



SME Intergroup “Supporting interregional S3 cooperation along industrial value chains - How component 5 in Interreg strengthens interregional cooperation”

Board: Board: Othmar Karas (EPP), Maria Grapini (S&D), Kay Swinburne (ECR), Martina Dlabajová (ALDE), Reinhard Bütikofer (Greens/EFA)

**Dear MEPs,
Dear Assistants,
Dear Stakeholders,**

The SME Intergroup held a discussion on the topic of **“Supporting interregional S3 cooperation along industrial value chains”** on **06 November 2018**. The meeting was opened and chaired by the President of the SME Intergroup, MEP Othmar KARAS (EPP).

Introduction

- **Othmar KARAS**, MEP (EPP), President of the SME Intergroup

Statements

- **Peter BERKOWITZ**, Head of Unit Smart and Sustainable Growth DG REGI
- **Pascal ARIMONT**, MEP (EPP) Rapporteur for Regulation on European Territorial Cooperation
- **Wim DE KINDEREN**, International Project Manager, Brainport Development

Discussions with the audience and conclusions

- **Lambert VAN NISTELROOIJ**, MEP (EPP)

Please find below a summary of the SME Intergroup event:

- The European Commission explained that INTERREG Component 5 of the Proposal for a Regulation on “Specific provisions for the European territorial cooperation goal (INTERREG) supported by ERDF and external financing instruments” is introduced by the European Commission as an answer to several European Parliament resolutions, reports of the Committee of the Regions and Council Conclusions regarding Smart Specialisation and the competitiveness of the EU. Component 5 builds on the interregional Smart Specialisation partnerships that are developed in the thematic Smart Specialisation Strategy (S3) Platforms. A bottom up approach is characteristic for these Platforms which are set up jointly by several DG’s from the European Commission (ao DG REGIO, GROW, AGRI, ENER, JRC). At this moment there are three thematic S3 platforms:
 - o S3P on Industrial Modernisation (16 partnerships)
 - o S3P on Agro Food (5 partnerships)
 - o S3P on Energy (6 partnerships)

- Today, more than 100 regions are involved in these platforms and more than 25 partnerships are built. Within these partnerships, S3 strategies are used as a coordination principle in strategic EU priority domains. With their S3 as a starting point, the involved regions aim to create interregional value chains by aligning strategic (public & private) investments and developing investment projects. This means that the mission of the S3 platforms goes beyond simply bringing together regions. It aims to facilitate cross-regional cooperation towards real interregional innovation investments.
- The S3 partnerships collaborate through a specific methodology, inspired by the Vanguard Initiative collaboration. This methodology consists of the phases Learn, Connect, Demonstrate, Commercialise and Scale-up. Projects are focused on higher Technology Readiness Levels (5/6 and up). Experience shows that the Learn and Connect phases are working well and that the challenge lies in the demonstration, commercialisation and scale-up phases. Only a minority of partnerships have so far been able to advance into the demonstration phase, such as for example 3D printing, Bio-Economy and ADMA-Energy. Hence, the proposal of INTERREG Component 5 aims at accelerating this work.
- The S3 partnerships have launched pilot projects, which aim to accelerate the process towards commercialisation and scale-up, and more of those are needed. INTERREG Component 5 is designed for Interregional Innovation Investments through the commercialisation and scaling up of interregional innovation projects, which have the potential for the development of European value chains (European Territorial Cooperation - ETC art. 3.5). The European Commission proposes to allocate 11.5% of ETC resources for this Component. Projects that bring together researchers, business, civil society and public administrations involved in S3 strategies may be supported.
- INTERREG Component 5 is a new type of interregional collaboration, linking S3 strategies. It complements, but does not replace, support under mainstream, cross-border and transnational cooperation in innovation. It addresses gaps in the current support framework. The work programmes will be determined based on S3 themes.
- The Commission decided to propose a direct management approach for this Component as the best solution for meeting observed needs. Those are mainly located in the high coordination costs this kind of activities entails, in seizing the opportunities of developing synergies with other centrally managed programmes (such as Horizon Europe), and in solving state aid compliance issues. Moreover, there is a need to accelerate the collaboration processes.
- INTERREG Component 5 would offer support through two distinct but complementary strands. Strand 1 builds on existing partnerships that are already developing and strand 2 focuses on capacity building of less developed regions in order to facilitate their participation in international value chains and in interregional partnerships. The final aim would be to develop mainly strand 1, where all regions across Europe could participate on an equal level in interregional partnerships.
- The governance of INTERREG Component 5 would particularly profit from its broad base of consultations where priorities would be defined in an open process, with a co-construction logic. Moreover, calls for applications would be published over time, thus allowing for continuously incorporating feedback of stakeholders.

- The European Parliament Rapporteur pointed out that, as it is often the case, a devil's advocate is necessary. In the discussions, which the rapporteur had so far with different stakeholders, the proposal was deemed an innovative tool, but mixed views and ambiguous positions were expressed among Members of the European Parliament (MEPs). Of 43 MEPs in the Committee on Regional Development (REGI), only 16 MEPs have positioned themselves clearly in favour of the Component 5, while the other MEPs remain critical.
- Questions have arisen on the issue of the interdependence between ETCs and the EU Framework Programme for Research and Innovation "Horizon Europe", as well as on the parity of distributions of funds in light of EUR 1 billion spending as opposed to the lack of funding in the Components 1-to-4.
- This is of relevance, especially since in 2007 the funding for the ETC was higher and money is planned to be allocated for the same purpose (only in a different fund). Consequently, the budget cut is neither understandable nor supportable. Looking at the figures from previous years, the Components 1-to-4 are likely to be massively underfunded.
- From personal experience, the Rapporteur is aware of the way these programmes work and that the Components 1-to-4 existence remains essential. More money would be necessary for the ETC INTERREG activities so that Components 5 and 1-to-4 can coexist and, thus, complement each other. Especially in light of the post-Brexit budget, regional policy funds need to be persistently defended.
- Finally, a key element of INTERREG is shared management, where Member States and regions, as well as other actors such as public institutions work together. Since this aspect is all about collaboration amongst people, the key intention behind such programmes would be undermined, if the current plan is to be followed. The main fear, however, is that the central management would be extended to other parts of cohesion policy.
- Sharing his experience as International Project Manager, Wim De Kinderen pointed out that the Component 5 is not only about Europe, but in fact it is about saving and reinforcing Europe's and the EU's competitiveness with regard to other markets and their progress, such as in particular the Chinese and US ones.
- Whilst there should be beyond doubt more activity in the field, a concrete example would be that of wind farms demonstration facilities having been built in a coordinated way in US and China, where Europe is acting on an uncoordinated way, which means possible overlaps and relative inefficiency in public spending. With less public spending, the EU would be able to have the same market impact as the competing US or China demonstration infrastructures, or with the same effort of public spending, market impact would be higher. On the condition of aligned and complementary investments, as promoted by INTERREG Component 5.
- Pilot projects in the automotive sector can be pointed out as showcase example, where 3D printing technology has proven to not only be a successful industry segment but also where regional expertises can complement each other along the value chain. It is advisable to focus on collaboration upon existing infrastructure and technological know-how, since this has proven to be most (cost-)effective.

- In order to foster more projects and deeper collaborations the number of product testing and validation facilities ought to increase and barriers towards SMEs attempting to access these facilities must be reduced. In that respect, the Component 5 deserves support because it addresses the particular funding gap that has been identified for an efficient EU collaborative effort.
- Considering that around 170 regions distributed over 18 Member States are already involved in interregional collaborations within the context of the Thematic Smart Specialisation Platforms, the programme can be deemed to be successful all over the EU.
- An “Interregional Innovation Investments” scheme needs its own well profiled INTERREG Component 5 programme, guaranteeing an earmarked budget. Such dedicated programme, which is open to all, can be topped-up by those regions that will in the future be making active use within “mainstream” ERDF Operational Programmes (OP) of the enlarged possibility to integrate an outward looking perspective in the OP. Although so far this has hardly happened, regions must be stimulated to support OP funded activities to go beyond the region’s borders (info : the current art. 70 in the Cohesion Policy Regulation, allowing 15% of the OP budget to be spent outside the region, is proposed to be deleted, thereby offering much larger possibilities; but the first step is to get regions to actively consider the possibility). As such, the ERDF Operational Programmes can contribute to a leverage effect by acting as a pre- or follow-up funding of investments supported by the INTERREG Component 5.
- In the follow-up discussion, the option of setting Component 5 apart of the other INTERREG components or place it under Horizon Europe was questioned. It was argued that INTERREG Component 5 is set to be a bottom-up action, complementing other INTERREG components. It does not fit in the Horizon Europe approach, which is not geared towards regional needs. In addition the opening of new possibilities for synergies would be an important element. The intention is also to improve the bankability of the projects. It was also raised that the component is currently put at risk. Some participants called for full political support for this ‘new kid on the block’ that would bring additional impact, while others raised practical questions.