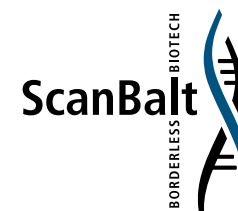


ScanBalt Position Paper: EU Cohesion Policies and the Importance of Macro-Regions and Regional Clusters for Smart Growth and Smart Specialization

ScanBalt BioRegion, March 2011



EU Cohesion Policies and the Importance of Macro-Regions and Regional Clusters for Smart Growth and Smart Specialization

The Baltic Sea or Nordic-Baltic Region (hereinafter: BSR) is playing a major role in modern Europe. The BSR comprises nine European Union member states plus Norway and North western Russia and:

- ▶ covers with roughly 1.745 Mio. Sqkm about **40%** of the **EU**
- ▶ hosts with roughly 85 Mio. inhabitants more than **20%** of **EU's population**
- ▶ constitutes with an accumulated **GDP of 400 bio. €** one of EU's major **economic macro-regions**¹

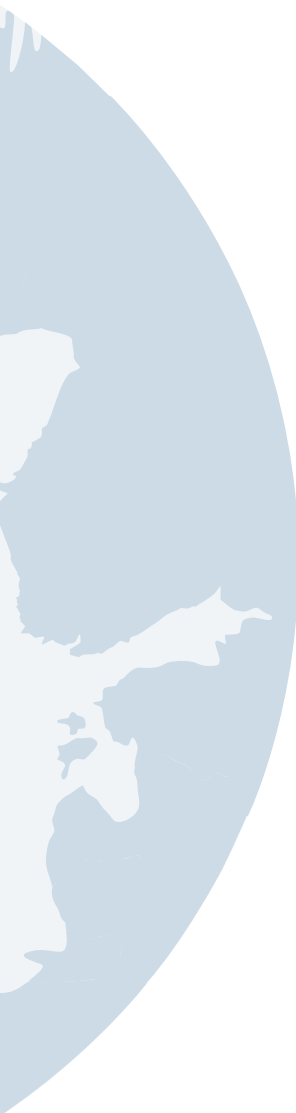
BSR is based on stable welfare systems and has since long focussed on the built-up of a sustainable, knowledge based economy. Regional and national innovation systems within the BSR are internationally competitive having developed to acknowledged models for other regions.

However, BSR shares with the rest of EU challenges like economic disparities and lack of cohesion between the regions, competitiveness, health and health care costs, demographic development (ageing), environmental threats and climate changes and need for alternative sources of energy.

These grand societal challenges are not restricted to single regions or single sectors and disciplines but are highly complex and closely interconnected. An example can be that facing regional differences in **Health, Life time expectancy** and **Healthy Ageing** also means to face the challenges of a healthy **environment** including development and implementation of non-fossil sources of **energy** and the existence of non-polluted marine and river **waters**; the availability of healthy **nutrition** and sustainable **agricultural** production.

ScanBalt BioRegion, represented by ScanBalt™ fmba (in short ScanBalt) would therefore like to contribute to the debate regarding EU Cohesion Policies applying the knowledge and experiences gained through nearly 10 years of existence as a macro-regional, bottom-up triple helix network (collaboration between research, industries and public authorities) within the BSR. A key objective is to support the EU2020 strategy capable of creating a framework favourable to stable and sustainable economic growth and job creation in Europe.

¹ For this paper the term macro-region means regions comprised of adjacent territories from several different countries that share a number of common challenges.



ScanBalt's recommendations intend to optimize the benefits from Life sciences, Health and Health Economy applying macro-regions and regional clustering to:

- ▶ reduce disparities between the levels of development of European regions and enhance cohesion
- ▶ mobilise growth potential to achieve economic, social and territorial cohesion
- ▶ enhance investments in knowledge
- ▶ improve framework conditions
- ▶ reduce fragmentation
- ▶ avoid duplication
- ▶ address the grand societal needs and challenges mentioned above

October 2009 the BSR strategy was adopted by the European Commission as an integrated framework to address the challenges and opportunities of the Region. It is often presented as a blue print for other possible macro-regions. ScanBalt Bio-Region and the flagship project ScanBalt Health Region is a working example of an organisational model for implementing the BSR strategy based on **smart growth** and **smart specialization** between clusters and regions.

We recognize this can only be achieved based on sustainability and taking into account ethical and societal implications.

ScanBalt recommends:

To ensure separate and sufficient budget lines in EU Cohesion policies for macro-regions and their successful flagships in order to fully exploit the potential of macro-regions and clusters as drivers for reaching key objectives of EU Cohesion Policies and the EU2020 strategy including Innovation Union.

Promote cross-sectoral approaches for innovation

A cross-sectoral approach for launching projects and initiatives aimed at removing disparities in the BSR, promote regional economic development and strengthen regional cohesion is needed. Fostering cooperation within life sciences and health economy is a promising front-runner for this approach aiming to overcome the societal and regional challenges, bring innovative products and services to an increasingly transparent BSR market, reduce public spending and enhance effectiveness of public services.

Innovation within Life sciences and Health is regarded as one of the most important driving factors for the EU during globalization and enhanced competition in order to ensure health and prosperity. However the relevant interests and responsibilities fall across a broad range of policies and actors exemplified by:

- ▶ Debate about the public and/or private financing of social and health care systems.
- ▶ Debate about the needs and benefits of public and/or private funding of innovation.
- ▶ Governmental and administrative responsibility for innovation in life science and health is widely distributed between for example ministries of health, education, economy and finance as well as agriculture, environment and/or regional development.
- ▶ The need for more cooperation within the research triangle between science, education and economy has been affronted by various institutions and programmes but many gaps, challenges and un-exploited opportunities still exist.

ScanBalt recommends:

To strengthen trans-national and cross-sectoral approaches for launching projects and initiatives aimed at removing disparities, gaps and barriers in the EU and fostering cooperation within innovation in Life sciences and Health in order to overcome the grand societal challenges and bring innovative products and services to the market.

Such approaches would be strengthened by applying macro-regional bottom-up structures as a tool taking onto account the macro-regional capacity to affect in a coordinated and coherent manner regional strategies advised in a top-down as well as a bottom-up manner. Thereby science, technology, politics and economy can be brought to interact in a more effective manner meaning a leap forward towards concrete results and more effective use of the invested funds.

ScanBalt suggests developing and applying instruments in particular focused on:

- ➔ Identifying in detail the trans-national cross-sectoral hurdles for innovation in Life sciences and Health.
- ➔ Promoting the flagships in the EU BSR strategy like ScanBalt Health Region which have proven to build on successful concepts. The flagships represent platforms for integrated actions cutting across disciplines, stakeholders and borders years duration, with easy administrative principles).
- ➔ Promoting concepts for flagship-like macro-regional activities within promising cross-sectoral disciplines e.g. food & health, medical technologies, marine resources, sustainable agro-culture and non-fossil energy development.
- ➔ Promoting the establishment of macro-regional strategies in other geographical areas of the EU
- ➔ Promoting inter-actions between flagship-like activities and between macro-regions.

Strengthen innovation within the knowledge triangle

Regional clustering is the basis for macro-regional development and has the capacity to mobilize regional financing of research and development thereby enhancing overall investments in knowledge based competitive regional economy.

The experience within ScanBalt BioRegion shows that cluster-based innovation takes place in metropolitan as well as in remote and lower populated regions given the right conditions. These clusters may ideally consist of public and private institutions aiming at the pooling and joint use of R&D resources, the coordination of research, education and innovation activities, staff exchanges and knowledge transfer as well as the joint implementation of application-oriented projects.

ScanBalt recommends:

EU Cohesion Policies should strengthen instruments which aim at the formation of new and the strengthening of existing regional research and innovation-driven (triple helix) clusters.

ScanBalt BioRegion promotes smart growth and moves towards smart specialization between the clusters within it thereby strengthening the macro-regional value chain and promoting a more effective use of scarce regional resources for research, education and development. This is based on increasing coherence of policies and strategies and ScanBalt believes it is a model which should be strengthened and supported in EU Cohesion Policies by knowledge triangle actions.

ScanBalt suggests developing and applying instruments in particular focused on:

- Promoting regional knowledge triangle type cooperation by developing instruments supporting smart specialisation between the clusters and supporting clusters to be linked together in complementary innovation chains in order to reach major EU objectives.
- Set-up of SME led knowledge triangle projects with easy administrative principles.
- Identifying and developing opportunities for internationalisation of regional clusters which will strongly contribute to enhance their triple helix nature and thereby strengthening impact on regional economic development.
- Development of an EU Venture Capital Fund in order to increase transnational innovation activities.

Strengthen macro-regional concepts based on regional innovation

BSR as is the case with the entire EU varies remarkably between metropolitan and remote regions showing an unequal distribution of innovative SMEs and large industries in the regions. SMEs have a particular challenge in participating in research and development of innovative technologies and in participating in public procurement, especially on a cross-border basis. Weak transnational and trans-sectoral coordination of the whole innovation chain and lack of transparency of public procurement is:

- ▶ impeding generation of innovative ideas from research in Life sciences
- ▶ obstructing development of innovative ideas by SMEs
- ▶ slowing down introduction of innovative products and services

Also a fragmented system of research and innovation shows weak internal links and a low level of cooperation between actors.

These and further challenges like under-investment in the European knowledge foundation, unsatisfactory framework conditions ranging from poor access to finance, high costs of IPR and too slow standardisation and ineffective are described by the EU document "Innovation Union"².

Other countries like the US and Japan is out-investing Europe and China is rapidly catching up. This is a serious challenge when companies can choose to invest and conduct research in many other parts of the world.

ScanBalt recommends:

EU Cohesion Policies should support macro-regional development based on regional innovation systems in order to implement the 'Innovation Union' of the EU 2020 Strategy and affront the challenges mentioned above.

Macro-regions promote smart specialization between clusters, create critical mass and increases trans-national mobility and collaboration between regions, sectors and disciplines in research and development, education and tech transfer.

Macro-regional collaboration is a suitable tool to reduce fragmentation and duplication leading to a more efficient use of scarce resources. It is also a tool to involve SME's participation in the overall development process. Thereby macro-regions lead to more efficient use of RTD resources in the EU and contribute to face the societal challenges and the inter-linked challenges of "Innovation Union".

ScanBalt suggests developing and applying instruments for macro-regional development in particular focused on:

- Concept development for cluster collaboration
- Competence and trans-national complementation analysis
- Joint agenda development
- Implementation of joint agendas by coordination of research, education and innovation activities; pooling and joint use of R&D resources; staff exchanges and knowledge transfer; as well as the joint implementation of application-oriented projects
- Development of tools for impact measurement on regional and macro-regional economy, EU collaborative research and development and the EU grand societal challenges.

² Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions, Europe 2020 flagship initiative Innovation Union, SEC (2010) 1161.

Strengthen transnational public-private partnership models

Trans-national public-private partnership models are a key to realize the potential of macro-regions and collaboration between clusters³. Public-private partnership models are regarded as relevant for various areas like education, innovation and SME-support as well as marketing and internationalization.

ScanBalt recommends:

EU Cohesion Policies should focus on the development and implementation of transnational public-private partnership models for education, innovation and SME-support as well as marketing and internationalization.

Transnational public-private partnership in PhD-education

Transnational public-private partnership in PhD-education between universities and industries should be promoted. The intentions are to strengthen coordinated trans-national public-private PhD-education in life sciences and health by involvement of regions, clusters, institutions and industries throughout and between macro-regions. The Nordic PPP PhD programme launched by NordForsk (www.nordforsk.org) may serve as a model.

Modular Shared Service and Support

Modular Shared Service and Support between clusters on a macro-regional basis will ensure more effective screening for commercially viable project ideas and improved coordination between Academia-SME trans-national research and development. It thereby supports SMEs to strengthen their innovation pipeline and economic performance in collaboration with universities and research institutes via trans-national collaborations and projects. This will lead to more and better public-private investments at the regional, national and supra-national level.

Internationalization

Life science and health technologies, investment opportunities and research collaborations are all becoming increasingly international in their perspectives as is the market for human resources. New strong players are appearing due to strong investments in Life science e.g. in Asia. As a consequence macro-regions should strive to build up strategic active collaborations with Life science macro-regions, national competence centers and regional clusters abroad both within the EU and globally. Such collaborations would be of particular benefit for SMEs as they normally only possess limited resources for exploring collaborations with Academia and Business abroad.

ScanBalt suggests developing and using instruments for macro-regional development in particular focused on:

- Enhance trans-national knowledge exchange and collaboration between industry and academia in order to form a basis for lasting research collaboration.
- Offer PhD-students training in both the public and private sector.
- Provide PhD-students with a comprehensive set of complementary skills, such as entrepreneurship and management of intellectual property rights (IPR).
- Offer life science and health enterprises the possibility to enhance the application of new research-based knowledge in innovation processes through strengthened research competence and collaboration with relevant academic communities.
- Develop, test and implement models for Modular Shared Service and Support in macro-regions with the aim of obtaining self-sustainable entities based on public-private collaboration.
- To support the development of a Global Match Making Program for macro-regions.

³ *Smart Growth: Bridging Academia and SMEs in the Baltic Sea Region* released from Bridge-BSR, June 2009 (EU FP 7).

Annex

Background on ScanBalt BioRegion and ScanBalt

ScanBalt BioRegion is composed of life science and biotechnology stakeholders and other important actors within Life sciences and biotechnology in the region. There are more than 60 universities and over 2100 life science/biotech companies including ~700 research based biotech SME's active in ScanBalt BioRegion.

The not for profit association ScanBalt fmba acts as a service provider for the ScanBalt BioRegion community and is a registered trademark ScanBalt™. Members are regional networks and clusters, universities, companies, hospitals, national innovation agencies, regional and national authorities.

ScanBalt is a mediating, coordinating and communicating umbrella and/or platform.

The secretariat is located in Copenhagen (Denmark) while regionally financed liaison offices are located in Tartu (Estonia), Gdansk (Poland) and Rostock (Germany).

Background on ScanBalt Academy

ScanBalt Academy (SBA) consists of a group of distinguished and prominent life scientists from academia as well as industry and government. Fellows of SBA must be born in or residents of countries and regions within ScanBalt BioRegion. Purposes of SBA:

- ▶ Adds credibility to the scientific quality of ScanBalt projects and initiatives
- ▶ SBA or SBA committee's serve as external advisory boards to ScanBalt activities

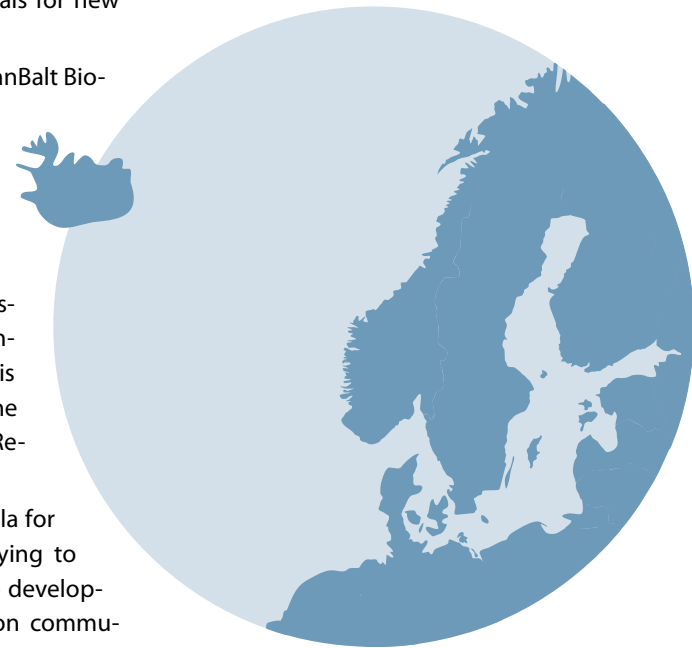
- ▶ SBA Fellows gives lectures or teach courses in ScanBalt BioRegion
- ▶ SBA Fellows act as ScanBalt Ambassadors
- ▶ SBA Fellows act as evaluators on proposals for new ScanBalt activities and projects
- ▶ SBA assists to reverse brain-drain from ScanBalt BioRegion, and help to engage ScanBalt BioRegion expatriates in ScanBalt activities

Background on ScanBalt Health Region

The ScanBalt Health Region (full title "Cross-Sectoral and Transnational Projects for Innovation in Health and in Life Sciences") is an acknowledged flagship project within the European Union Strategy for the Baltic Sea Region⁴.

ScanBalt Health Region serves as an umbrella for a multitude of coordinated activities applying to shared visions, values and strategies for the development of the region and utilizing a common communication structure. Otherwise the individual activities act independently. This is a discipline (Health) specific bottom-up approach combined with a top-down advisory structure which has been developed, tested and applied for ScanBalt BioRegion since 2001.

It ensures specific themes to be dealt with in depths by a multitude of groups while still referring to an overall strategy and using existing structures for coordination and efficiency.



⁴ The EU BSR Strategy and the Action Plan in its last version.

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