Note to the European Commission, DG REGIO G5 - GREECE & CYPRUS

Review of the on-going RIS3 processes in each of the 13 Greek Regions and of other development strategies proposed by important stakeholders

Authors : Nicos Komninos and Alasdair Reid, experts appointed by DG REGIO to monitor the Greek smart specialisation process.

Date: 18 July 2013

This short note summarises the principal observations and conclusions to be drawn from the Technical meeting, held in Athens on 17 July, between the Greek authorities and the Commission with a view to the preparation of the partnership agreement 2014-2020 and specifically the research innovation strategy – smart specialisation.

1. State of play in developing smart specialisation strategies

Based on the first presentation by the GSRT, the progress in developing a national smart specialisation (S3) approach has been very limited in the last months. The presentation did not add significant new information compared to the initial proposal submitted by the GSRT. The experts view is that the GSRT proposal is overly focused on scientific specialisation and fails to capture the need for significantly greater economic spillovers from Greek research funding and activity. The continued absence of up to date data for key research and innovation indicators (highlighted in our expert report of December 2012) is regrettable since it undermines an evidence based strategy design. The GSRT indicated that the National Documentation Centre would shortly provide updated indicators but it is unclear whether these cover all required indicators and whether they meet OECD-Eurostat quality criteria.

The procedure to draft a research infrastructure (RI) roadmap, as outlined by the GSRT, is not optimal and fails to draw lessons from good practice in the selection and management of research infrastructure at international level. The drafting of the roadmap is disconnected from the smart specialisation strategy process leading to the risk that the RI projects selected will not be aligned with nor and concentrate funding on the selected S3 priorities.

A discussion took place on which measures should be managed at national versus regional level. This discussion appears somewhat premature since it would be more structured and logical to examine options for national versus regional measures once the 13 regions have at least identified their specialisation priorities. This would allow a 'grouping' of common themes and priorities which could be then either tackled through joint measures covering the entire country or specific sub-groups of regions.

The GSRT proposals for national research and innovation measures are largely 'more of the same' with a set of 'horizontal' or 'generic' measures, which have proved ineffective in dealing with the causes of low innovation performance in Greece, namely the involvement of and investment by the private sector. The DG REGIO expert report (December 2012) has underlined that current set of policies has failed and simply rolling over the current measures with minor adjustments should be avoided at all costs. The DG REGIO experts consider that future R&I measures should be thematically focused with dedicated programmes aimed at supporting the identified S3 priorities, leveraging private investment and fostering more collaborative and systemic innovation. DG REGIO should refuse to allow ERDF funding in future national or regional operational programmes (OP) to be allocated to horizontal measures aimed at all research fields or enterprises.

Although GSRT officials, and some regional representatives, underlined the lack of capacity in regions to manage R&D and innovation measures, the evidence from the current period does not give grounds for optimism that the GSRT, without significant reform, would be able to deliver measures more effectively. The GSRT noted that an evaluation of measures funded under the OP Competitiveness up until 2010, had finally been launched and the results of this evaluation may provide insight into how to improve programme delivery in 2014-20.

Stakeholders from the private sector, such as SEV (Association of Greek Industries), GESEVE (Association of SMEs) and the association of start-up companies underlined the severe liquidity problems faced by Greek firms given the financial crisis and offered a more pragmatic views on the needs of companies for innovation, the types of policy tools which should be used, and innovation funding priorities. In particular, SEV provided an elaborated framework of value chains or sectoral 'ecosystems', which gather innovative companies and technology institutions, enabling the definition of specialisation priorities at national level in a process parallel to regional specialisation efforts. These sectoral ecosystems proposed are food and bio-agro-food; energy saving in production; environmental industries; textile and apparel; construction and construction materials; information and communication technologies; and health. While this approach is more in line with smart specialisation, there is still more thought needed to cross-sectoral approaches.

At regional level, the second round of meetings with the DG REGIO experts (in April, combined with the development conferences) appears to have provoked the regional authorities and intermediate management authorities (IMA) to launch actions to develop with regional smart specialisation strategies (RIS3). However, there is a clear distinction between a couple of regions who have made progress to the point that they begin to explore issues around implementation, monitoring, evaluation and indicators (i.e. Crete and Western Greece; Eastern Macedonia and Thrace also appears to have made progress including efforts to consult with regional firms); and the majority of the regions which are at the stage of completing initial stakeholder consultations and selecting consultants to support them in the RIS3 process. In particular, Attica has made little (no) progress since end April, to compound the absence of progress in the previous six months, with only vague promises in a 'road-map' (submitted the day before the meeting). The second main Greek region, Central Macedonia, is also sending 'mixed signals' about its willingness to comply with the S3 process.

In most cases, the 'initial priorities' mentioned were either broad technology fields (ICT, etc.) or simply the main regional sectors/clusters in terms of employment. The concept of RIS3 as an economic and productive transformation agenda does not appear to be understood, nor have options for industrial diversification through related variety, etc. been taken on board. Crete and Western Greece appear to be the most advanced in terms of developing a coherent RIS3 strategy based around a number of thematic/sectoral priorities that are linked to technological fields and capacity building.

In terms of the ensuring a business led/relevant strategy through an 'entrepreneurial process of discovery', there is some progress in the majority of regions that reported efforts to meet directly with companies and create working groups associating business leaders. However, the overall impression given is that the RIS3 are likely to be drafted by consultants in consultation with a limited group of stakeholders. The current time-frame and the delayed launch of a RIS3 process in most regions makes it unlikely that they will achieve significant business involvement (and therefore ownership) in the RIS3. We underlined during the meeting that the entrepreneurial discovery process should not be seen as something that only occurs during the strategy design phase. Rather, the regions should seek to develop a programme structure that allows for phased (stop-go decision, stages and gates) 'entrepreneurial-led' development of collaborative innovation networks, platforms or competence centres focused on the RIS3 priorities. Several examples were cited during the discussions from other countries (Northern Ireland, Norway), while in the current period the Corallia cluster measure has successfully adopted such a process.

A grouping of the 13 regions in smaller groups facing similar challenges (e.g. the metropolitan regions of Attica and Central Macedonia, regions with potential for the diversification of manufacturing such as East Macedonia and Thrace and Central Greece, island regions, and regions with strong agricultural and food sectors) would facilitate the transfer of good practice at this critical stage of strategy and action plans definition.

However, specialisation priorities will be ineffective if not sustained by research and technological capabilities that offer a competitive advantage to priority sectors and industries. Economic (industrial) specialisation and technological capacity building are core elements of S3 and should be linked at the regional and national levels. A significant risk at this point is

the extremely low gross expenditure on R&D target proposed for 2014-2020, which at 0.67% of GDP is by far below the 1.5% GERD target set in 2007 and even lower in absolute terms given the fall in GDP during the current crisis. This 'under-investment' in the knowledge economy combined with the absence of reform that would make the Greek universities more open and cooperative to industry is likely to further weaken future Greek innovation perspectives. Smart specialisation will be an empty effort if not accompanied by the provision of technological and non-technological capabilities in the selected sectors and priority fields. A stronger technological base is needed to this end while public investment in R&D must not be allowed to fall further.

2. Governance

The GSRT's role in coordinating and supporting the regions was discussed and contested by a majority of regions. Most regions indicated that the GSRT had not provided the expected support they had indicated or had not been helpful. Moreover, at national level, it is not clear who is responsible for preparing and coordinating the national S3 framework document. The Ministry of Development (Mr Deniozos) did intervene to clarify that the GSRT was just giving one input to the S3 and was not responsible, a position with which the GSRT representative concurred. However, despite repeated requests from the DG REGIO representatives this issue was not resolved during the meeting. In subsequent discussions, it was clarified that the Ministry of Development will lead the S3 drafting. There is a need for a much more structured management of the S3 process at national level and the Greek authorities should communicate a clear management structure to the Commission as a matter of urgency.

At regional level, there has been a positive progress in establishing 'regional innovation councils' or network in almost all regions. However, the development of a concerted and structured process of consultation with key business leaders and other stakeholders through working groups, pilot actions, etc. is not yet significantly advanced. There is need for more effort and thought to be given on fostering an 'entrepreneurial process of discovery' during both the strategy design and into the implementation phase. It was suggested by the experts that regional authorities should provide a roadmap for the elaboration and governance of RIS3, which will define the role and contribution of stakeholders, linking the work of innovation councils, working groups, consultants, and IMA from the start of the RIS3 process to the adoption by the elected regional councils. Sufficient room for experimentation and adjustment of the RIS3 priorities should be built into the ROPs. The regional innovation councils and/or dedicated working groups should be funded by ERDF (or ESF) resources to ensure an on-going entrepreneurial process of discovery, with identified emerging opportunities developed through pilot actions.

We note, with some concern, that our recommendations (in the December 2012 reports) concerning the rationalisation of regional business and innovation support intermediaries and the creation of one-stop shop regional business and innovation agencies, that could potentially act as managers of RIS3 measures, are not yet being taken up. There is an obvious lack of thought being given to how the RIS3 will be delivered at regional level, even if all actors acknowledge the difficulties, and this requires urgent attention.

3. Conclusions and options

The DG REGIO S3 experts consider that the Greek authorities will not meet the self-imposed deadline of end September for submission of a draft national S3 and 13 RIS3. Any document submitted at that stage will be unlikely to be of sufficient quality nor be under-pinned by a sufficiently robust 'entrepreneurial discovery process'. It is not realistic to expect submission of suitably high-quality strategies before June 2014. Hence, The Commission should examine the following options in order to ensure that the Greek national and regional authorities meet the ex-ante conditionalities for research and innovation within an agreed time-frame.

National level:

- The Ministry of Development should clearly designate and notify to the Commission a national S3 coordinator who will be responsible for, and the lead author of, the national smart specialisation framework document.

- A national smart specialisation steering committee should be established that would include representatives of the main concerned government departments and agencies as well as the main business representatives (SEV, etc.) and, at least, 2-3 regional S3 coordinators (potentially from the most advanced regions such as Crete, Western Greece, etc.). This committee should convene on, at least, a monthly basis to review progress and approve draft and final versions of the framework.
- It is important that the national smart specialisation framework is prepared in parallel with the 13 RIS3 so that there is an iterative process whereby ideas emerging from national level studies and discussions are taken on board by the RIS3; and conversely that emerging priorities and proposals at regional level (or by groups of regions) feed into the national strategic framework.
- There is a need to thoroughly review the initial proposal for national level research and innovation measures and spending and consult with regions on how to ensure that delivery is focused on regional RIS3 priorities and key enterprises.
- The integration of ERDF and ESF (as well as rural development funds) should be more discussed in order to ensure that concentration of funding is achieved in favour of selected smart specialisation measures. For instance, brain drain and skills needs were discussed as major obstacles but there is no indication on how ESF measures will seek to reinforce the ERDF concentration of funds on S3 priorities.

Regional level:

- We would recommend that the Ministry of Development and the Commission agrees on a phased submission of the regional RIS3 with different types of interventions/support by a number of sub-groups of regions:
- Crete, Western Greece and (possibly) Eastern Macedonia and Thrace. Should be given a priority support and encouragement to prepare a full draft RIS3 of high-quality as soon as possible. The Ministry of Development, the GSRT and the Commission services (experts) should establish a first working group with these three regions and their consultants. These regions could begin to discuss more advanced issues on RIS3 implementation that would provide a 'blueprint' for the remaining regions.
- The two metropolitan regions (Attica and Central Macedonia) dominate the Greek economy and research and innovation system. At the same time, both regions are 'dragging their feet' in preparing a RIS3 and an intervention of the national authorities and DG REGIO is required. In the case of Attica, the risk that the RIS3 is 'hijacked' to satisfy national research funding priorities is high. The DG REGIO RIS3 experts have already recommended that the RIS3 should be structured around development challenges and how research and innovation potential can be structured to respond through PPP based innovation platforms.
- The three islands regions should be encouraged to form a third working group given their similar development challenges and economic and innovation potential. This group could be supported by DG REGIO making available an expert from another member state with experience in RIS strategies in island regions and a workshop could be organised (e.g. through the S3 platform) with other EU island regions (e.g. from Spain) to exchange ideas.
- The remaining continental Greek regions, that are largely primary-extractive industries/agro-food/tourism dominated, should be brought together in a fourth group. These regions require further assistance and advice and there are clear grounds for considering how they could pool resources to develop a number of joint actions or measures – e.g. a joint food and drink innovation service supporting both technological and non-technological innovation in export orientated companies.