

## The Vanguard Initiative<sup>1</sup> calls for a strong regional dimension in the new EU industrial strategy

Since its establishment, the Vanguard Initiative has called for the adoption of an ambitious EU industrial Strategy. Vanguard member regions are committed to play an active role in the renaissance of European industry and to transform regional clusters into world-class clusters. Vanguard Initiative's model of interregional collaboration along industrial value chains, based on smart specialisation principles, has been largely recognised by a wide range of partners and institutions and has been up scaled as a model for EU policies, notably through the Thematic Smart Specialisation Platforms.

Ahead of increasing challenges regarding globalisation, technology change and digitalisation, climate and demographic changes, the case for a renewed industrial policy agenda has gained momentum and is on the top of the EU agenda. **The Vanguard Initiative fully supports the European Commission ambition to adopt a renewed EU industrial strategy as a central initiative in delivering the new EU growth strategy – the European Green Deal.**

Building on the collaborative work within our network, but also on different pieces of work published recently by several stakeholders and on the Council's orientations<sup>2</sup>, the Vanguard Initiative would especially like to reaffirm **key principles** that should be embedded in the EU industrial strategy :

- The EU industrial strategy must **fully recognise the regional dimension of industrial and innovation policies** and that the involvement of regions in the definition and implementation of those policies is crucial. Regions are the right place to address innovative ecosystems, making the links between Europe and industry/SMEs and research centres, as well as citizens. Regionally developed innovation ecosystems connected across Europe will be the driver of new European strategic value chains.
- A significantly **strengthened approach to managing and coordinating multi-level governance** is a must to make a successful implementation of the EU industry strategy. Europe needs proactive policies to support the generation and scale-up of ideas and projects within regional ecosystems that will deliver solutions to societal challenges. Thus, we expect the future EU industrial strategy to be delivered in full partnership with regional authorities. In particular, we advocate for the inclusion of regions or their representatives in the governance framework of the key European industrial value chains (Alliances), as regions are closer to their local industry players and in particular SMEs.
- Investments in EU strategic value chains is enabled by interregional cooperation. **The smart specialisation approach is a driver for interregional cooperation and should thus be recognised in the EU industrial strategy.** The approach of interregional collaboration, co-creation, and co-investment along value chains, developed by the Vanguard Initiative, has the potential to generate a strong and visible added value at all levels, including for industry and SMEs. Building critical mass is essential for the EU and its industry to be competitive at the global scale.

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<sup>1</sup> The Vanguard Initiative is an Industrial Innovation initiative driven by the political commitment of 35 regions to promote the industrial renaissance of Europe with the final goal of creating growth and jobs. Vanguard use Smart Specialisation as coordination principle for Interregional Cooperation to align strategic investments. See <https://www.s3vanguardinitiative.eu/>

<sup>2</sup> See annex. We refer in particular to the recommendations of the High Level Industrial Roundtable and the Strategic Forum for Important Projects of Common European Interest, and the European Committee of the Regions (CoR) opinion on A place-based approach to EU industrial policy. We also recall the Council conclusions on an EU Industrial Policy Strategy: A Vision for 2030, adopted in May 2019.

- The EU industrial strategy should put a clear priority on **developing networks of state-of-the-art pilot infrastructures, demonstrators, and shared facilities with open access to SMEs on the European territory**. This is crucial to enable **market uptake of new innovative technologies (KETs)** and foster EU competitiveness and modernisation of industry. Our evidence suggests that a persistent market failure remains at the piloting and demonstration stage of new technologies, especially when innovation is the result of the integration of complementary regional specialisations. The aim being to provide industrial companies, notably SMEs, easier access to networked facilities for piloting and demonstration of new products and services. The final goal is to reduce costs, lower technology uncertainty and to speed up market uptake of new technologies. As experienced by the Vanguard Initiative pilot projects, and the thematic S3 partnerships, there is an urgent need to further develop new funding mixes and financial tools that allow joint investments in open innovation projects across borders, and facilitate access to expertise and services for European SMEs. In that perspective, the newly proposed tool for **Interregional Innovation Investment** under the Cohesion Policy package 2021-2027 could be a strong catalyser for co-investment and synergies with other EU programmes.
- The development of an **ambitious EU cluster policy should be a central part of EU industrial policy** to strengthen the development of European world-class clusters connecting regional clusters, networks and ecosystems. Building on bottom-up, collaborative and multi-disciplinary approaches, clusters constitute a powerful lever for achieving critical mass in Europe.
- The implementation of **the EU industrial strategy must be based on effective and facilitated synergies between EU instruments** (e.g. ERDF, ESF, InvestEU & EIB/EIF, H2020/Horizon Europe, COSME, Digital Europe Programme, Interreg, EIT-KICs), especially within the context of joint, inter-regional investments in industrial and innovation projects. Synergies between EU, national, regional and private funding for financing industry-led innovation projects are also to be further promoted, namely to support further exploitation and cross fertilization.
- The EU industrial strategy should present **a vision on how State aid rules can be designed to better allow effective policies for addressing emerging needs and state-of-the art innovation policies and funding solutions**, notably for start-ups, scale-ups and SMEs. The European Framework for State Aid should be reassessed to further stimulate industry-led innovation, especially concerning pilot and demonstration projects, go-to-the-market phases and deployment of Key Enabling Technologies (KET). The rules should enable collaborative approaches across borders, notably through cross-cluster collaboration, or by facilitating participation in European Partnerships. Beyond the IPCEI scheme, there is ample justification to focus more on SMEs.
- The EU industrial strategy should furthermore recognise the **role of the regional authorities in ensuring the availability of skills to support the industrial competitiveness and transition**. Regions are best positioned to facilitate the collaboration between industry, (applied) research, and education for the development of new training schemes and ensuring fair access to the new technological and innovation skills demanded by industry.

Based on the information in non-official drafts of the EU industrial strategy **the Vanguard Initiative is very concerned that these key principles will be overlooked in the strategy** that will be presented in March 2020. **The Vanguard Initiative calls on the European Commission to acknowledge these key principles as crucial to deliver on the EU objectives to be the driver in the green and digital transformation of industry**. We, the Vanguard Initiative member regions are committed to play an active role in this.

## Annex – Key references:

In the **Council conclusions on an EU Industrial Policy Strategy: A Vision for 2030**, adopted in May 2019, the Council highlighted ‘the support that Cohesion policy can bring in mobilising investments in industrial competitiveness and industrial transition, also taking into consideration smart specialisation strategies’ and emphasised ‘the importance of further developing and supporting EU networks of open innovation infrastructures for speeding up the market uptake of new technologies for more advanced industrial production systems’ and underlined ‘the potential of the future Single Market Programme to boost industrial modernisation through joint cluster initiatives as well as of the new Interregional Innovation Investment Instrument proposed under Cohesion policy for the development of EU value chains’, while providing detailed orientation for the future industrial policy strategy.<sup>3</sup>

In the **European Committee of the Regions (CoR) opinion "A place-based approach to EU industrial policy"**, adopted in June 2019, the CoR emphasises the need for a strategic vision for industry rooted in a place-based approach. Inter-regional cooperation is crucial for developing synergies and reaching critical mass in co-investment for deployment of innovation in industrial value chains across Europe, therefore the CoR calls for strengthened EU support for regional eco-systems and clusters in the framework of Interregional Innovation Investments.<sup>4</sup>

In the **Final Report of the Industry 2030 high level industrial roundtable**, published in July 2019, it is highlighted that “Europe needs to build on regional ecosystems that embrace their own smart specialisation, help to bridge regional disparities and provide the platform where all the actors can combine their knowledge and co-create the content, context and learning experiences”.<sup>5</sup>

In the **Report of the Strategic Forum on Important Projects of Common European Interest (IPCEI)**, published in September 2019, it is recognised that “regions have an important role to play in mobilising public and private stakeholders willing to cooperate in the validation and deployment of innovative technologies. Therefore, co-investment in innovation deployment and acceleration of the development of Strategic Value Chains should be stimulated”.<sup>6</sup>

In its recent working paper<sup>7</sup> **“The spatial dimension of productivity: Connecting, the dots across industries, firms and places”**, the OECD points that “the spatial dimension is central to the ability of various policies, both space-blind and regional, to be synchronised and to enhance each other. The policy efforts that ignore the spatial dimension are unlikely to succeed. By design, such policies cannot effectively leverage local assets and complementarities for better outcomes tailored to the local needs. The increasing productivity growth and the decreasing interregional inequalities can be achieved only when academic and policy discourse embrace the spatial (subnational) dimension of productivity. The policy design should strive to maximise policy complementarities stemming from the interdependent nature of productivity determinants and their embeddedness in local realities.”

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<sup>3</sup> Council conclusions on an EU Industrial Policy Strategy: A Vision for 2030 (9706/19)

<sup>4</sup> CoR Opinion ‘A place-based approach to EU industrial policy’ (CDR 5941/2018)

<sup>5</sup> Final Report of the Industry 2030 high level industrial roundtable

<sup>6</sup> Report of the Strategic Forum on Important Projects of Common European Interest (IPCEI)

<sup>7</sup> OECD, ‘The spatial dimension of productivity: Connecting, the dots across industries, firms and places’, Regional Development working paper 2020/01.