Territorial cooperation" - strengthening of cooperation between European regions. 9 billion EUR or 2, 5% of the total is available in the program period for this goal.

The Europe 2020 strategy has put research and innovation at the forefront of our efforts to exit the current economic crisis.

Europe's competitiveness, Europe's capacity to create new jobs, our social fabric and cohesion, and, overall, our future standard of living depend clearly on our ability to translate innovation into new or at least renewed products, services, businesses and organisations. As a consequence we have dedicated 25% of the current Cohesion Policy budget – 86 billion Euro – to research and innovation, with a focus on research infrastructure, technology transfer and assistance to SME, networks and clusters.

The delivery of the EU 2020 goals, namely smart, sustainable and inclusive growth will be determined to a large extent by decisions made by local and regional actors. Regional Policy is, therefore, indispensable for mobilising the full innovative potential of EU regions.

As a consequence Cohesion Policy with its main element "Regional Policy" has been identified as key delivery mechanism for Europe 2020 and the Innovation Union. And this is why, when drawing up the blueprint for a reformed Regional Policy 2014-2020 we chose research and innovation as its key elements.

The knowledge and innovation capacity of regions depend on many factors. Let me quote just a few:

quality of research, education and training institutions; the business culture; entrepreneurial climate; work force skills; innovation support services; access to finance; technology transfer mechanisms; ICT infrastructure and local creative potential;.... and, of course, good governance is crucial too.

However there is no "one size fits all", no blueprint for economic development of a region. Therefore it is Regional Policy with its focus on integrated strategies which is very well placed to help each region to create the individual policy mix. It will be tailor-made to strengthen the region's innovation system in general but also to capitalise on its assets and capabilities. Regions will be empowered to work towards excellence and carve out their niche specialisations in the globalising economic environment.

We all know that there are no shortcuts to economic growth, not if a region has to compete on high quality and innovation and not on low price, as we all have to do in Europe. There is simply no other way than investing into a country's and region's competitive advantage. It is the only route to fiscally sound and sustainable economic stimulus.

The jobs we need to create now and in the future to outgrow the effects of the crisis can only come from innovation and a relentless effort to become better, fitter and faster.

In today's ICT powered global economy, it is no longer enough to be "world class" but being the best in the world, even if it is in a particular market niche or through a marginally differentiated strategy.

This means that in terms of Regional Policy we must move beyond an era of ribbon cutting – beyond focusing on infrastructures - but towards more innovation, towards more knowledge-based investments. Therefore the Commission proposes for the next programming period of Regional Policy 2014-2020 that at least 80% of future Structural Funds investment in the more developed regions and at least 50% in the less developed regions go into only three objectives, namely into 1) research and innovation, 2) SME competitiveness and 3) energy efficiency and renewables. Which concrete investment priorities will we support in research and innovation?

1. Investing in R&I infrastructure enabling capacities towards excellence;
2. R&I in businesses, technology transfer, networks and clusters, social innovation, public service application and open innovation will be promoted;
3. The different stages from research to marketable products will be eligible to support, including Key Enabling Technologies and diffusion of general purpose technologies.

But before the Member States and regions can develop their future Operational Programmes and start investing Structural Funds allocations into research and innovation, the regions will have to set up an innovation strategy for smart specialisation. And if I say "before" this means for us an "ex ante conditionality" – without that we will not support projects.

But what is so smart about smart regional specialisation?

(1) First of all it is smart because it is knowledge based. So it asks regions to put knowledge and innovation at the heart of their development strategies. Being smart requests to make better use of the Structural Funds to build regional research and innovation capacities.

(2) Secondly, specialisation is smart if it is focused on a region's greatest assets and opportunities, and if it sets clear priorities. Linking knowledge assets to economic potential is at the heart of this concept.

(3) Thirdly, specialisation is smart because it is based on the notion of building successful innovation eco-systems in cities and regions. This can mean the following: stimulating entrepreneurship; university-business cooperation; innovation support services; access to finance for SME; upgrading education, skills and training schemes.

(4) And fourth, smart specialisation is achieved if it is process-based. It needs to be developed in real partnership with the main regional innovation actors, especially the business sector and the knowledge providers. This partnership should facilitate shared commitments on a limited number of key priorities.

(5) Fifth, smart specialisation is looking towards positioning the region in global value chains and establishing cooperation with other relevant regions and clusters to add more critical mass and more diversity to a region's structures and activities.

Smart specialisation strategies are essential for regions to raise their game in regional development and to improve the effectiveness of their use of EU Structural Funds. These strategies will also allow them to better leverage their spending and increase synergies with other private and public funds.

This obviously includes research investments to be cofinanced by the next EU research framework programme. Investments in the field of research and innovation supported by the Structural Funds should complement and be mutually supportive of actions co-financed by "Horizon 2020".

There is a clear division of labour: Horizon 2020 is excellence based and is implemented through pan-European calls for project proposals. It focuses on tackling major societal challenges; maximising the competitiveness impact of research and innovation; raising and spreading levels of excellence in the research base. Horizon 2020 will use open competitions to select the best projects implementing these objectives, regardless of geographical location and of the profile of the involved actors.

While Horizon 2020 promotes excellence, the Structural Funds are mainly addressing national/regional level objectives, through integrated strategies for economic transformation and structural change. Promoting synergies between Horizon 2020 and Cohesion Policy requires a harmonisation of implementing rules – what we will do in the next period 2014 – 2020. As a positive result the same research/innovation project could receive support from different EU funds but for different expenditure items. We will introduce similar eligibility rules for simplifying the financial project management under both policies, Horizon 2020 and Cohesion Policy. A further reduction of the administrative burden on beneficiaries will be the introduction of simplified cost options such as lump sums, flat rates and unit costs. – After these technical, but I think important news

let me make some remarks to a very important one of our objectives, namely to support capacity building towards excellence in research and innovation, the so-called "stairway to excellence".

Regional Fund support for R&I should, thus, galvanise smart growth which nevertheless should be endogenous growth on the basis of local assets, capabilities and economic potentialities. To enable less developed regions to participate in the European Research Area, the Regional Fund should finance primarily the basic preconditions and sufficient capacities for R&I including infrastructure and human capital.

The European Social Fund (ESF) is an additional EU instrument available. It supports the development of human resources in R&I. Key actions would include the modernisation of tertiary education, the improvement of research capacities and skills of students and researchers, and the transfer of knowledge between research institutes and the business sector.

Research and innovation activities should follow the line of smart specialisation strategies, because they concentrate these activities on the specific strengths of regions and Member States, identify innovation niches, and help avoid overlaps and duplication of effort.

Let me now come to the relation between "stairways of excellence" and "smart specialisation". Strengthening the capacities of researchers to successfully participate in research activities at EU level requires, well, the existence of global excellence in the regions in specific thematic fields. But how do they get there? How do we support this quest for excellence in a region?

The answer is by specialising in areas a region is already good at or where it has embedded capacities or a critical mass of actors and institutions to create a virtuous cycle. We know from a variety of research that trying to build research and innovation capacity from scratch is very risky business and mostly doesn't work. On the other hand it is obvious that a region can't be excellent or attempting to be excellent in everything. Spreading it's efforts too widely and thinly will only end in suboptimal outcomes and dilute impact.

A much better and safer route is to build on a region's existing assets and clusters and work through a thematic focus on areas of strength and real potential. This is also the way that generates most added value specially for the region. Further on it helps to embed capacities in the region and stimulate entrepreneurial activity.

By the way: with our Regional Fund we encourage project funding, not institution funding in terms of research: Research projects funded by the Regional Fund need to have a precise benefit for the region in terms of socio-economic development. This is not about blue sky research but about applied research. Having said this the Regional Fund can of course finance the setting up of a research infrastructure as long as this does not cover its running and operational costs.

Ladies and gentlemen, as I have already indicated, regions will have to identify the knowledge specialisations that best correspond with their respective innovation potentials. This should happen through a process of entrepreneurial discovery involving stakeholders and the private sector.

The regions are then asked to focus their Regional Fund investments on those areas that matter most to maximising a competitive edge in international value chains. By this they can achieve the critical scale, scope and spill-overs that are crucial for efficiency gains.

In other words, the concept calls for singling out competitive advantages and rallying regional stakeholders and resources around a vision for the future.

The Regional Fund will support existing regional scientific excellence. But in doing this the Regional Fund will also insist on the diffusion of knowledge and innovation, including practice-based, i.e. "non-technological" innovation like for example social and service innovations; innovation addressing societal challenges; new business models, etc. The efficiency gains through a more strategic use of the Regional Fund can only be achieved if they are not used in isolation. Using Structural Funds therefore should aim at optimal coordination of different existing policies. As a consequence we strongly want to create synergies between different EU policies.

Ladies and gentlemen, regional innovation strategies of the past received sometimes criticism for their inability to make choices. They have shown lack of engagement of stakeholders in the conception, lack of outward orientation and absence of peer review mechanisms. These weaknesses should be eliminated under smart specialisation.

While the concept of smart specialisation has been taken up by DG REGIO, there is also strong support from DG Research and Innovation and the research community because of its potential to deliver synergies between research and Regional Policy.

A quite recent report from the Synergies Expert Group underlines the need for ensuring coordination and networking

between the different innovative regions and with other national or European policies in order to avoid 'irrelevant duplication' of efforts. The SEG therefore welcomed the on-going work for the constitution of the Smart Specialisation Platform, which should also provide useful guidance to support those Managing Authorities that need it for the development of strategies.

The platform was launched in June 2011. Máire Geoghegan-Quinn, Commissioner for Research, Innovation and Science welcomed the smart specialisation platform saying that it demonstrates the Commission's determination to bring Regional Policy and Research & Innovation Policy closer together in order to achieve the best results in terms of growth and jobs.

Indeed, R&I excellence and regional innovation are two complementary policies with a common objective: maximising knowledge-based economic potential throughout the Union.

While only a few of our regions are ready now to fully embrace excellence, all of them are entitled to pursue regional innovation that can lead to future excellence. That's what we want them to do. And that's what smart specialisation and the new Cohesion Policy should enable them to do.

Ladies and Gentlemen,

As I am speaking to this distinguished audience of Rectors and Presidents of European Universities of Technology I clearly want to underline the important role which universities play for both an efficient regional and research & innovation policy:

A key agent for exploiting research results and for promoting innovation is "university - business cooperation". Universities have to play a pivotal role in the social and economic development of their regions. They are a critical "asset" of the region; even more so in less favoured regions where the private sector may be weak or relatively small, with low levels of research and development activity.

Successful mobilisation of the resources of a university can have an extremely positive effect on its regional economies and achievement of comprehensive regional strategies. This is also why university-business cooperation should be particularly considered by regions when devising smart specialisation strategies.

The cooperation between universities and business/industry can also lead to the setting up of "centres of excellence" or "competence centres".

These are interpreted in many different ways but typically they are collaborative entities, often established by industry, which aim for global excellence in specific specialisation niches.

They are resourced by highly qualified researchers associated with research institutions who are empowered to undertake different types of research but tend to engage frequently in market focussed strategic R&I for the benefit of industry.

As soon as concrete outputs have been achieved and new technologies developed through research, their diffusion and application in the region can be funded by the Structural Funds. We want to set a virtuous cycle into motion which leads to an increased technology transfer particularly towards regional SME. By doing this, we can in turn enable innovation actors as well as SME in the regions to participate at the EU's research framework programme and to lay the foundations for regional excellence in specific areas.

Ladies and gentlemen, I hope I could give you a useful overview over our regional policy, how it works and what it wants to achieve and this also by promoting and supporting research and innovation at regional level. I think you have seen the shift of focus in Regional Policy from infrastructure to research and innovation and thus the multiplication of opportunities also for you. I encourage you strongly to participate at the design and implementation of regional development projects!

Thank you for your attention!

