

# DRIVING PRODUCTIVITY IN THE HEART OF THE SOUTH WEST: LESSONS FROM OTHER REGIONS

PART OF THE EVIDENCE BASE  
UNDERPINNING THE HEART OF THE  
SOUTH WEST  
LOCAL INDUSTRIAL STRATEGY

*Document 005*

**Driving productivity in the  
Heart of the South West**

**Lessons from other regions**

**A Technical Paper**

## Introduction

This report has been produced to support the development of Heart of the South West (HotSW) Productivity Plan.

It forms one of a series of Technical Reports which together provide an evidence base for the Productivity Plan Green Paper which can be downloaded from <http://www.torbay.gov.uk/devolution>

The report looks at a number of approaches adopted to boost productivity and growth in other UK and European regions.

Case studies were identified on the basis of:

- The presence of active regional / local policies to drive productivity and / or economic growth
- Geographical comparability to HotSW, in terms containing small / medium-sized cities surrounded by rural hinterlands
- Economic profile roughly comparable to that of the HotSW LEP area
- Location within countries / regions showing strong economic performance

We have included one case study from the UK, the *Greater Cambridge Greater Peterborough LEP area*, due to it being an exemplar in terms of productivity and growth rates at the European level.

We have included Denmark as a national case study, due to their active focus on enhancing productivity and the relevance of lessons learnt at the regional and local level.

The Groningen Region in the Netherlands and Skåne Region in Sweden were selected as the best international regional comparators<sup>1</sup>.

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<sup>1</sup> Other regions which may also be worthy of analysis, should the LEP look to seek further international comparators, were identified as: Oulu, Northern Ostrobothnia Region, Finland; Salzburg (City Region), Austria; Lille Region, France; and, Munster Region, Ireland

## **CASE STUDY 1 - The Greater Cambridge and Greater Peterborough Enterprise Partnership**

Like HotSW, the Greater Cambridge Greater Peterborough Enterprise Partnership (LEP) is focused on helping to drive sustainable economic growth working with local business, education providers, third sector and public sector organisations. It has a population of 1.3 million people, which is projected to grow to 1.5 million by 2031. The LEP hosts a number of globally significant business clusters, world class research capacity and thriving market towns. The area provides 700,000 jobs, is home to 60,000 enterprises and generates £30 billion of output per annum.

The LEP's Strategic Economic Plan sets out the economic priorities for the area and forms the basis for its Devolution Deal proposals with Government. It is currently being updated with a view to:

- Pinpointing opportunities for economic growth;
- Ascertaining the barriers to economic growth and ways of tackling them;
- Identifying priority actions, projects and investments that will unlock growth; and
- Campaigning on major issues, actions and investments.

Together these two documents can be used to identify the priorities for the area, such as:

- Attracting investment and employment, particularly within the area's Enterprise Zones
- Improving the market profile of the area to attract investment and enterprise
- Securing and targeting Growing Places Funding (now known as Signpost 2 Loans) into infrastructure projects that create employment.

### **Strategic Economic Plan<sup>2</sup> (2014 onwards)**

The Greater Cambridge and Greater Peterborough Strategic Economic Plan (SEP) sets out to build on the core strengths and demonstrable growth potential of the area, in particular by exploiting the presence of an internationally recognised research and technology base. It seeks to expand the export of goods and services and to ensure that the growth agenda benefits the whole area. Finally it aims to provide the confidence for business to invest, locate and grow in Greater Cambridge and Greater Peterborough.

The SEP targets specific technology sectors where there is scope to build or increase an internationally competitive lead; alongside existing sectors that generate significant GVA and / or support a large number of businesses or employees. It seeks to boost research and innovation to fuel its 'technology

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<sup>2</sup> [HTTP://WWW.GCGP.CO.UK/WP-CONTENT/UPLOADS/2013/10/GCGP-Strategic-Economic-Plan\\_WEB.PDF](http://www.gcgp.co.uk/wp-content/uploads/2013/10/GCGP-Strategic-Economic-Plan_WEB.PDF)

pipeline' and prioritises a number of 'Intervention Packages' that are linked to productivity. The aims of these intervention packages are:

*To be the UK's exemplar area for digital connectivity*

- Identifying opportunities to use the world-class experience of companies in our area to provide a world leading digitally connected area
- Ensure infrastructure provides world-class mobile and broadband coverage
- Support the growth of digitally enabled businesses, raise the digital aspirations of the rural economy and demand from inward investors for a world-class provision

*Deliver a Growth Hub to support business growth*

- Translation of innovation from start-up to commercialisation
- Support entrepreneurship and grow existing businesses
- Increase the export of goods and services
- Extend existing successful grant/loan funds
- Create a focused inward investment offer

*Respond to existing pressure for the growth and retention of businesses by facilitating the provision of additional commercial space*

- Support the delivery of Incubation and Innovation space in partnership with the private and public sector
- Create a fund mechanism that seeks to share capital and risk funding with the private sector
- Support both refurbishment and new-build
- Target research, innovation and follow-on
- Encourage the expansion of technology businesses beyond Cambridge

*Remove the skills barriers to continued growth*

- Align skills provision with business demand
- Raise aspirations and improve economic awareness of the workforce
- Support more businesses to effectively plan and budget for skills and training
- Pitch to provide careers guidance for our LEP area (outside of Single Pot funding)
- Expand upon the success of a Local Skills Team project
- Facilitate Centres of Excellence for key skills shortages
- Address shortages of higher-level skills required to support the growth of technology businesses
- Improve the delivery of Careers Guidance to young people

*A transport network fit for an economically vital high growth area*

- Exploit developments in Smart technology
- Work with partners to facilitate improvements on key routes

- Ensure the delivery of local transport priorities approved through the Local Transport Board
- Ensure linkage with national transport investment decisions
- Early engagement in transport studies with long term roll-out of programmes
- Identify scalable interventions that open access to significant growth locations

#### *Alconbury Weald Enterprise Campus*

- Take forward the development of the site, including physical infrastructure, through a mix of financial investment
- Help cement the core vision of the Enterprise Campus by attracting high technology businesses as 'early adopters' of the site
- Encourage the delivery of long-haul flights from Stansted Airport to key international locations via a temporary Air Passenger Duty exemption

### **Cambridgeshire and Peterborough Combined Authority Devolution Deal (2016)**

This document sets out a proposal for the devolution of a range of funding, powers and responsibilities from Government to the seven local authorities covering Cambridgeshire and Peterborough and the Greater Cambridge Greater Peterborough Enterprise Partnership.

As part of the Devolution Deal, Cambridgeshire and Peterborough will establish a Combined Authority with a directly elected Mayor by May 2017, with interim arrangements put in place in 2016/17.

#### *Overview and strategic context*

The Greater Cambridgeshire Greater Peterborough LEP area is a world leader in science and technology, with unparalleled levels of cutting edge research, growth businesses and highly skilled jobs. The area is already a significant net contributor to the UK economy. Cambridgeshire and Peterborough local authorities, businesses, and universities have developed a vision for the future that will be enabled by this Devolution Deal, which includes:

- Delivering substantial economic growth – including a rise in GVA from £22bn to over £40bn over the next 25 years underpinned by a strong economic strategy and productivity plan
- Creating an area that is internationally renowned for its low-carbon, knowledge-based economy by further developing its key sectors including: life sciences; information and communication technologies; creative and digital industries; clean tech; high-value engineering and agri-business
- Achieving a skills base that matches business needs - ensuring young people are sufficiently prepared for work and prioritising skills development where it is needed most i.e. in areas where there are genuine skills barriers to economic growth

The Devolution Deal also focuses on: enhancing infrastructure; delivering new homes and sustainable communities including a number of major new settlements; transforming public service delivery; and providing world class connectivity and transport systems. Better connecting the whole of Cambridgeshire and Peterborough is presented as offering the potential to reduce city pressures and give the Cambridge hub access to wider areas of housing growth.

The LEP plans a number of new releases:

- New strategic economic and productivity plan – to achieve the economic growth and higher national and local dividends
- A fiscal plan – including new models of public / private infrastructure funding to provide a firm basis for delivery of major schemes
- Priority proposals for infrastructure and transport – which underpin the economic and productivity plan, focus on a step change in infrastructure delivery and an integrated approach to planning of road, rail and digital connectivity alongside land for new housing and business
- Proposals for a second Devolution Deal identifying additional areas for transfer of powers and funding that will further unlock economic growth

#### *Learning and Skills*

The new Combined Authority will establish an Education Committee with the Regional Schools Commissioner and other local education stakeholders. The Regional Schools Commissioner will work with the committee to provide strategic direction on education across the Combined Authority area. The Government is pursuing Area Reviews of post-16 education and training and the outcome will be taken forward in line with the principles of the devolved arrangements.

The LEP will continue to collaborate with colleges and providers, with appropriate support from the Education Funding Agency, to work towards delivering this plan and ensuring close alignment between delivery and business requirements. The Government is being approached to agree on the local commissioning of outcomes to be achieved from the 19+ Adult Education Budget starting in academic year 17/18; and to fully devolve budgets to the Combined Authority from academic year 2018/19 (subject to readiness conditions). It is the intention of the Combined Authority to focus a greater proportion of its devolved Adult Education Budget on learning that delivers sustained job outcomes, productivity and economic growth. These arrangements will not cover apprenticeships.

#### *Apprenticeships*

The Combined Authority will assume responsibility for the Apprenticeship Grant for Employers (AGE). The AGE funding must be used alongside mainstream apprenticeship participation funding to incentivise employers to offer apprenticeships. The Combined Authority will be free to vary the criteria

associated with the grant (e.g. size and sector of business). The Combined Authority and Government will collaborate to make the most of the apprenticeship reforms, including the introduction of the levy, and will work together on promoting the benefits of apprenticeships to employers in order to engage more small businesses in the programme. The Combined Authority is exploring the potential of introducing an Apprenticeship Training Agency to the area, funded through local resources.

### *Higher Education*

Cambridgeshire and Peterborough has a world-class higher education offering, with the University of Cambridge, among foremost universities in the world, supplemented by the strengths of others, such as Anglia Ruskin University. This higher education offer has a vital role in enhancing the innovation and productivity of the area's economy. Local partners want to work with Government to build on this, investing in existing institutions to develop their academic and research offer and progressing plans for University Centre Peterborough to attain Taught Degree Awarding Powers by 2019 and, in the longer-term, to establish an independent university institution in the city. The Single Pot funds sought through the Devolution Deal could act as an important source of investment for this project.

### *Employment*

The Combined Authorities are working together through a single Employment and Skills Board (ESB) covering both of the Combined Authorities. They propose to work with the Department for Work and Pensions (DWP) to establish a locally integrated employment service that joins together the elements of the employment system to achieve better outcomes. The ESB is committed to:

- Ensuring all young people are either earning or learning, and exploring opportunities for links with local employment services to support this aim.
- Supporting the Youth Obligation by utilising its strong local links to business to create work-related training and labour market opportunities for young people including encouraging the provision of apprenticeships and work placements in the local community.
- Investigating the potential for social investment, in particular Social Impact Bonds, for disadvantaged young people not in education, employment or training who may not be in receipt of support from Jobcentre Plus.
- Working with DWP to co-design the new National Work and Health Programme designed to focus on those with a health condition or disability and the very long term unemployed.

### *Business Support*

The LEP and local partners offer includes the successful delivery of the (Cambridge Compass and Alconbury Weald) Enterprise Zones, announced in wave one and two of the national competition. The LEP will continue to deliver a Growth Hub (Signpost 2 Grow), providing an effective signposting and targeted business



support tailored to meet local needs across Cambridgeshire and Peterborough (and the wider LEP area).

Importantly the Combined Authority, Local Authorities and LEP are committed to greater alignment of economic development resources to maximise impact of support for businesses and ensure the most efficient and effective use of public funding. The LEP will lead on the delivery of the Strategic Economic Plans, working with partners and explore the pooling of staffing and resources. The LEP and the Combined Authority commit to working with UKTI, strengthen joint working to increase inward investment and exporting. Local partners will invest in a concerted campaign to help more businesses, particularly smaller companies, export.

### **Lessons for HotSW**

There are three major messages that come out of a study.

1. Much of the competitive advantage that they have as a LEP is due to decisions taken some time ago – early investment into Science Parks and infrastructure investment (M11) etc. These cannot be rapidly 'copied' by HotSW, but point to the potential of and need for long-term strategic investment. Similarly, the proximity to major markets like London, the Midlands, airport connectivity and port connectivity is not something HotSW can easily emulate.
2. Current HotSW LEP priorities around smart specialisations, connectivity, transport and infrastructure, Growth Deals, access to capital etc. are similar to those found in Greater Cambridge and Greater Peterborough, and in many other LEP plans. There is nothing to indicate that HotSW may be 'missing a trick', though there may be some advantage in HotSW seeking ways to differentiate itself, in order to stand out from the crowd.
3. The most significant difference is the progress Greater Cambridge and Greater Peterborough have made in terms of establishing a combined authority and gaining a Devolution Deal. There appears to be the possibility that the competitive advantage already gained from early investment in science parks, infrastructure and knowledge transfer will be compounded by early access to the Devolution Deal funding needed to make major investments to support local growth and productivity.

It is also notable that as a LEP it is a smaller and less complex entity than HotSW and the speed of their progress towards a combined authority status reflects this. This is also true for other sub-regions, where progress has been swift and access to government funds more amenable, such as the Greater Manchester LEP, where shared local authority working was already well-established.

## CASE STUDY 2 - Denmark (with lessons for regions)

The Danish economy is facing a major growth challenge. In recent years Denmark has lost ground relative to the wealthiest OECD countries. Since 1970, Denmark has repeatedly been among the five wealthiest countries in OECD - most recently in 1998. But since then, a group of countries has pulled away from Denmark. One reason for this is that countries like the U.S., Sweden, Holland and Germany have had a stronger productivity growth compared to Denmark since the mid-1990s. There is a perceived risk that Denmark will trail further behind other wealthy countries if the weak productivity trend continues. This will make it difficult for them to maintain a high level of private and public welfare relative to other countries, which is seen as a priority within government<sup>3</sup>.

Centrally the government has sought to lay the foundations for strong productivity growth throughout society; in exporting companies, in domestic business and in the public sector. In Denmark about a third of the workforce is employed in the public sector, but there is currently only a limited knowledge about productivity within this particular sector. This lack of knowledge is perceived to be a significant barrier to ensuring the efficiency and quality of production in the public sector. The government set up a productivity commission with independent experts and specialists to analyse the Danish productivity trends and come up with specific recommendations to enhance productivity in both Denmark's private and public sectors in the coming years. The commission was responsible for:

- Identifying the reasons for the relatively weak productivity growth since the mid- 1990s.
- Identifying the main drivers and barriers for productivity growth, including firms' use of knowledge and skills, as well as the allocation of these resources in the economy.
- Clarifying the link between business productivity, costs and competitiveness.
- Making concrete recommendations to strengthen productivity in the private sector, including in the manufacturing, construction and service sectors.
- Providing new knowledge about productivity in the public sector and making specific recommendations on how to strengthen it, at municipal, regional and state level.

A number of findings strike a chord with the work in the UK on productivity, notably:

- A lack of international competitiveness in parts of the economy, especially in a number of service industries, and those targeting the domestic market.
- Problems with the quality of education, and there is not enough focus on ensuring that graduates have the skills needed in the labour market.

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<sup>3</sup> The Danish Productivity Commission

<http://produktivitetskommissionen.dk/media/133600/Kommissoriet%20p%C3%A5%20engelsk.pdf>

- A number of conditions within the public sector, which hamper the possibilities of solving tasks effectively and efficiently.

The Productivity Commission therefore recommended action in three areas:

- Strengthen competition, dynamism and internationalisation.
- Improve the quality of education and the value of labour.
- Create good conditions for new solutions and efficiency in public services.

Lack of intervention was identified as not being an option, in that an economy with high growth does not simply develop by itself. High growth presupposes that the actors in both the private and the public sector can and will exploit the opportunities that constantly occur, at home and abroad, in the form of:

- New technology
- Knowledge
- Demographics
- Market conditions

This, of course, all implies a willingness to change. The productivity commission recognised that attempts to maintain the status quo would result in continuing decline in productivity relative to the outside world. There was also recognition that to raise Danish productivity to level of the most productive countries would require a sustained effort over a broad front. What was needed was to enable substantial transformation in to a number of different locations in both the private and public sectors. The Danes have set a realistic limit to how much improved interventions can increase average productivity growth in Denmark of the coming decade, and this is probably about half a percentage point per year. However, delivering a boost in productivity growth of  $\frac{1}{2}$  a percentage point would give each Dane significantly more opportunities in life as well as requiring sweeping reforms.

### **Main Recommendations**

Most proposals were aimed at politicians in the National Parliament with others targeted at municipal councils or regional councils, and some at managers and employees in the country's public institutions. Below we summarise the recommendations, highlighting those appropriate for policy and implementation below national level:

#### *Competition, Dynamics and Internationalisation*

- Enhance the mobility of goods, services, investment, knowledge and labour
- Strengthen competition law, bringing it in line with EU best practice
- Limit the use of non-competitive tendering through stricter legislation
- Prioritize public spending with an eye for how it will impact on productivity
- Use tax policy to strengthen productivity
- Invest only in infrastructure, when it is economically viable
- Use payment to reduce traffic congestion

- Ensure that energy and climate policy promotes cost efficiency in energy production and distribution
- National product standards as far as possible should be replaced by international standards

#### *Labour Market*

- Give higher education institutions much stronger incentives to deliver programs with 'higher study intensity' and subsequently higher employment and wages
- Make higher education institutions better able to offer shorter and more practically oriented programs that reflect labour market needs
- Give the students significantly stronger financial incentives to choose education with good employment prospects and earnings
- Give the students easy access to comparable figures for education quality and relevance to the labour market
- Continue to strengthen the professional level in primary schools, especially in Danish and mathematics, by strengthening teacher training and create transparency for schools results in terms of, inter alia, exam results and students' further education

#### *Public sector*

- Work systematically to reducing bureaucracy and simplify rules
- Engage broad and flexible public sector collective agreements
- Set and steer results for citizens
- Public authorities to be incentivised to focus on economic efficiency rather than optimization of own resources.
- Rules for billing and reimbursement between public authorities should be more designed to support the good results of the citizen.
- Increase the focus on clear leadership, motivation and job satisfaction
- Create better correlation between employee skills, performance and pay
- Create competition for all public tasks that lend themselves to it
- Create incentives to bid on public projects
- Involve private companies, employees and users to develop and innovate public programmes
- Furnish the economic governance in order to promote long-term planning and effective utilization of expenditure framework
- Modify arrangements between authorities so that they support cooperation and encourage efficient division of labour
- Investment in new IT systems more closely integrated with existing systems and supporting interdisciplinary cooperation
- Exploit opportunities to share data between public entities, so existing laws and regulations do not block for interdisciplinary collaboration in the public sector

### *Infrastructure*

1. Prepare economic analyses on all infrastructure projects ensuring that the cost of performing the analyses are proportionate to project size
2. Ensure there is continued development of the methodology for socio-economic project assessment. This includes the continuing work to generate better estimates of cost / benefits of congestion and inclusion and their dynamic / knock-on effects.
3. Backflow from unused reserves does not automatically go to new infrastructure projects. In cases where they do, it must be based on analysis of socio-economic priorities.
4. Investment priority should be return to society - this means prioritizing of Investment in congested areas and corridors with high traffic.
5. Investments which increase coherence within and between areas of high concentration of economic activity.
6. Investment in intelligent traffic systems (ITS), driving in the emergency lane, ramp metering, etc.
7. Investment in the expansion of railways and roads with low capital costs.
8. Policymakers should identify returns to society within plans for infrastructure with alternatives that have higher economic and productive benefits, even if more costly.
9. Try to ensure the economic consequences of omitting elements of a larger project, as far as possible, are illustrated.
10. Establish a government fund that co-finances municipalities working with congestion mitigation measures, such as: optimization of signalling at traffic lights.
11. Establish a coherent strategy for prioritizing public investment in international transport, including terminals and associated hinterland infrastructure.
12. Trial km-based road pricing.
13. Tolls during peak hours to run over major bridges and tunnels during periods of congestion.
14. Flexible toll prices to reflect and relieve levels of congestion.
15. Encourage the prices of public transport to be differentiated to a greater extent relative to demand.

### *Innovation investments*

- Efforts to measure the impact of innovation programs should be prioritized.
- Enhance expenditure for especially popular arrangements if the measurements show they have a great productivity-enhancing effect.
- Continue to focus innovation investments on fewer, bigger schemes, to avoid unnecessary overlap between competing schemes in the State and regional and municipalities
- Better symmetry in the tax system and thus better conditions for investment in innovation

- Growth Fund's ability to offer preferential rates for small businesses to be continued if the situation on the capital markets suggests barriers for smaller companies with growth potential to obtain financing are still there

## Lessons for HotSW

Though the review is at a national level, there is much that is worthy of note and possible action. Initially there is the bullish recognition that not intervening is not an option. The same is certainly true at the UK and HotSW level. As in Denmark, a lack of intervention is likely to result in continued poor productivity growth.

There is a clearly articulated need to drive innovation within the Public Sector – which covers a third of all jobs in Denmark and interacts with all other sectors. A number of recommendations are worth serious consideration:

1. Prioritize public spending with an eye for how it will impact on productivity
2. Invest only in infrastructure, when it is economically viable
3. Working to systematically reduce bureaucracy and simplify rules is always supported by industry
4. Create competition for all public tasks that lend themselves to it
5. Create incentives to bid on public projects
6. Involve private companies, employees and users to develop and innovate public programmes
7. Promote long-term planning and effective utilization of expenditure

There are also initiatives around public sector collective agreements, clear leadership, motivation and job satisfaction, investing in new IT systems and supporting interdisciplinary cooperation, which could be a focus for initiatives.

There are a number of recommendations concerning Higher Education. Much of this would need central government intervention but some could be achieved through closer partnership working and engagement at local level:

1. Higher education institutions to have stronger incentives to deliver programs resulting in higher employment and wages
2. Higher education institutions better able to offer shorter and more practically oriented programs that reflect labour market needs
3. Furnishing HotSW young people with comparable figures for education quality and relevance to the labour market

Infrastructure receives particular attention and there are lessons here too:

1. Prepare economic analyses on all infrastructure projects taking into account that the cost of performing the analyses are proportionate to project size
2. Ensure there is continued development of the methodology for socio-economic project assessment.

3. Stop the system where backflow from unused reserves automatically goes to new infrastructure projects. Where it is allocated should be based on socio-economic priorities.
4. Create an investment priority for returns to society - this means prioritizing, for example investment in congested areas and corridors with high traffic.
5. Target investments which increase coherence within and between areas of high concentration of economic activities.
6. Explore investment in intelligent traffic systems (ITS)
7. Investment in the expansion of railways and roads with low capital costs.
8. Policymakers should identify returns to society within plans for infrastructure and compare these to where the money could alternatively be spent.
9. Try to ensure the economic consequences of omitting elements of a larger project, as far as possible, are illustrated.
10. Establish a coherent strategy for prioritizing public investment in international relations, including terminals and associated hinterland infrastructure.

The Danes prioritise investments in innovation and to achieve this they argue that efforts to measure the impact of innovation programs need to be better developed. There is a good argument to enhance expenditure for 'especially popular arrangements' if the measurements show they are effective in enhancing productivity. Finally, continue to focus innovation investments on fewer, bigger schemes, in order to avoid unnecessary overlap between competing schemes.

The World Bank's Doing Business<sup>4</sup> survey collects a huge range of indicators on how easy it is to conduct business in different countries. It now ranks Denmark 3rd in the world. This is the top ranking in Europe but only 4 places above the UK internationally. Clearly there may be limited scope to make it easier to do business, but realistically the UK is already ahead of almost all countries, including the USA, on this ranking. The scope that exists for gains from interventions highlighted in the Doing Business Survey may only be significant in the one or two measures where the UK underperforms, such as trading across borders, registering property and enforcing contracts and these are mainly national-level intervention areas.

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<sup>4</sup> <http://www.doingbusiness.org/rankings>

### **CASE STUDY 3 - Productivity Commission of Skåne, Sweden**

Skåne, sometimes referred to as "Scania County" in English, is the southernmost county of Sweden and part of the South Sweden Region. The major urban area is the City of Malmö. The population of 1,250,000 accounts for 13% of Sweden's total population. The region is characterised by high-profile universities and institutes, a high level of business R&D expenditure and a large number of patent applications. The region has a diversified business environment, with several well established clusters. Key strengths are found in life sciences, ICT and food. Skåne County is also the leading agriculture region of Sweden.

The ambition for Skåne is to be Europe's most innovative region by 2020. In 2012, the Organisation for Economic Co-operation and Development (OECD) surveyed Skåne's strengths and weaknesses, concluding that Skåne is one of the most prominent regions in the world when it comes to innovation and technology. Medicon Valley (life sciences) is growing with front edge research, businesses, education and health care. Skåne will also benefit from very large investments in life sciences and medicine over the coming twenty years.

Skåne exhibits weak growth in gross regional product (GRP) per inhabitant and generally low levels in relation to the other conurbations and the country as a whole. Skåne also has low growth per employee and has relatively low exports compared to other regions. Skåne's GRP could be increased by 13 percent, if Skåne reached the national employment and productivity averages.

Several important industries in Skåne, such as construction and plant, retail, hotel and restaurants and transport, still exhibit particularly low productivity levels and parallel to this, these industries employ many less well qualified/educated people. Skåne's traditional strength areas – foodstuffs, pharmaceuticals and IT/telecom – have not grown as swiftly as envisaged. Average taxable capacity in Skåne is 92.7 percent – in fifteenth place among Sweden's 21 regions/county councils. The economic differences between Skåne's various municipalities is large.

In theory, the conditions for innovation in Skåne are good. There are several strong universities and a diversified business environment, with several established clusters. Key strengths are found in life sciences, ICT and food, with a strong agriculture and food processing sector. In Skåne, cluster initiatives are found in sectors such as cleantech, moving media and risk & security management.

Sweden is one of the countries with the highest levels of research investment, as a proportion of GDP. The majority of the investments in research and development (R&D) are made by industry. Average annual business expenditure on R&D in the region over the period 2003-2013 was 4.2%, well above both national and EU-28 average (3.3% and 1.9% respectively).



The total number of patent filings has decreased over the period 2007-2012, including the number of high-tech patent applications. The number of large research-intensive companies is limited, making the region vulnerable to external decisions. Lately, Sony Ericson has started to downsize its research activities, and AstraZeneca has closed down its division in Skåne. In parallel, however, the establishment of two large research centres (MAX IV (X-Ray laboratories) and European Spallation Source (ESS – a state of the art super-microscope)) are expected to strengthen regional research activities in the future.

The innovation support structure consists of a variety of organisations and measures to support the development of innovations and business ideas from the conceptual stage through to market launch. Many of the organisations work closely with higher education, focusing on high tech areas.<sup>5</sup>

### **Policy trends profile**

To promote innovation, the South Sweden region has focused on strengthening clusters in areas of existing strength. However, to find solutions to new challenges, such as the global climate threat, the financial crisis and the increased elderly population, it has become evident that different industries and areas of expertise have to join forces and develop the products of the future together.

One of the key strategies of Skåne is to develop a vision-driven leadership. Since 2008 an extensive analysis and dialogue process has taken place to develop the International Innovation Strategy of Skåne. In 2010, a Research and Innovation Committee (FIRS) and in 2011 a Sounding Board Innovation in Skåne (SIS) were established to support the process. The strategy, which was launched in 2011, has a broad approach to innovation, which covers innovations in service sectors, public sector innovation and relations outside of the region. The region is a member of the EU platform for Smart Specialisation Strategies, which has a focus on open innovation platforms and a pilot project on innovation procurement.

### **Activities linked with Advanced Manufacturing**

Skåne's smart specialisation strategy, the *International Innovation Strategy for Skåne* identifies three areas of relative strength:

- Personal Health
- Smart and Sustainable Cities
- Smart Materials.

The existence of strong clusters within life sciences, cleantech, ICT, packaging, food and mobile communication is a starting point for development in advanced manufacturing. These are areas managed by the seven cluster organisations located in the region: Medicon Valley, Sustainable Business Hub, Media Evolution,

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<sup>5</sup> Regional Innovation Monitor Plus, European Commission, downloaded December 2016

Packbridge, Skåne Food Innovation Network, Mobile Heights, and Resilient Regions. Cross-border and cross-sectoral collaboration is an important part of the strategy of creating open innovation arenas. Access to Danish markets is easy via the Oresund Bridge to Copenhagen.

Strong regional research communities, the planning and building of a world-class European research infrastructure in the region in the form of ESS and MAX IV, as well as future major societal challenges have been decisive for the choice of specialisation of Skåne. Cross-border cooperation is a top political priority. The Oresund collaboration (with Copenhagen) is strong and manifest in the life sciences hub of Medicon Valley, but cross-border collaboration is also being strengthened in other areas, such as cleantech. Political partnership with Denmark and northern Germany promotes discussions on joint science and development agendas. Moreover, Skåne is working closely with Swedish national authorities to implement the innovation agenda of the Baltic Sea Region Strategy. This has resulted in new co-operations with Finnish regions Tampere (Smart Cities) and Oulu (eHealth).

The Skåne and Tampere (in the South West of Finland) regions are both part of the Vanguard Initiative collaborating on the innovation area "smart and sustainable cities". The collaboration initiative is based on the corresponding focus of the regions' respective smart specialisation strategies. The starting point is the joint commitment to promote new and emerging sectors of industry and industry-supporting services through open innovation. The aim is to co-operate and co-ordinate present and future innovation activities and to align regional, national and European funding for joint work. The regions have been active partners in developing the strategic innovation agenda of the Baltic Sea Region Strategy and will work jointly with national authorities to ensure that efforts are aligned.

According to the Regional Innovation Scoreboard 2014<sup>6</sup>, Southern Sweden is a regional innovation leader with an innovation performance above EU average. The region has experienced positive growth in innovation performance in recent years. The main weaknesses of South Sweden Region relate to lower shares of: SMEs introducing marketing or organisational innovations; and knowledge intensive activities. Relative strengths involve comparatively high levels of expenditures in both public and business sector R&D, as well as sales of new to market and new to firm innovations.

### **An International Innovation Strategy for Skåne - 2012-2020**

The innovation strategy is the result of a process, initiated in collaboration with national agencies in 2008. It was a pilot study, encouraged by the national bill on research, recommending regional actors to develop innovation strategies. Intensive analysis and dialogues in collaboration with different sectors resulted in

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<sup>6</sup> [http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards\\_en](http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en)

the development of an international innovation strategy, with a vision for the region to become the most innovative region of Europe in 2020<sup>7</sup>. The strategy has a broad perspective, consisting of six sub-strategies;

1. Develop systemic leadership/governance
2. Broaden the definition of innovation
3. Improve efficiency in the innovation support system
4. Develop new innovative sectors and environments
5. Increase international collaboration
6. Strengthen the innovative capacity in business and public sector

## **Regional Development**

Skåne has a permanent commission to coordinate regional development and lead on creating a Regional Development Strategy. Region Skåne's role is to coordinate regional development strategy work and act as an inspirer and unifying force for regional developments, but also to participate in some of the implementation measures. In June 2014, the Regional Council accepted "The Open Skåne 2030" as the Regional Development Strategy for Skåne County. The strategy has been developed in collaboration with municipalities, authorities, universities, business organisations, the ideas-based sector, inhabitants and other parties working with development issues.

The Development Strategy includes five prioritised 'standpoints':

- Skåne shall offer belief in the future and quality of life
- Skåne shall become a strong motor for sustainable growth
- Skåne shall make use of its geographically multi-centric structure
- Skåne shall develop the welfare services of tomorrow
- Skåne shall be globally attractive

Its Regional Development strategy has a number of aims of which the most pertinent to HotSW are explored here.

### **Skåne shall be a strong, sustainable growth engine**

Social, entrepreneurial and cultural knowledge capital comprises a strong platform for sustainable growth and development. Skåne has a young and growing population. Targets include:

- More people in employment
- Everyone must have the opportunity to improve their competence and enter the labour market
- Better match the right competence based on the labour market's demand for employees, to secure long-term recruitment needs
- Become a strong education region
- More people need to start and run companies
- The ability to attract investments and strengthen capitalisation and financing alternatives

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<sup>7</sup><http://www.skane.se/Upload/Webbplatser/Naringsliv/Dokument/IIFS%20Strategi%20Version%20Slutligt%20dokument%20Original%20Version%202012-2020.pdf>

- Skåne needs to become stronger as a research and development region

Smart specialisation is an important starting point. The region seeks to lift its existing companies in key smart specialisation sectors and stimulate their innovation ability, exports and development opportunities. They also work to lift the three prioritised strength areas smart materials, smart sustainable towns and personal health.

### **Increase Skåne's innovation ability**

Large demographic changes and growing global competition mean that extensive knowledge and strong innovation are decisive factors for international success. Development must be based on a clear strategic approach to innovation, wherein research and innovation environments generally comprise important fundamental elements. They are seeking to strengthen the conditions for creativity and innovation in, for example, cultural and creative enterprise, but also in traditional trade and industry such as the manufacturing and food industries. The prioritisation of the three strategic innovation areas; smart materials, personal health and smart sustainable towns ought to generate a pooling of resources.

### **Improve matching in the labour market**

Employers increasingly seek employees with up-to-date skills and leading-edge expertise. Skåne faces major challenges in terms of securing recruitment needs in the long term. Better matching between the labour market's supply of and demand for employees with the right education and skills will increase employment. Skåne needs to make it easier for new and young inhabitants to enter the labour market. There is a need to review the needs of employers, validate skills and leverage the diversity of the workforce.

### **Build a strong education region**

Skåne is seeking to strengthen cooperation between the different education actors, between different education levels, between neighbouring regions and with trade and industry. Skåne needs to be enhanced as an attractive place to study and as a research region. This places demands on housing, infrastructure and work opportunities. The quality and reputation of universities, colleges and vocational courses must continue to be improved, both nationally and internationally. The region needs to invest in developing more leading-edge expertise in our strength areas cleantech, IT/telecom, foodstuffs, the packaging industry, logistics, the engineering industry, pharmaceuticals and pharmaceutical technology. There is also an emphasis on securing long-term recruitment needs via lifelong learning and by broadening Skåne's education options as regards focus and format.

### **Act for more investments and financing opportunities in the region**

Access to venture capital and different types of loans are decisive for Skåne's trade and industry and the establishment of businesses in the future. The financial

system must match all phases of a company's development, from idea to an established business in an international market. One important parameter for succeeding with this is the availability of financial instruments for the entire chain. Skåne therefore wants to join forces to refine the different forms of financing in the early phases – preseed/seed/start-up phase – as well as in the later growth phase. Priorities include more research grants and to attract venture capital and investments to the region. Increased infrastructure investments play a decisive role in Skåne's development, and as such there is an emphasis on coming together on certain priorities and continuing to lobby the state.

### **Leverage the effects of existing major innovations on society**

The work in the project "Regional mobilisation around ESS and MAX IV" is a valuable platform for the development of Skåne as a growth engine. Skåne must maximise the spin-off effects that the facilities can generate for all of Sweden, the Öresund Region and Europe. It seeks to use ESS and MAX IV as leverage in areas such as business development, planning and urban development and housing construction.

### **Enhance the opportunities for starting and running a business**

Developing and strengthening existing trade and industry is fundamental to all growth work in Skåne, not least in the important manufacturing industry and in the Scanian industries associated with farmland and food production, which are unique in many respects. Parallel to this, renewal is important, in the shape of new companies starting and establishing business in the region. Skåne needs to stimulate entrepreneurship to a greater extent and remove the obstacles that companies perceive. The opportunity for small family businesses to be taken over by the next generation ought to be secured, as should enterprise in rural areas.

### **Polycentric Skåne**

A polycentric urban structure is one of Skåne's strengths. The variety of villages, localities, cities, forests, fields, parks, beaches and shorelines with close proximity and high accessibility is unique to Skåne and makes it attractive. Skåne has several clear regional hubs and growth engines that provide a multitude of living environments in which people can meet, live and work together without travelling long distances.

### **Enhance accessibility and bind Skåne together**

Skåne's growth is dependent on residents being able to travel to and from work, studies or cultural and leisure activities in a climate-neutral and energy-efficient manner. This places demands on expanded infrastructure and public transport, both rail and road. Skåne is seeking better co-ordination to enhance regional accessibility, reduce travelling time between different parts of Skåne and become one common labour market. It is of central importance that the regional hubs and growth engines are well connected via one or more links. This entails acting to

increase investments in more rail links, new stations and refined public transport concepts.

### **Invest in Skåne's growth engines and regional hubs**

In order for Skåne to be able to develop the polycentric urban structure, it is important that all localities can and are able to develop based on their specific characteristics and geographic context. Growth engines, regional hubs, urban areas and village communities shall develop their unique nature in terms of good service, infrastructure and effective public transport. Growth engines and regional hubs play a central role in driving development and generating synergy effects throughout Skåne.

### **The Productivity Commission**

The Productivity Commission of Skåne<sup>8</sup> was established after policymakers explored the Danish good practice example described in Case Study 2. The Productivity Commission's work aims to investigate developments in Scania and to come up with policy recommendations to enhance productivity in the region. The Commission's work is aimed at:

- *Identify and analyze* productivity in the region
- *Formulate concrete proposals* on how productivity can be enhanced
- *Contribute to increased contacts in the region* surrounding the growth issues
- *Build a national network* for increased understanding of Skåne and its main challenges

The Commission's work is ongoing and could be a valuable link for HotSW, focused on mutual learning and the exchange of best practices. The fact that it is business led is an interesting parallel with the LEP.

### **Lessons for HotSW**

There are a number of parallels with HotSW, not only in the sectors which include both life sciences and agriculture/food but in the recognition that as a region Skåne has a number of distinct and different centres and an ageing population. Skåne is establishing a Productivity Commission following the Danish model and it could be that links with this development, which like the LEP will be business-led, may add value to both parties.

Some lessons learned through the analysis of economic development priorities parallel the findings of the Danish Case Study – notably around the critical importance of growing clusters when looking at boosting innovation and smart specialisation. Understanding what your region does well is pivotal. There is also recognition that innovation and productivity needs to be grown in sectors outside

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<sup>8</sup> <http://produktivitetskommissionen.se/>

of the smart specialisation priorities. The inclusion of an emphasis on services and public sector productivity is of note.

A further interesting finding (and one that, again, parallels the Danish work) surrounds the importance of internationalisation and the development an International Innovation approach. If HotSW is looking to significantly grow productivity then a focus on the areas of real international significance makes sense. The recent HotSW Science and Innovation Audit provides a starting point for this. The next stage would be to look at other regions with similar strengths and to form new alliances. In Skåne this has led to links with Baltic States and Finnish regions like Tampere (for Smart Cities) and Oulu (for eHealth). It may be worth HotSW looking to develop an International Innovation Strategy.

Cross-border cooperation is prioritised. Although internationalisation may be less of a driver for HotSW, we are extremely close to the major markets in the South East, Wales and Midlands/North of the UK. Boosting cooperation with other UK regions, including joint lobbying for better transport / infrastructure and R&D investment in areas of common interest is important, even where some of these facilities may be outside our immediate borders.

As one would expect from Scandinavia the strategies, though looking to boost clusters and specific international strengths, never lose sight of inclusivity and stress the need to accommodate all areas and sub-regions and to ensure that all people have the opportunity to benefit – whether through better transportation or enhanced lifelong learning, the aim is that 'Skåne shall offer optimism and quality of life'. The UK priority of better matching education supply to labour market need is present here also.

The ability to attract investments, strengthen capitalisation and provide financing alternatives is a priority. Skåne recognises that financing system must match all phases of company development, from idea to an established business in an international market.

With demographic problems associated with an ageing population, the opportunity for small family businesses to be taken over by the next generation is recognised as is the need to grow enterprise in rural areas.

Another priority, which will strike a chord with those in the HotSW LEP area, is the need for coordinated lobbying to increase investments in rail links, new stations and refined public transport concepts.

#### **CASE STUDY 4 - Groningen, Netherlands**

Groningen, located in the Northern Netherlands, is one of 12 Dutch provinces, and relatively sparsely populated. Groningen has a relatively low research and

development (R&D) intensity compared to other Dutch provinces and public expenditure dominates Groningen's R&D efforts. Provincial strengths are energy and life sciences. Natural gas extraction in Groningen and the resulting earthquakes are an issue. The annual growth rate of regional GDP was -0.1% between 2011-2013, which is better than the Dutch average for the same period (-0.2%). The GDP per inhabitant (GDP/inh) of the region is €51.4k in 2015, which is well above the Dutch average (€35.9k) and the EU28 average, but below leading regions in Europe.

Major sectors in Groningen in terms of production are: industry; business services; mineral extraction; and, information and communication. Sectors with highest levels of employment are (1) health care (2) trade (3) business services (4) industry and (5) education.

The main role of Dutch provinces is the organisation of spatial development (in economic domain this generally means industrial estates). Provinces have no formal role in industrial, research, or higher education policy. However, they are a player in 'the Dutch consensus-oriented consultative culture' and provinces see their limited role as instrumental for broader regional goals. In terms of innovation, the majority of the Province of Groningen's activities are conducted in cooperation with the Provinces of Friesland and Drenthe in 'The Northern Netherlands Provinces'. In addition, Groningen has its own independent 'Innovative Action Programme Groningen' (IAG) which includes the following key themes:

- Life sciences
- Bio-based economy
- Creative industry
- Cross-sectoral innovation

### **Research and Innovation**

In 2014-15, the only academic university in the province, the University of Groningen (RuG), counted 28,361 students (of which 3,685 were international). In 'The Times Higher Education Supplement World University Ranking 2016' the University was ranked 74<sup>th</sup> among world universities. In QS World University Rankings, RuG was ranked 100<sup>th</sup> worldwide.

Groningen also has a University of Applied Sciences, Hanze University Groningen (Hanze UAS) (no ranking available). In 2014, it counted 26,566 students.

Research institutes contribute significantly to the region's strength in public research. These institutes tend to have strong relationships with the University of Groningen and University of Applied Sciences. The knowledge base in energy and life sciences is manifested in the Energy Delta Research Centre, the Energy Centre of Applied Research and Innovation, various institutes at University Medical Centre Groningen (UMCG), the Centre of Applied Research and Innovation (Care



Rehabilitation, Education & Sport), and the Institute for life sciences and Technology. Another important public research institute is TNO-ICT, which has co-locations in Groningen, Enschede (province of Overijssel), and Delft (province of Zuid-Holland).

One of the leading public-private partnerships in Groningen is Energy Valley, which functions as a foundation with over 200 members (research institutes, companies, and government). Its ambition is to make the region an internationally renowned energy hub. It does this by working together in research and innovation, among other areas. Energy Academy Europe is another collaborative initiative, which brings Groningen University and the Hanze University of Applied Sciences together with the Energy Delta Institute and the Energy College. The Energy Academy focuses on research and education in the field of energy. The Energy Academy has the ambition to become an international centre of excellence in energy education, research and innovation.

### **Innovation Policy**

In The Netherlands, innovation policy is primarily the responsibility of the national government. Regional governments have a formal role with respect to regional economic policy and are also involved in (regional) innovation. Since 2012, most national innovation funding is organised in a thematic 'Top Sectors' policy. This policy is inextricably linked to regions, as spatial distribution of companies is often based on proximity to other companies (e.g. in the supply chain) and certain regional expertise or specialisation. This means that regional economic and industrial policy is added to the existing responsibilities of the provinces. Provinces receive funding from national authorities (and EC funds) but generate no direct tax-income. The main role of provinces is organisation of spatial development; they have no formal role in industrial, research, or higher education policy. They are a player in the Dutch consensus oriented culture and see their limited role as instrumental for broader regional goals.

Since 1992 the provinces Groningen, Friesland and Drenthe have combined their resources in Northern Netherlands Provinces (SNN) to strengthen the regional economy by pursuing joint policies and negotiation with national and European government on common Northern interests. Furthermore, the region Groningen-Assen is collaboration between the provinces Drenthe, Groningen and several municipalities to stimulate the regional economy. The region has three pillars: developing the economic area; improving internal cohesion; and, accessibility and improving the quality of the city and surrounding area.

### **Innovation Action Programme Groningen**

The 'Innovation Action Programme Groningen' (IAG4) is the province's main strategy and programme, and has the aim to contribute to the province's innovative strength by supporting innovative projects by regional SMEs. Its focus areas are life sciences (healthy ageing), bio-based economy, energy and trans-

sector innovation. The city of Groningen also invests in innovation via a strategic alliance with employers and education establishments.

The IAG4 is part of a larger programme, the Northern Netherlands Operational Programme, written within the framework of the European structural funds that has €122m available until 2020 for innovations in SMEs and the low-carbon economy. €103.5m is contributed by Europe and €18.5m is contributed by the national government of the Netherlands. The subject of the programme is adjusted to the different northern stakeholders. The Northern Innovation Agenda 2014 – 2020 continues with the focus on the economic pillars that have been put into place in previous years, new technological developments and strengthening SMEs. The aim is to develop the North of the Netherlands as a resilient region that is known for its innovation.

### **Smart Specialisation**

The Regional Innovation Strategy for Smart Specialisation<sup>9</sup> (RIS3) is used to stimulate research for the development of innovations and stimulating entrepreneurship. The goal is more economic growth in the North of the Netherlands and contributing to societal challenges. The RIS3 serves as the main policy document, guiding future research and innovation agendas and the Operational Programme for ERDF for 2014-2020. RIS3 is a strategy for conducting research, realizing innovation, and stimulating enterprise, in order to generate jobs and to address social challenges. The strategy aims to address four social challenges that are relevant to the Northern Netherlands and Europe:

- Health, Demography and Welfare;
- Food Security, Sustainable Agriculture and Bio-economy;
- Reliable, Clean and Efficient Energy;
- Clean, Safe Water.

The strategy builds upon strengths that have been developed in the past years in the Northern Netherlands. It seeks to stimulate 'cross-over' that transcend the boundaries of the strongest sectors in the Northern Netherlands: Agrifood, Energy, Healthy ageing, Smart (sensor-) systems and materials, and Water technology. New innovative combinations of solutions to the social challenges will be developed and brought to market, using the large number of SMEs in the Northern Netherlands as a test site.

### **Economic Board of Groningen**

The economic board Groningen aims to stimulate entrepreneurship in the earthquake-region in Groningen. €97.5m is available during a period of 5 years by the Dutch Petroleum Company (NAM) and the province of Groningen<sup>10</sup>. The € 97.5 million exists to give the economy a boost in the earthquake area

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<sup>9</sup> <http://www.snn.eu/ris3/>

<sup>10</sup> <http://www.economicboardgroningen.nl>

(earthquakes occur as a result of gas production). To spend this amount in a proper and responsible manner the Economic Board of Groningen (EMG) was founded. EBG does not itself provide growth, but helps to realize plans others the opportunity to strengthen the economy in the region. Until 2018, they will invest more in:

- Quality of human capital
- Quality of entrepreneurship
- Good investment climate
- Improving the digital reachability
- Strengthening strong sectors, clusters and company networks.

This is divided over five programmes:

- Making more from the same
- Broadband and 5G
- Promising sectors
- Education and employment
- Establishment climate and area marketing

### **5Groningen**

5Groningen is a programme of the Economic board of Groningen attempting to make North Groningen a testing ground for the latest generation of mobile internet. Entrepreneurs work with experts to 5G available to anyone who wants to “push the boundaries of innovation”. The program is an initiative of the Economic Board of Groningen. 5Groningen is a unique experiment. Testing with 5G was until recently only done in urban areas. With 5Groningen this has changed. The test facility, a so-called Fieldlab in a rural area, is a European first<sup>11</sup>. There are five themes within 5Groningen:

- Agriculture
- Care
- Energy
- Transport & logistics
- Habitat

The 5Groningen program is an initiative of the Economic Board of Groningen (EMEA). Other partners include Agency Telecom, Ericsson, Hanze University, Huawei, KPN, SURF, Vodafone and the University of Groningen. 5Groningen has its own website: [www.5groningen.nl](http://www.5groningen.nl).

### **City of Talent**

A strategic alliance between the Municipality of Groningen, the University of Groningen, Hanze University of Applied Sciences Groningen, and the University Medical Centre Groningen. The aim of their alliance is to further develop Groningen's position into being an internationally recognised knowledge and innovation hub. Their goals are to make a significant contribution to solving

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<sup>11</sup> <http://www.economicboardgroningen.nl/programmas/5groningen>

societal problems, increase the number of high-level jobs, and to become an internationally recognised and competitive region<sup>12</sup>.

The aim of the agreement is to develop the position of Groningen as the knowledge and innovation city in North Netherlands. The agreement focuses two pillars - Energy and Healthy Aging - topics in which they have built up a relatively strong knowledge position. These clusters are also seen as promising areas for cross-border collaboration.

### **The Investment and Development Agency for the Northern Netherlands**

NOM FDI operates as a sort of marketing & sales organization for the Northern Netherlands. They visit many entrepreneurs and companies in the region every year. During these visits, they discuss their success factors, their role in the supply chain, their vision of the future and the obstacles they face. NOM FDI use this information to devise propositions for the critical sectors with the aim of enticing foreign companies to establish in the Northern Netherlands.

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<sup>12</sup> [https://gemeente.groningen.nl/sites/default/files/akkoord\\_3.0\\_samenvatting.pdf](https://gemeente.groningen.nl/sites/default/files/akkoord_3.0_samenvatting.pdf)

Excerpt from the NOM FDI website promoting their strongest sectors

## Strong Sectors



Their offer is to assist with all aspects involved in setting up business in the Northern Netherlands:

- Site selection
- Easy access to extensive network
- Introduction to potential business partners
- Assistance with licensing and permits
- Advice on tax rulings & finance
- Labour solutions
- Independent partner

Between 2009-2014 NOM<sup>13</sup> assisted in 45 investment projects in the Northern Netherlands, which accounted for 3150 jobs (half of which were new jobs) and more than €1.2 billion euros in new investments. They are not a bank *per se* but NOM Finance offer support by:

- Investing in companies that are likely to succeed in the Northern Netherlands
- Being a supplementary risk-bearer
- Building relationships based on a profitable enterprise
- It is financially involved for a limited period of time (4 – 6 years)
- Aims to build long-term business relationships
- Quick profit is not their goal, but an active participation with an approach specific to each company
- Revolving Fund of \$90 million
- Invested in more than 100 companies

NOM Finance plays an active role in ambitious and innovative projects and projects which enhance the competitive strength of regional businesses. It utilizes

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<sup>13</sup> <https://www.nvnom.com>

an extensive network, knowledge and expertise and brings parties together to research ideas and convert them into innovative products. So far it has participated in 90 innovative projects in which 350 companies were involved.

### **Lessons for HotSW**

The Netherlands has a relatively liberal free-market economy and is in many ways very similar to the UK. Groningen and its Region, like HotSW, is some distance from the main markets and major cities. There is recognition of the importance both of clusters and of the need to engage Higher Education and research institutions within Smart Specialisation strategies. Indeed, the links between business and universities are very strong in the Groningen region which has a world class academic university as well as institutions with more applied science / vocational focus.

The neighbouring provinces have a good record in combining their resources to strengthen the regional economy by pursuing joint policies and are active in joint negotiations with national and European government in areas of common interests.

Recognising that they can probably not be world-leading in all areas of sectoral strength (agri-food, energy, healthy-ageing etc.), they have sensibly developed Smart Specialisation strategies both to boost their strengths and to seek cross-sectoral developments that can build on these strongest sectors.

The Economic Board of Groningen is an interesting development. Its origins (recompense for earthquakes) are not really important, but the use of its resources to stimulate entrepreneurship is notable, as are its priorities for achieving this which could be transferred directly to HotSW:

- Quality of human capital
- Quality of entrepreneurship
- Good investment climate
- Improving digital connectivity/reach
- Strengthening strong sectors, clusters and company networks

Similarly, 5Groningen is an example of an approach to get ahead with new generations of mobile coverage that could be mirrored in HotSW. Testing with 5G was until recently only done in urban areas but with 5Groningen this has changed. The involvement of international companies alongside regional research institutes ensures some benefits will stay in the region.

The use of a Development Agency as a marketing and sales organization for the broader Northern Netherlands is a model that could be copied when seeking to attract international companies and investments rather than relying on competing Local Authorities.