**InnoCoop – enhancing policy instruments fostering innovation-oriented business cooperation of rural SMEs**

**Policy objective: PO1 Smarter Europe**

**Specific objective: SO 1.3. SME competitiveness**

**General context**

Europe is facing a challenge of shrinking areas, which are predominantly rural areas with low population. Shrinking areas are found in each member state, with no respect to their GDP per capita. According to the policy brief of ESPON on shrinking rural areas policy responses to rural shrinkage shall mobilise endogenous resources; promote social innovation and ICT; foster ecosystem services and green economy; and realise integrated place-based economies. Although the listed interventions focus rather on endogenous resources, innovation often requires the combination of internal and mobilisation of external ones. In this process public administration (national or regional), business support institutions, small and medium-sized enterprises, as well as the civil sector play a key role. As rural shrinkage in some areas is an irreversible phenomenon, strategies must be composed as a mix of mitigation and adaptation.

Rural areas suffer from demand and supply shortages that represent a significant obstacle to innovation and economy development. As small and medium-sized enterprises (SMEs) are the engines of innovation, they should set up locally and regional embedded networks, in order to cope with competitiveness issues. Such networks may be within national boundaries or cross-border, in case of border areas where isolation make their development position even more challenging. Attractiveness of these areas is influenced by several factors. Rural areas with good quality environment and developed civil society may represent an unlocked development potential. The current polycrisis, particularly the COVID-19 pandemic and the rising housing costs in metropolitan areas, significantly changed the picture of some rural areas. Those with relatively developed accessibility and basic infrastructure attracted new residents, while the rest faces severe depopulation. This, on one hand challenges, on the other hand generates added value both for the local communities and the employers. Improvement of cooperative attitude, provision of support and inclination of SMEs expand their market opportunities. A flexible, open and cooperative SME sector is a key feature of sustainable development in rural regions, making them resilient under current uncertain economic conditions.

Innovation-oriented business cooperation faces multiple challenges due to the weaknesses of the different segments of the quadruple helix model of innovation, both within and across borders. The main challenges in terms of the different segments of the quadruple helix are as follows:

* Private sector: SMEs are interconnected in different ways in different regions. They seem to be in lack of information about other economic players’ business operations hindering establishment of value-added business cooperation where SMEs can build on each other’s strengths that can provide comparative advantages for all players. This is especially true for innovation-based developments where building trust between economic players poses additional obstacles to cooperation. SMEs usually lack of knowledge and financial resources needed for active participation in cooperative innovation chain. Policy instruments for a Smarter Europe, focused on R&D, digitalisation and sustainability, are more often used by companies in urban areas near the academia than by regional enterprises in rural areas.
* Public sector: public business support organisations (chambers, enterprise development organisations, sectoral clusters, innovation and technology centres) are weak in some regions and are in search of how to provide effective support to innovation-based economic cooperation of local companies. Some best practices can be identified, interconnection seems to be even more challenging in rural and cross-border areas.
* Academia: engagement and active participation of knowledge centre institutions (universities, research institutions and their affiliates) in innovative SME business cooperation are rather diverse across Europe. These institutions often fail to provide hands-on and practical service to the SMEs and the economic players are also reluctant to establish operative cooperation with them.
* The civil sector, particularly in rural areas, play a key role in promotion of entrepreneurship, cooperation and social responsibility. In case of strategies of mitigation of shrinkage, the civil sector has rather a secondary role, in improving the region’s image or promotion. In case of adaptation strategies, social responsibility becomes more important where the civil sector becomes a key player.

**Common regional development issue addressed**

Rural areas in Europe, although they are very different, are often characterised by depopulation, economic stagnation, low and concentrated growth, often coupled with disadvantages. Lagging of rural regions is caused by low innovation capacity and the outflow of skilled labour force.

Rural regions often suffer from poor innovation governance: low density of SMEs makes cooperation, clustering difficult. Business support organisations must play a key role, however public funding is inevitable. Linkages along the edges of the quadruple helix are often mixing, particularly weak is the cooperation between the SMEs and the academic sector.

Europe does not have a high number of globally recognised urban areas. Middle-sized cities are dominant, which are surrounded by various rural areas. Depopulation is hitting the majority of rural areas. They are exposed to low business density and low innovation capacity: innovation performance and the proportion of innovative and high added value businesses are below the EU28 average.

SMEs are key in the EU’s cohesion policy to overcome regional disparities. The project is designed to help SMEs in rural areas to grow and be competitive, resilient, sustainable and cooperative within and across border and along the pillars of the quadruple helix, taking into account the different factors influencing value-added innovative business cooperation. It is ought to raise the awareness and increase the number of valuable and feasible business partnership between SMEs and between SMEs and the knowledge centre institutions. The project improves SME access to EU funding via various public and private business support institutions, regional development agencies, focusing on fostering improvement of product and service innovation. The project is in line with EU’s “An SME Strategy for a Sustainable and Digital Europe” as it brings innovative solutions to challenges like social cohesion and helps fostering innovation, development and co-operation of SMEs.

**Project objectives**

Overall objective: Innovation-oriented business cooperation in the project area needs forward looking intervention due to multiple challenges, both within and across borders in order to improve the cooperative attitude, provision of support and inclination of SMEs to expand their market opportunities.

**Approach**

The project tackles various regions, with various instruments, represented by various partners. The LP is responsible for overall coordination. Although instruments are known and detailed in the project, the potentially transferable practice elements are yet unknown, therefore they must be revealed, presented, discussed and structured, in order to identify the transferable ones.

First activity in the learning process will be the elaboration of a joint comparative situation analysis covering the partner regions that sum up the most important socio-economic indicators of the operating SMEs in the different regions, in order to highlight the main challenges related to the innovative cooperation of SMEs. This will be coordinated by the LP, with the assistance of CROST.

In the second step a methodology will be developed for segmentation and identification of the transferable practice elements. They are planned to be classified according to two aspects (axes):

- Sectoral aspect (axis) – what?: elements of practices focusing on ‘traditional’ sectors (foundational economy – economic activities serving primarily the local population and businesses) and R&D intensive (high-tech, tradeable) sectors.

- Institutional aspect (axis) – how?: innovation governance, networking and partner search and innovation financing. It is assumed that some practice elements will focus only on one and others on more of these.

The learning process is organised around various events and meetings:

- In each period a live partner meeting is planned to be organised, at least one event will be hosted by each region. These meetings will be composed of a project workshop (PW) meeting where methodologies will be discussed, instruments will be presented and segmented, transfer options will be discussed. It will be followed by on-site visits in the regions.

- In each partner region regional working groups (RWGs) should be set up, from the partner(s), the respective APA and the organisations listed among the relevant stakeholders. RWGs serve for dissemination of the knowledge gained on PWs, presentation of the practices, discussion of the potentially transferable.

- In more intensive periods additional online workshops are also foreseen (see workplan).

- In order to inform policy makers and the general public, dissemination events will be organised. At the end of semester 4 a regional dissemination event will take place. At the end of the first phase, in semester 6 a project closing conference is foreseen.

- Upon invitation of the JS, the projects results may be also disseminated at the Policy Learning Platform.

For presentation of the instruments and the transferable practice elements, a detailed Elaborate will be developed in the following stages:

- In Semester 2&3 the focus will be on the different type of sectors: R&D and ‘traditional’ sectors. Sector-oriented draft transferable practice elements will be elaborated in each region;

- In Semester 4&5 the institutional aspects will be highlighted and detailed transferable practice elements will be elaborated in each region;

- Semester 6 summarizes and fine-tunes all detailed transferable practice elements included in the Elaborate as finalisation of the core phase.

Active involvement of stakeholders is ensured by the above-described structure of events: relevant stakeholders will be involved into the PW and RWG meetings according to the main topic of the respective stages.

**Provisional list of partners**

* LP Entrepreneurs’ Centre of Somogy County Foundation (Hungary),
* PP CROST Nonprofit Ltd. (Hungary);
* PP Regional Development Fund of East Macedonia and Thrace (Greece);
* PP Marshall’s Office of the Masovian Voivodship (Poland);
* PP Kaunas Science and Technology Park (Lithuania);
* PP Regional department of Agriculture, Rural Development and Mediterranean Fisheries – Regional Department of Agriculture (Sicily, Italy);
* PP CESIE (Sicily, Italy);
* PP Bačka Regional Development Agency (Serbia).

**Partners sought**

Public institutions from the Western area, being policy responsible institutions of jobs & growth programmes (EU cohesion policy mainstream operational programmes managed on national or regional level).

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