

RIS3 Vivo Policy Brief 1

**REGIONAL CROSS-BORDER COOPERATION
AND RIS3**

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1. Introduction: why this challenge is important

For security and other reasons, countries have put up borders, resulting in negative effects that are particularly evident in cross-border regions. In order to counteract these effects in Europe, cross-border cooperation actions began at the end of the Second World War in terms of territorial planning, transport, the environment, etc. In the case of innovation, the main issue that has prompted the consideration of cross-border collaboration in the European Union (EU) is the very same issue that has propelled the adoption of smart specialization strategies (S3): the fragmentation of the European regional innovation systems. This fragmentation prevents the exploitation of different types of economies of scale and scope – the production of public goods and externalities (regional identity and branding, etc.) – which takes place especially in the field of innovation. The first proponents of the research and innovation strategies for smart specialization (RIS3) attributed this problem to the EU lagging behind the US in innovation and productivity.

In response to this fragmentation, internally, efforts are concentrated in certain areas which have current or potential advantages, and, externally, there is appropriate collaboration and connection with centres and agents located outside the territory. A significant part of this external collaboration can be carried out with contiguous regions.

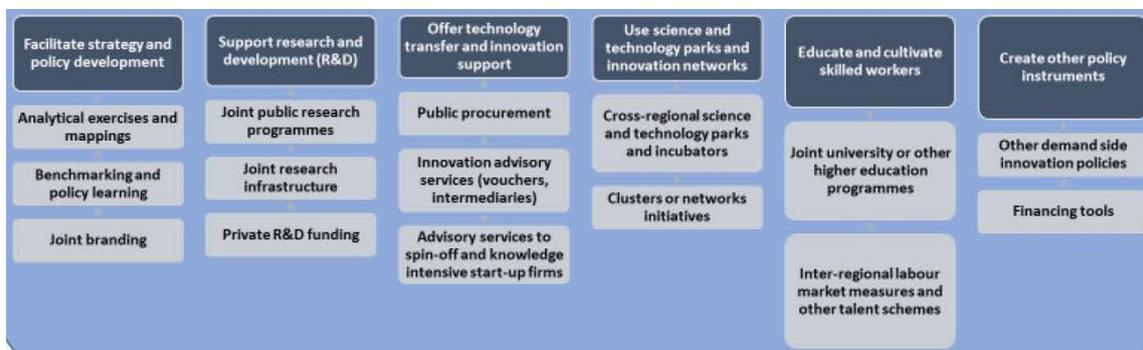
The problems of fragmentation are potentially greater in Euskadi (the Basque Country) than in the average of EU regions. Euskadi has a relatively small-medium size and its border location is somewhat removed from the EU's centre of gravity, which means that the minimum thresholds of efficiency are not reached in many activities and that building connections with other regions requires special efforts.

2. State of the art in the literature and in the practice of policies

The conditions and ways in which inter-regional cooperation takes place (and therefore the policies linked to them) are diverse and may vary according to the following types of factors:

- Geographical.- Depending on whether the regions that collaborate are contiguous or geographically separated; the number of regions that participate, etc.
- Governance.- According to the level of government involved (local, regional or national), its level of competence, political commitment and culture, the formal/informal or voluntary/obligatory nature of the cooperation mechanisms used, etc.
- Objectives and areas of cooperation.- Depending on whether they seek to solve problems and mitigate costs, or exploit innovation opportunities; whether they focus on socio-cultural, infrastructure or economic areas (planning, transport, environment or innovation); on whether they address specific sectoral areas, or adopt more comprehensive approaches that affect all areas; and whether there is a mere exchange of information, or if joint strategies are developed.
- Instruments.- The types of instruments used (see Figure 1).

Figure 1: Policy instruments for inter-regional collaboration



Source: Alcalde et al. (2017), based on OECD (2013).

Of all the possible types of inter-regional cooperation, in this policy brief we pay particular attention to the collaboration that occurs in neighbouring cross-border areas (i.e. contiguous and affected by a state border), made up of a limited number of regions (which leaves large groups out of the study, such as working communities or those boosted by local governments) and which try to take advantage of opportunities in the field of innovation (rather than in the socio-cultural field or even in infrastructures and the environment).

The obstacles to cross-border cooperation, closely related to the type of proximity (geographical, socio-cultural, cognitive, institutional, organizational) of the constituent territories of the cross-border region, have been divided by the OECD (2013) into three large areas related to framework conditions, the innovation system and governance:

- Framework conditions.- This includes those linked to geographical accessibility and spatial planning (e.g. rural or urban character, population density), socio-cultural proximity (e.g. language, practices and values), and institutional proximity (e.g. tax systems, labour markets, etc.).
- Innovation system.- This includes proximity and complementarity in industrial structures and knowledge bases, business innovation models, knowledge infrastructures, etc.
- Governance and policies.- Structures and competences of administrations, organisational structures and participation of other stakeholders, culture and orientation of the innovation policies, etc.

Concerning production and innovation systems, analysts are influenced by the trend of thought related to the different abovementioned points and believe that both extreme proximity and remoteness are negative. In the first case, there is less variety and fewer possibilities of innovation based on the combination of different knowledge, while in the latter collaboration is virtually impossible. In any case, the higher costs and obstacles involved in embarking on cooperative processes beyond national borders should be compared with the expected benefits of cross-border cooperation. The function of the policies is to try to reduce these costs and obstacles, by embarking on cooperative processes and taking advantage of the benefits that can be derived from them.

Finally, it must be taken into account that since the proximity or distance of some areas can be different from others (e.g. mobility and qualifications of people, knowledge infrastructures, sectoral and business structures), even in different parts of the territory, a variable geometry in cooperation (OECD, 2013) can exist within a cross-border region.

In Europe

Boosted in this decade by the Directorate General of Regional and Urban Policy (DG REGIO) and established as an ex ante condition to be able to access European structural funds, S3 have also incorporated a cross-border dimension. According to the RIS3 Guide, "smart specialization is also pointing to more strategic cross-border and trans-regional cooperation to achieve more critical potential and related variety" (Foray et al., 2012: 10).

From a survey answered by stakeholders directly involved in S3, Sörvik et al. (2016) show to what extent this cross-border and trans-regional cooperation has been incorporated in the S3 of European regions. Their main conclusions are the following:

- Why and in what? .- Inter-regional collaborations rely more on low intensity cooperation activities, which generate more direct and short-term impacts, rather than on long-term activities with more systemic but indirect benefits. More cooperation is involved in sharing information, promoting innovation networks and clusters, developing technology transfer infrastructures, and monitoring and evaluating policies, while less is involved in prospective exercises, aligning regulations and conditions for R&D support, and in cross-border R&D strategies.
- Who? - The actors that participate the most in inter-regional collaborations are development agencies, universities and public research centres; followed some distance behind by cluster and business associations, SMEs and local authorities; whereas large firms and private R&D centres participate much less; and financial institutions and NGOs hardly participate at all.
- With whom?- Cooperation primarily occurs with regions of the same country and, when compared to those from other countries, there is no great difference in the frequency of collaboration with contiguous regions or with non-neighbouring regions. It is also observed that there is a similar number of collaborations in bilateral and multilateral relations. And when seeking a partner, the focus is more on its industrial composition and research capabilities (similar or complementary) and the social challenges faced, rather than on socio-cultural similarities and geographical proximity.

- Obstacles?.- The main barriers revealed are lack of financial resources, insufficient political support, inadequate commitment from regional interest groups and lack of clear objectives. The respondents do not consider, however, socio-cultural aspects, legal and administrative barriers or lack of confidence to be significant obstacles.²

There seems to be a certain divergence between the aspects that the academic literature considers relevant in inter-regional cooperation (more focused on systemic and long-term aspects) and those that the agents give priority to in their actual operational practice (more short-term and direct). It also seems that there has been a leap forward in sharing information and taking into account the reality of other regions for the general analysis of advantages on which to base RIS3 strategies, and also in undertaking peer review exercises to learn and improve the design of strategies. However, in the design of S3 for each thematic priority, the positioning in global value chains and the regions with which cooperation agreements should be established are not taken into account (Iacobucci and Guzzini, 2016).

There has been increasing awareness concerning this last issue, especially with the emergence of processes – initially bottom-up innovation processes – such as the Vanguard initiative. This network is made up of some thirty European regions, and focuses on S3 for advanced manufacturing in order to boost entrepreneurial innovation and industrial renewal in European priority areas. Many aspects of this initiative are considered to serve as a benchmark for other types of inter-regional cooperation: a high level of political commitment, adjusting to the social challenges and priorities established in the Horizon 2020 programme, the involvement of SME intermediaries such as cluster associations and technology transfer agencies, strong ties with key enabling technologies (KET), the importance attributed to the demonstration and pilot phases, the identification and scaling of inter-regional projects to create value chains in priority sectors, the involvement of different EC Directorates-General (Regional, Growth, and Research and Innovation) in the projects,

² Nevertheless, the surveys conducted on the cooperation between agents located on both sides of the French-Spanish border reveal that the major obstacles are the differences in terms of language, regulations, business hours, culture, etc.

as well as the search for critical mass and complementary specialization. Furthermore, the Joint Research Centre of the European Commission has launched and manages three thematic platforms, in the areas of industrial renewal, agri-food and energy, in which the participating regions are offered knowledge and expert advice as well as opportunities to participate in networks³.

On the contrary, when promoting the development of joint S3 or the exploitation of the synergies and complementarities of the S3 of contiguous regions, there have been no significant Community initiatives that counteract the scarce attention given to this question in the approved regional S3. This occurs despite the fact that, as pointed out in the survey carried out annually by Kroll (2016) on the degree of S3 implementation in European regions: "a substantive majority of regions sees either high or very high potential in increased inter-regional collaboration" (page 9).

In Euskadi

In Euskadi, the Internationalization Framework Strategy 2020 is being implemented in coordination with the different areas involved (including the PCT-RIS3). This plan seeks to build strategic relationships with other regions, to encourage the participation of Basque stakeholders in thematic networks, to reinforce cross-border cooperation and to increase the participation and presence of Basque agents in EU institutions, projects and initiatives. We should highlight that Euskadi is one of the most active regions in European territorial cooperation networks (for details, see Basque Government, 2014). In this policy brief we will limit ourselves, however, to those that are more closely related to cross-border collaboration and the external relations of their RIS3.

Among the most outstanding initiatives linked to cross-border cooperation is the region's participation in the Working Community of the Pyrenees and in the Aquitaine-Euskadi-Navarre Euroregion (Euroregion hereafter).

The first initiative is barely connected to RIS3, except for the POCTEFA project named COMPETITIV'eko, of which just over 60% of its 1-million-euro budget is financed by this Working Community with ERDF funds. Currently underway, this project aims to

³ See https://www.interregeurope.eu/fileadmin/user_upload/plp_uploads/2017-10-06-Policy-brief-Vanguard_Final.pdf and <http://s3platform.jrc.ec.europa.eu/s3-thematic-platforms>

"reinforce cooperation between the different actors of the territory on both sides of the border in terms of R&D&I". The analyses carried out and the priorities established in the RIS3 of the three territories have been taken into account so as to determine more precisely in which value chains this cooperation is boosted (to date, the areas identified have been Advanced Manufacturing, Energy, Agri-Food and Health, which are being tested with the agents).

The Euroregion is a European Grouping for Territorial Cooperation (EGTC) in which the Regional Council of the New Aquitaine, the Basque Government and the Government of Navarre are currently members, and whose budget (currently approximately 3 million euros) is financed mainly by the institutions cited. The Strategic Plan of the Aquitaine-Euskadi-Navarre Euroregion 2014-2020 includes four main fields of action, one of which is knowledge economy, innovation and entrepreneurial competitiveness. This strategic plan is currently under review, largely as a result of the administrative change that took place in France in 2016 (which has led to an extension of the previous territorial unit and thus to the appearance of the New Aquitaine), and due to the incorporation of Navarre in the Euroregion in 2017. The review of the six sectoral priorities that were included in it is also motivated by the approval of the RIS3 strategies in the three member territories of this Euroregion. The thematic priorities of the Strategic Plan should be based on the RIS3 thematic priorities, in the same way as in the COMPETITIV'eko project.

The promotion of cross-border cooperation is carried out by the Euroregion through annual calls for competitive grants (on themes linked to the four areas of action referred to above), and through direct subsidies to the structural agents involved in implementing the priorities of the Strategic Plan. In addition, the Euroregion runs a series of European projects (for example, the Transfermuga project, approved by POCTEFA and funded by ERDF) and provides technical equipment and other resources for the different agents.

The participation of non-governmental agents in the governance of the Euroregion is mainly at project level, participating in consultations, surveys and workshops organized by the Euroregion (e.g. for the revision of its Strategic Plan). However, there is no

permanent body of non-governmental agents, and when they do participate they are usually intermediaries (commerce chambers, business associations and trade unions, etc.) and knowledge stakeholders (universities, research centres, etc.) rather than firms.

Concerning how the RIS3 of Euskadi views the issue of cooperation with other European regions, it should be noted that in the Science, Technology and Innovation Plan-2020, a cross-cutting issue was the "Opening and Internationalisation of the Science, Technology and Innovation System", and "Reinforcing the international fundraising in R&D&I" was set as an operational objective. Although the Plan only sets the objectives for the economy as a whole and does not determine the thematic priorities nor identifies the key agents and territories, it does make reference to the *Strategic Report on Basque Participation in Europe*, which establishes the goals for the participation of Basque SMEs in the EU, as well as different types of stakeholders in specific H2020 priorities linked to the RIS3 areas (Energy, Advanced Manufacturing, Health, etc.). All these objectives are monitored on an annual basis and their compliance is evaluated. As a result, the design of certain existing measures and support programmes has been modified (e.g. participation incentives in transnational Eranets within the Hazitek programmes). However, these actions are more centred on *Research and Development*, and focus less on *Innovation*.

With respect to the next area of RIS3 implementation, in which Steering Groups have been created to develop the thematic priorities, one of the main factors taken into account when identifying the most significant projects and strategic initiatives is their international dimension. In this regard, all groups include measures to improve the international positioning of Euskadi in their respective areas. Amongst the most outstanding is the Basque Industry 4.0 Steering Group, with a specific working group that coordinates the initiatives of the different Basque agents concerned with internationalisation. Participants in this working group are Basque Government representatives, the Basque Business Development Agency (SPRI) and Innobasque, which are also present in other steering groups and important internationalization initiatives, and which ensures coordination and the development of cross-cutting capacities.

In pioneering interregional collaboration initiatives in Europe, such as the Vanguard initiative, Euskadi was co-leader of one of its five projects: Marine Renewable Energy and Off-shore Energy; and among those participating in the Vanguard initiative, it is also the region most represented in other Interreg Europe TO1 projects, thus enabling greater mutual learning and dissemination among programmes.

Moreover, Euskadi has successfully participated in Interreg policy learning projects linked to its RIS3, where it collaborates with other European regions, and among which the following can be highlighted: (i) Manumix-Advanced Manufacturing; (ii) ITHACA and TITTAN, in Health; (iii) S3GROWTH, a horizontal project, but with very close ties to advanced manufacturing and energy in the Basque Country; (iv) CREADIS3, focused on creative and cultural industries; and (v) CLUSTERS3, a horizontal project linked to the cluster policy and S3.

International projects have been primarily identified from the perspective of the value chains of each strategic priority or opportunity niche, without taking into consideration the possible international collaboration with Euskadi's neighbouring regions. But the analysis of Basque stakeholder participation in European projects and initiatives shows that it is relatively strong in the case of the public administration, knowledge infrastructures (mainly technology centres) and intermediary agents (e.g. cluster associations), whereas participation is still underdeveloped at company level. However, as we have already pointed out, objectives have been set to counteract this situation and measures have been taken for the Basque Science, Technology and Innovation Network (RVCTI) agents to drive the Basque companies forward.

3. How to continue advancing in this challenge

As can be seen from the previous sections, the EU stands out internationally for having launched initiatives since the end of the Second World War to promote inter-regional cooperation. The recent launch of S3 at European level has meant a new step forward in the promotion of this inter-regional collaboration and its integration into the strategies and innovation policies of each territory. Within the EU, Euskadi is one of the regions that has taken the most decisive and advanced steps in this process, both in terms of cross-border collaboration and in seeking to connect its productive and

innovation system with other regions, within its RIS3 strategy. However, there is still much to be done in the EU and in Euskadi. This last section aims to make a series of proposals for action for Euskadi to continue moving forward in this direction. We therefore recommend the following:

- To develop differentiated collaboration strategies, albeit coordinated, for cross-border and inter-regional areas, based on the thematic and horizontal priorities established in the RIS3 of Euskadi. These strategies must include adequate monitoring and evaluation mechanisms, and/or prior to their approval, pre-existing programmes and projects should be assessed.
- In terms of cross-border cooperation, the opportunity offered by the revision of the Strategic Plan of the Euroregion (currently underway) should be taken advantage of. In terms of collaboration with other European regional initiatives, the Basque RIS3 steering groups should be coordinated transversally, enabling mutual learning processes.
- Concerning the R&D dimension, the revision of the Strategic Plan of the Euroregion should rely on the work and processes currently underway in the COMPETITIV'eko project. It would be advisable to ensure the continuity of the efforts already made in the latter, given that this project will end in December 2018.
- The Euroregion strategy should incorporate the principle of variable geometry, and take into account the diverse situation of the areas and value sub-chains, functions (knowledge infrastructures, firms, etc), territories, etc.
- Concerning governance of the Euroregion, it needs to move towards more inclusive models of governance, and not only regional administration should be involved; moreover, amongst these administrations, the Department of Economic Development should be given a more important role.
- The structure of agents participating in cross-border cooperation should be simplified and more coordinated, focusing on one agent to provide services regarding information, consultancy, simplifying procedures, network creation, all of which stakeholders claim as necessary. This agent should make a great effort in the field of strategic intelligence and data production.

- As recommended in the literature, the support instruments for cross-border and inter-regional collaboration should be based more on the integration of such dimensions in existing innovation support programmes, rather than on the creation of new specific instruments for this issue. Furthermore, an agreement could be reached with the other administrations of the Euroregion to open programmes to stakeholders in other territories, which are already participants in cooperation projects.

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