



A5.1.b INNOGROW Action Plan for Lombardy Region | FLA



A5.1b

INNOGROW Action Plan for Lombardy Region

Fondazione Lombardia per l'Ambiente

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1 Introduction

1.1 INNOGROW Interreg Europe

The Interreg Europe project “REGIONAL SUPPORT TO ENGAGE RURAL ECONOMY SMEs IN INNOVATION – INNOGROW” aims to improve partners' policies focused on rural economy SMEs as regards the integration of new production technologies and business models that lead to innovative products and competitiveness. The project will promote the adoption of more innovation by SMEs located in rural areas, through sharing practices/experiences between regions and actors involved in the project and integrating lessons learned into regional policies and action plans.

Regional policies need to correspondingly support the diffusion of innovative solutions and new business models that will lead to increases in productivity and access to new markets. INNOGROW regions are called to play an important role in supporting the modernisation of their existing rural SMEs and the proliferation of innovative start-ups.

This Interreg Europe project brings together nine partners from eight countries:

LP1 Region of Thessaly (Greece, RoT)

PP1 Lombardy Foundation for the Environment (Italy, FLA)

PP2 Zemgale Planning Region (Latvia, ZPR)

PP3 The University of Newcastle upon Tyne (UK, UNEW)

PP4 Stara Zagora Regional Economic Development Agency (Bulgaria, SZREDA)

PP5 Regional Development Agency of the Pardubice Region (Czech Republic, RRA PK)

PP6 Chamber of Commerce of Molise (Italy, CoC – Molise)

PP7 Regional Development Agency of Gorenjska, BSC Business Support Centre Ltd, Kranj (BSC) Innovation Non-Profit Ltd (Slovenia, PANOVA)

PP8 Pannon Novum West-Transdanubian Regional (Hungary, PANOVA)

INNOGROW involved managing authorities and regional bodies influencing regional and national policy instruments, in order to exchange experiences and practices, and to improve their capacity on implementing such policies with relevant effects on rural economy SMEs.

The INNOGROW expected changes are:

- Enhanced innovation support services for over 5% of rural economy SMEs in the partners' regions.
- Improved horizontal and vertical cooperation among SMEs in rural areas for products commercialisation.
- Increased capacity of 200 staff of public administrations to effectively implement policies, stimulating innovation adoption by rural economy SMEs.
- 10M Euros of investments unlocked to promote innovative technologies & new business models.

The INNOGROW project had been structured in two phases. During the first phase the project developed:

- **Exchange actions and activities:** 3 interregional workshops, 2 study visits, 1 EU regions summit to promote experience exchanges of partners and stakeholders.
- **Action plans:** 8 action plans to improve the addressed policy instruments, benefiting managing authorities and beneficiaries.
- **Knowledge Exchange and policies comparisons:** 14 policy briefs to transfer INNOGROW lessons learnt to public authorities beyond the partnership; an online benchmarking tool for all EU territorial administrations, to facilitate optimisation of policy-making in the field of rural economy SMEs competitiveness, 5 thematic studies and analyses on practices and measures capable to improve rural economy SMEs competitiveness.

During the second phase each partner will support the implementation of the developed Action Plan (engagement of regions and relevant stakeholders for the implementation). Each partner will also monitor the action plan implementation by contacting the stakeholders and beneficiaries of the different actions. All partners meet to learn from each other by exchanging on the success and difficulties faced in the implementation of their own action plan.

Table 1. General information summarisation

Project:	INNOGROW Regional policies for innovation-driven competitiveness and growth of rural SMEs
Partner organisation:	Lombardy Foundation for the Environment /Fondazione Lombardia per l'Ambiente (FLA)
Other partner organisations involved (if relevant):	Lombardy Region / Regione Lombardia
Country	Italy /Italia
NUTS2 region:	Lombardy Region /Regione Lombardia (ITC4)
Contact person of partner organisation	Mita Lapi
email address:	mita.lapi@flanet.org
phone number	+39 02 80616112

1.2 Action Plan framework

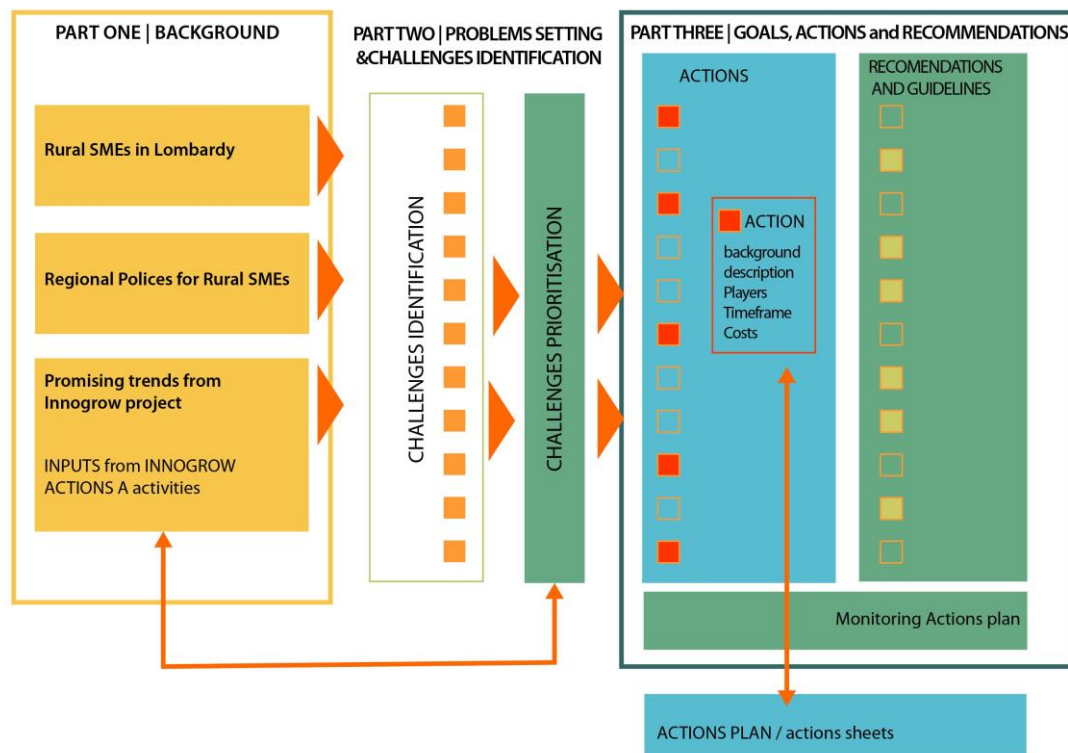
The action plan for Lombardy Region is based on the INNOGROW present structure of action plan ¹ where the general framework was adapted in order to highlight:

- The background in relation to the rural SMEs characterisation in the Lombardy Region, the regional policies for rural SMEs and rural territories;
- The emerging issues from the exchange and knowledge activities: regional partnership and synergies with the INTERREG EUROPE projects RUMORE and P-IRIS;

¹ A5.1: Common methodology for the development of action plans

- regional action of exchange and meetings (Regional key stakeholders' meetings) and interregional exchanges (interregional workshops, study visits, European summit); interregional exchange activities (policies briefs and thematic surveys);
- The problem setting emerging from the background and the identification of main challenges for rural SMEs improvement in Lombardy region;
 - The "ACTION PLAN" including the Identified ACTIONS and the recommendations and the monitoring criteria.

Figure 1. Action Plan framework



PART ONE | BACKGROUND

2 Rural SMEs in Lombardy

The role SMEs play in the economy is a matter that many economic reports have largely addressed. So do analysis stressing how globalisation forces are affecting the way companies, in general, should tackle with new challenges and opportunities². All this is true for companies operating in rural contexts as well as for those operating in contexts outside large urban centres.

How SMES are scattered across the country is well depicted in Fig.2. North Italy, and especially Lombardy (and Veneto), shows the highest concentration.

² For an interesting report on SMEs in Lombardy, see OECD (2012), *Boosting Local Entrepreneurship and Enterprise creation in Lombardy Region (LEED)*, OECD Publishing.

Figure 2 Italian medium-sized companies: location in 2016



Source <https://www.mbres.it/en/publications/italian-medium-sized-enterprises> Mediobanca-Unioncamere annual survey of medium-sized Italian businesses (February 2019)

Such important changes on global scale are fuelling the actual debate on re-thinking in which way SMEs should be encouraged to innovate and deal with the present epochal driving forces, when also public policies are more oriented to be open to the world market rather than to continue with market protection measures (especially in the agriculture sector). This erosion of direct and indirect protection for activities with high traditional content in rural areas and non-urban centres, is affecting the way SMEs are approaching the changing pattern of doing business. **Thinking in terms of being more productive and efficient, searching for new skills & know how and adopting new business model are all opportunities to achieve higher competitiveness and exploit the potential benefits offered by the present markets.**

The effect of this new market prospect represents for all companies, in particular those outside the big urban and industrialised centres, the main incentive toward innovation due

to the reduction and progressive elimination of many geographical and legal traditional barriers.

SMEs active in non-agricultural sectors and located in non-urban areas look at innovation very differently according to their different attitudes.

From public data on enterprises (which include all size classes of companies), Lombardy shows a relevant presence of SMEs. The distribution percentage of enterprises located in "non-urban municipalities"³ with respect to the total (i.e. sum of urban and non-urban enterprises) is roughly 50 to 50 (see Tab.2) and constant over the recent years (2011 - 2016). Such percentage decreases by a few points if we exclude the classes of economic activity related to agriculture and mining (macro-sectors A Agriculture and B Mining)⁴.

The companies located in rural municipalities are distributed according the following categories:

- percentages over 60%: manufacturing (C): water supply; sewage networks, waste management activities (E); construction (F);
- percentages between 50% and 60%: entrance and detail trade; repair of cars and motorcycles (G) transport and storage (H); activities of lodging services/restoring (I) (percentages around 57% and 58% of enterprises in the sector I / tourism are located in non-urban municipalities), other activities of services (S);
- percentages between 40% and 50%: artistic activities, sports, entertainment and leisure (R - with percentages close to 50%), health and social assistance (Q), instruction (P), public administration and social defence& security (O), rental, travel agencies, business support services (N), financial and insurance activities (K);
- percentages below 40%: professional, scientific and technical activities (M - with a low percentage of 33%), immovable activities (L), information and communication services (J), electric power supply, gas, steam and air conditioning (D).

³ The classification of rural/urban municipalities is defined by the RDP - ERDF of Lombardy region. In total in the region there are 1531 Municipalities. The *Rural development Programme 2014-2020* defined a classification of municipalities as Urban municipalities (Poli urbani), Transitional municipalities (Aree rurali intermedie), Intensive agricultural municipalities (Aree rurali ad agricoltura intensiva specializzata), Municipalities in rural areas with overall development problems (Aree rurali con problemi complessivi di sviluppo). The urban nodes or urban municipalities are 96 (about 6,13% of the municipalities in Lombardy).

⁴ considering all classes of NACE 2017.

Table 2 Number of enterprises in Lombardy region: the data are provided per municipality and organised in relation to the classification of the economic activities NACE-ATECO/2017

Table with 25 columns (A-TU) representing economic activities and 25 rows (2011-2018) showing the number of enterprises and their percentage distribution in Lombardy. Each row includes data for total enterprises, rural enterprises, and the percentage of rural enterprises relative to the total.

Source Open Data Lombardia: https://www.dati.lombardia.it/Statistica/Numero-impres-per-comune/5hif-b9p7, consulted in February 2019).

The needs and pressures for shifting towards more innovative business models in such scenario, can deeply change in time and space.

Enterprises could benefit from new markets and potential opportunities, exploiting advantages linked to the promotion and trade of product and services in spite of the distance from crucial markets. It is also true that the recent spread of electronic commerce, thanks to the concrete possibilities offered by internet, has increased the chance for shortening the market chain, overcoming part of the distribution chain and intermediate agents. On the other hand, enterprises located in rural areas are really facing greater and continuous challenges related to fast markets adjustments, concentration trends, increasing competition from global and local suppliers in the same sector.

In this context, consolidated and inherited models of production and management methods, communication patterns and strategic synergies tend quickly to become obsolete in a very short time. If these are the general framework and perspectives, marginal areas could suffer more severe problems with respect to their urban counterparts, since they have more limited access to all the resources needed to sustain a business: finance, young and professional skills available in cities and abroad, limited capability of local market to process and distribute products, and so on. All these factors may deprive rural territories of vital resources reducing the potential capability to generate and preserve added value at local level.

Looking again at Table 2, it is clear that SMEs in non-urban areas are slightly decreasing in the last few years, at a rate partly offset by the growing number of firms located in the urban context. It appears promising the growth of new firms whose total number is

returning to the levels prior to the economic crisis that affected all the main economies at a global scale.

For these reasons, the needs and difficulties faced by SMEs, particularly in non-urban areas, **call for specific and *ad hoc* resources and a more advanced management.** In this evolving scenario, firms in rural locations are called to improve market strategies and industrial processes in order to develop product and services more suitable to the present changing context. The drivers acting on these processes require a radical innovation that many firms seem apparently unable to adopt, even if they recognise the need to modify their mindset.

A scientifically-advanced partnership, capable to create and transfer innovation products (technologies, skills, experiences, methods) is a key factor for triggering and motivating a more competitive entrepreneurship at rural level, providing valuable contribution to the recovery, consolidation and expansion of traditional and novel activities.

Public policies remain still crucial for the setting of new strategies providing specific incentives to changes and targets to be achieved. As it will be described in chapter 3.3, Lombardy Region has consistently invested in the **Smart Specialisation Strategy (S3)**, on the basis of priorities connected with promising and challenging areas of application, in full coherence with the EU policy guidelines based on innovation and research as pillars of the so-called smart growth. Within the areas of specialisation, some regional initiatives are within the reach of firms in rural contest such as **Agro-food, Eco-industry and Creative and Cultural industries.** In the Innogrow project, it has been strongly agreed with the most relevant stakeholders that **doing business within the sustainability sector is the main way for maintaining business activities at local level, preserving the environment and promoting local skills and jobs.**

In order to consolidate existing activities and fostering the creation of new start-ups and firms, it is then necessary to put together transfer of knowledge and know-how, exchange of experiences and good practise, creation of networking in contest where the relation between firms is not easily established. . As shown in other international experiences, where the market fails to aggregate and where activities are more disperse, the implementations of hubs on the territory could represent a good solution.

The role of dedicated action plans for founding activities still represent the main drivers for rural development and the spreading and strengthening of new and innovative business activities.

3 Regional Polices for Rural SMEs

INNOGROW policy instruments mainly address the **Lombardy Regional Organisational Program (ROP)**. Regarding policies related to SMEs, the ROP has, within its several goals, a clear focus: boosting innovation in the areas of competitive advantage, such as Agribusiness or Tourism and Culture Attractors, sustaining SMEs' business through specific actions and funding for improvements of the competitiveness of the regional economy as a whole. Specifically, the **3rd priority axis of the programme** prescribes measures to promote the competitiveness of SMEs, where the most relevant to INNOGROW are listed under Investment Priorities 3b and 3d:

- Develop regional advisory services to support innovation in organisational and management models of regional SMEs;
- Improving access to credit, business financing and risk management for start-ups operating in agriculture;

- Promote the internationalisation and attractiveness of regional SMEs;
- Support the networking of regional SMEs to increase competitiveness.

The Lombardy regional administration has identified, as a crucial area to be improved, the monitoring, assessment, and benchmarking of regional rural SMEs' innovation performances, making difficult the evaluation of the real impact of the policy instruments addressed. These lack of competences have also been mentioned in the INNOGROW application form, where it has been stated: "The policy instrument does not elaborate on measures to address structural weaknesses in terms of supporting SMEs (e.g. development of innovation-centred advisory services)."

3.1 The Regional Operational Program (ROP): general outline

Lombardy Regions has been very active in developing programmes in several areas of interest. The Lombardy Region's 2014 - 2020 Regional Operational Programme (ROP) under the European Regional Development Fund (ERDF) provides investment funds of almost one billion euros (€970,474,516) with the priority objectives of the Region's economic growth and social development as well as the enhancement of its productive capabilities.

Table 3 The six priority axis of Lombardy ROP (excluded technical assistance) and the percentage of the allocated funds (in relation to the ROP total funds)

Axis I Enhancing Research, technological development and innovation	36%
Axis II Improving the access to the ICT, their use and quality	2%
Axis III Promoting competitiveness of SMEs	30%
Axis IV Supporting the transition towards a low carbon emission economy in all sectors	20%
Axis V Sustainable urban development	6%
Axis VI Tourism strategy for internal areas	2%

Source: Lombardy Region

The Lombardy ERDF ROP has been structured with a wide view on smart, sustainable and inclusive growth model as identified in the "Europe 2020" strategy and with the regional government's development policies promoting the productivity and competitiveness of its businesses and of the entire economy of the Region⁵.

One of the most important pillar of the strategy is to construct an ecosystem of innovation that could trigger continuous innovation as part of a growing and sustainable economy. The aims under this heading issue comprise the boosting of innovation among MSMEs (micro, small and medium sized enterprises) through encouraging co-operative R&D activities, fostering networking and synergies between businesses and research institutions.

⁵ For more detailed information see:

http://www.fesr.regione.lombardia.it/wps/wcm/connect/d365e089-b96f-4681-8595-f88b2c16ca26/Sintesi_ENG_FESR.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=d365e089-b96f-4681-8595-f88b2c16ca26.

To support the competitiveness of businesses and the whole enterprise economy, the Lombardy's strategy has set another important pillar consistent with the Small Business Act for Europe⁶.

The actions under the ERDF ROP have the main aim to **promote the start-ups and growth of new businesses, the reactivation of existing ones and the development of new patterns of business activity, especially the sectors of culture, tourism and commerce.**

Within this Lombardy's Programme, there is also a focus on the so-called digital divide as a way to sustain smart growth and necessary to support any local specialisation for a more homogeneous economic growth. Indirectly, this action relates to Innogrow's goals since it recognises a difference between enterprises located in areas not adequately supplied by ICT. **The promotion of companies' international expansion, the attractiveness to direct foreign investments and the improving of credit access for business are also part of this axis of promotion.**

Finally there are the sustainable and inclusive pillars which represent important issues for businesses to develop new technologies and processes, using resources capable to effectively foster Lombardy companies' competitive advantage into the national and international markets.

3.2 The Priority Axis III: Promote SME competitiveness

With specific regard to MSMEs and considering the overall objective of the Innogrow project, the Priority Axis III of the ERDF ROP 2014-2020 programme seems to be the most interesting. **The axis has allocated about 30% of total ROP resources (295 millions Euros) focussing, as its main target, on the improvement of businesses' competitiveness from the start-up stage throughout their growth and consolidation.**

The axis is consistently part of the ROP's overall strategy for the awakening of the Region's enterprise economy. Priority axis III supports interventions to help MSMEs in their business activities, with special attention at improving access to credit, and addressing most of the Region's tourist destinations and other attractions.

This priority axis has five different targets and corresponding actions. In the following list we highlight the targets and specific actions that have provided specific forms of support to enterprises located in all parts of the region:

1. Start-up and consolidation of MSMEs raising the three-year and five-year survival rate:

- measures to support new business start-ups through direct incentives, reducing the mortality rate and increasing opportunities for their success on the market by providing services, and micro-finance instruments ;
- particular attention to
 - the initiatives undertaken by young people or mature subjects (over 50) out of the job market;
 - companies characterized by high innovation and technological content;
 - companies that already have an investor.

⁶ <http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/>

- 2. Raise the level of international activity in the economy by fostering quality enhancements:**
 - export promotion projects to encourage individual firms and consortiums grouped on a geographical or industry basis;
 - setting up opportunities for Italian and foreign entrepreneurs to attract inward investment and to promote commercial agreements and other active information and promotional measures targeted at potential foreign investors.

- 3. Consolidate, modernize and diversify the Region's production resources and arrangements** through a strategic repositioning of Lombardy on tourism, culture and general attractiveness in order to raise the number of customers/visitors:
 - support for the development of products and services that complement the development and exploitation of identified cultural and natural attractions of the Region, not least by linking enterprises in the cultural, tourism, creative and entertainment businesses, and those concerned with the Region's traditional products and typical produce;
 - support for the processes of aggregating and combining firms into business networks, establishing a joined-up offering for tourist destinations;
 - support for the competitiveness of firms in tourist destinations to improve the quality of the offer and to introduce new products and services with strategic and organizational innovation.

- 4. Reawaken the propensity to invest within the regional economy**, increasing that economy's rate of innovation:
 - help for capital spending on machinery, equipment and intangible assets, and assistance to the processes of company reorganization and corporate restructuring;
 - particular attention to investments as indicated in the Smart Specialisation Strategy (S3) of Lombardy.

- 5. Improve access to credit, business funding and risk management in farming**, making them more readily available throughout the enterprise economy:
 - providing financial backing for the system of public guarantees for the expansion of credit, making the national and regional guarantee systems work together for greater efficiency by promoting rationalization measures which make joint credit guarantees even more efficient and effective;
 - promoting innovative bonds for SME finance, and mentoring SMEs making use of them;
 - helping to develop the market in venture capital funds for business start-ups at the pre-seed, seed and early stages.

3.3 Rural Enterprises and regional funds

According to the purpose of the Innogrow project, the interest of the interregional activities is mainly related to investigate the development of new enterprises (MSMEs) or reinforcement of the existing ones, their investment in innovative business and their location in non-urban areas.

Furthermore, it is interesting to see in which way the regional structural funds have directly benefited such business and how the difference between being located or not in an urban context has played a role in accessing and benefitting of public incentives from the local government.

According to data provided directly from the Lombardy Region, 1192 firms located in non-urban context, out of a total of 1627, have requested some sort of funds applying directly to the specific calls⁷. Table 4 shows the amount of funds that have been allocated to non-urban SMEs for four of the above five general targets of the regional programme. The last column shows the percentage of funds to non-urban areas with respect to the total amount of resources supplied by Lombardy Region to all enterprises involved⁸.

Table 4. ROP measures (Axis 3) and rural SMEs

TARGETS	Fund for rural enterprises (€)	Rural funds over total found per target (%)
1.Start-ups and consolidation of MSMEs	776.115	31%
2. International activity	1.948.000	74%
3. Tourism and attractiveness	22.600.539	71%
4. Increase propensity to invest	55.711.440	91%

Source: Lombardy Region

Particularly remarkable is the target four, where about 90% of funds has been allocated to non-urban enterprises. Very consistent appear the resources available for this action with respect to other actions shown. In particular, this action is focused on increasing the propensity of the firms to invest in order to upgrade their general assets and so inducing more growth on regional economy⁹. The action and relative funding are particularly focused on productive investments, including the purchase of machinery, plants and consultancies, all included in appropriate business development plans. To provide proper funding, the plan contains clear and detailed analysis of the reference scenario internal and external to the company. It is also required that the firm produces a strategy where it shows how to restore optimal production conditions but also how to improve Health and Safety at work and to plan growth actions on national and international markets. Development plans aimed at revitalizing production areas are also favoured. It is interesting to mention here also the specific fund that has been made available to SMEs in order to undertake energy efficiency measures at the firm's premises as clearly requested by European and national laws.¹⁰ About 2,7 million euro have been allocated in order to trigger energy efficiency audits at firm's premises also promoting the adoption of the ISO 50001 energy management system. This

⁷ From this number are excluded such enterprises that have benefited of some sort of financial assistance, as this target and relative actions and funds have been developed indirectly by the Region, through other bodies such as Finlombarda.

⁸ i.e total funds for urban and non-urban areas.

⁹ The total available resources for this action amount to more than 100 million euro to which add indirect founding for more than 40 million euro through indirect subsidiaries such as Finlombarda and other affiliated financial bodies.

¹⁰ Directive 2012/27/EU and Legislative Decree 102/2014.

specific action has not achieved a particular success among SMEs, probably because it should have financed energy efficiency investments other than only auditing, which represents the early stage of an energy efficiency process.

With about 7 million Euro available the Region has approved funding for subsidising firms internationalisation supporting projects that facilitate their presence on foreigner markets. **The process of entering the global market is seen with some difficulty by firms and the regional support is particularly appreciated outside the greater urban poles.** Non-urban enterprises seem to have benefited from this measure, since 74% of funds have been targeted to them.

Support to tourism, culture and general attractiveness of Lombardy territory is also another important issue of the regional plan with a specific focus on developing products and services to enhance the potential for tourism, culture and nature fruition in Lombardy. In particular the Action intends to co-finance projects (about 70%) with a minimum amount of invested money (100,000 euros), which provide a greater tourist-cultural valorisation of the following thematic areas (attractors): intangible cultural heritage, cultural itineraries and paths, contemporary art, archaeological heritage. Aggregations formed by organized economic operators both in the form of micro, small and medium enterprises are allowed¹¹, belonging to cultural and creative sectors (visual arts, live shows, publishing, music, cinema and videogames, fashion, design, communication, marketing and digital) and to tourist-commercial, innovative services and creative manufacturing (accommodation facilities, tour operators, travel agencies, bars and restaurants, retail trade in fixed locations, innovative and quality crafts). As shown in Table 4, about 71% of funds have been dedicated to non-urban enterprises, in line with certain expectation that consider tourism and attractiveness as mainly part of non-manufacturing business with high potential of developing outside urban territories.

Quite limited, instead, appears the devolution of funds dedicated to new firms and start-ups as well as to reinforce existing ones in the non-urban areas, showing more vitality among those belonging to urban context.

3.4 Regional Policies for Innovation

The Axis I-Research and Innovation has allocated about 36% of total ROP ERDF resources (350 million Euros) with a main focus on Research, Development and Innovation (R&D&I), within the exclusive reference framework of the Regional Smart Specialisation Strategy for Research and Innovation (S3 Strategy).

Axis I supports the Lombard system of R&I by enhancing areas, technological domains and regional R&D excellence and encouraging technology transfer mechanisms to create positive externalities for the business system.

Specific targets and corresponding actions are:

1 Increase business innovative activities

- Support for the purchase of services for technological, strategic, organisational and commercial innovation in enterprises (I.1.B.1.1)
- Support for the economic exploitation of innovation through the experimentation and adoption of innovative solutions in processes, products and organisational

¹¹ And also, in the form of professional activities.

formulas, as well as through the financing of the industrialisation of research results (I.1.B.1.2)

- Support for collaborative R&D activities for the development of new sustainable technologies, new products and services (I.1.B.1.3)

2 Strengthen regional and national systems for innovation

- System actions to support the participation of local actors in national technological specialisation networks and platforms, such as National Technology Clusters, and in projects funded under other European research and innovation programmes, such as Horizon 2020 (I.1.B.2.1)
- Support to the realization of complex projects of research & development activities on a few important thematic areas and to the application of technological solutions functional to the realization of S3 strategies (I.1.B.2.2)

3 Promote new markets for innovation

- Strengthening and qualifying the demand for innovation of the PA through the support to actions of pre-commercial Public Procurement and Procurement of Innovation (I.1.B.3.1)

The main beneficiaries are micro, small, medium and large enterprises, also in aggregate form, Start-ups, Research Bodies, Universities, Lombardy Technology Clusters (CTL), Research and Technology Transfer Centres (CRTT), Public Administrations.

3.5 Lombardy's Regional Research and Innovation Law

Regional Law no. 29 of 23 November 2016 "Lombardy is Research and Innovation (*Lombardia è Ricerca e Innovazione*)" aims to promote and support the ecosystem of Research and Innovation of the Lombardy Region. An important element is the matching between the company, that needs an innovative boost, and the scientific organizations, that, in turn, can provide the know-how and human capital needed to win the challenges of a competitive growth and a rising employment. Main elements of Innovation Regional Law are Triennial Strategic Programme; the interdepartmental control room has the task of coordinating all regional policies concerning research, innovation and technology transfer through the "Triennial Strategic Programme" and the Regional Forum for Research and Innovation (Foro Regionale per la Ricerca e l'Innovazione) is an Independent body - with consultative, proactive and informative functions - composed of 10 experts in scientific, social and humanistic disciplines, with proven experience on the impact that innovations have on people's lives, selected through a public procedure at international level.

The law launched also operative Strategic instruments:

- Research Agreements: Funded with 106 million euros in non-repayable grants (from the resources of the ROP ERDF 2014 - 2020 - Axis I - Action I.1.b.1.3 "Support for collaborative R&D activities for the development of new sustainable technologies, new products and services"), the "Research Agreements" aims to encourage, through negotiated agreements between the Lombardy Region and other public or private entities, the development of projects in research and innovation with a high impact on investments, partnership involved and competitiveness of the territory. A total of 32 projects have been financed by the Lombardy Region through this measure.
- Platforms and specialisation technology networks (Action I.1.B.2.1) and in particular the Open Innovation Platform. The development of the Open Innovation Platform

(2016-2018) is based on a section dedicated to the activities of continuity and consolidation of the OI environment and a specific evolution section containing the development of new services and application improvements.

Open Innovation environment is a platform improving the free circulation of ideas and know-how that responds to the innovative and technological challenges of the territory, conveying actions of "cross-fertilisation" between different technological and production environments. The benefits of these actions will be passed on to the stakeholders within companies (single or aggregated), **Lombardy Technology Clusters** (already protagonists of the platform), research organisations and CRTTs (research and technology transfer centres).

In parallel with the development initiatives of the Open Innovation (OI) platform, new ways of involving citizens in a societal innovation perspective are going to be studied, since the OI platform is already centred on the individual and his skills. This approach will be extended to include the study and setting up of new measures consistent with a view to increasing citizen involvement to meet their needs.

3.6 Regional Policies for Rural SMEs: SMART SPECIALISATION

Research and Innovation represent strategic intervention priorities for their ability to respond, in a concrete and sustainable way, to the needs of companies and society as a whole to increase the competitiveness of its economy, enhancing the Region attractiveness at national and international level.

The Lombardy Region's strategy for R&I, the Smart Specialisation Strategy (S3), has been conceived on the basis of priorities connected with promising and challenging areas of application, coherently to the EU policy guidelines which identify innovation and research as the pillars of the so called smart growth.

The Region's "**Areas of Specialization**" (AoS), have been identified in particular on Aerospace, Agro-food, Eco-industry, Healthcare, the creative and cultural industries, Advanced Manufacturing and Sustainable Transport. Transversal to all of them there is an additional sector, Smart Cities & Communities, a basic driver for the aggregation of skills which belong to more than one AoS.

Approved by the European Commission in February 2015, and as part of the adoption of the 2014-2020 ROP ERDF, the S3 is being implemented, both within the calls for proposals launched on Axis I of the ROP ERDF 2014-2020, and in terms of monitoring and updating in order to keep it consistent with the needs of the reference context.

Within this frame of reference, and based on the experience so far gained, the Region will aim to govern and strengthen the processes under way, in line with the provisions of the 2020-2030 European Strategy through the adoption and combination of different tools in order to favouring the innovation activities of the MSMEs and joint projects in the field of Research, Development and technology transfer between companies and also between them and research organizations.

The new challenge is then to involve small and medium enterprises, located in non-urban areas to undertake innovation activities. The development strategies certainly go through forms of innovation of the production processes, of the services offered and management of the activities. On the basis of the S3 strategy, the Lombardy Region should consider the need to push the MSMEs towards investments in innovation and research, seeking a greater efficiency and effectiveness of the proposed policies and funds offered. With reference to the objectives set out in the Innogrow project, it is therefore important to involve companies

in non-urban areas in this process. In paragraph 3.3 it has been highlighted how companies have drawn heavily on the funds made available for investment activities in new equipment and machinery (Action 4). It is now time to monitor what effects these investments have produced, what corrective measures have to be implemented to encourage companies to innovate and adopt technologies respectful of the environment, with a broader view to sustainability. It is believed that the combination of productive activity, respect for the environment and local cultures can be efficiently manifested in non-urban contexts, often abandoned or left to drift. Economic growth and regional cohesion, on the other hand, also pass through these territories, which often are open to dynamism, new ideas and innovation.

3.7 Measures connected to SMEs targeted in ROP Axis I¹²

The ERDF ROP is part of **InnovaLombardia**, the new strategy in favour of Research and Innovation (R&I) of the Lombardy Region, in close connection with the Regional Strategy of Intelligent Specialisation for Research and Innovation (RS3).

The Fund, established on the basis of the results of the ex-ante evaluation carried out pursuant to art. 37 of Regulation (EU) no. 1303/2013, is aimed at Micro, Small and Medium Enterprises (SMEs) belonging to the manufacturing, construction and business services sectors by promoting research, development and innovation projects through the granting of subsidized funding related to areas of specialization identified under the strategy S3¹³.

With an initial allocation of EUR 30 million, the first line of assistance "FRIM FESR 2020 RICERCA&SVILUPPO" (DGR 6022/2016) has been activated under the ERDF 2020 FRIM Fund established by LR 22/2016 [The FRIM ERDF 2020 RESEARCH & DEVELOPMENT line is in continuity with the R&D line for MPMI "FRIM ERDF 2020". (DGR 2448/14)].

The measure is intended to support projects presented by individual MPMIs, relating to the areas of specialisation of the S3 of the Lombardy Region and including industrial research and experimental development activities aimed at the introduction of product and/or process innovation.

The line aims at enhancing and systematizing the strategic competences and the excellences present in the Lombard territory, orienting them to bring out the great potential still not fully expressed in the field of research and development and to encourage, in the final analysis, the diffusion and use of new technologies by companies, promoting the process of innovation and competitive growth.

¹² Action I.1.B.1.2: Linea Ricerca&Sviluppo. Fondo FRIM FESR 2020.

¹³ With decree no. 12397 of 18 December 2014, the call for proposals was launched.

Table 5. ROP measures (Axis 1.b) and rural SMEs

Measure / actions	Fund for rural SMEs (€)	Total funds to SMEs in all Lombardy municipalities	
Research Agreement (Accordi di ricerca)	16.226.573,64	30436202,29	53%
FRIM FESR 2014	13776925,46	23631929,79	58%
INNODRIVER (Measure A Cooperation SMEs and Research Centres)	2175000	4375000	50%
INNODRIVER (Measure B Support to proposals)	180000	660000	27%
INNODRIVER (Measure C Support to Patenting)	740411,59	1343744,81	55%
InnovaLombardia	378822,62	853591,39	44%
R&S Line for Aggregations	9715193,29	29756216,78	33 %
SMART FASHION AND DESIGN	8857284,69	16635709,92	53
Tot.	52.050.211	107.692.395	48%

Source: Lombardy Region

In relation to the measures activated on Axis 1 (Priority 1), it is worth to note that less than 50% of the total funding is addressed to SMEs located in non-urban municipalities (Table 6). This result shows quite a difference with the data relative to Axis 3, where enterprises in non-urban municipalities collected a more sustained amount of the funding with respect to their counterparts located in urban poles.

This difference highlights two important points for the policy maker. The first is that non-urban SMEs are active in accessing funding. The second is that such policies are more effective in sustaining the traditional activities, specifically tourism and cultural sectors, but much less in strengthening the capacity of rural SMEs to participate and access calls for innovation. This is not necessarily to be considered totally negative from the authors' perspective as it will be considered later, mixing together funding for SMEs competitiveness (Axis III) and funding for Innovation and Research (Axis I), does not produce the result of really boosting the SMEs in non-urban area as expected. More needs certainly to be done. Two suggestions come out for the Policy maker. The first is targeting funds to specific and less developed areas (Inner Rural areas), as a general policy aimed at the growth of less favoured economic areas. The second is, obviously, to improve the way Axis I funding could be accessed and exploited by SMEs in non-urban areas for more innovative products and services provided.

3.8 Regional Policies for Rural SMEs: Inner Areas (AREE INTERNE)

The ROP Axis VI focus on the Inner Areas (aree interne). The ROP is part of the regional implementation of **National Strategy on Inner Areas (SNAI)**. The purpose of the Internal Areas Strategy is to revitalize these areas by increasing their attractiveness, ensuring the essential services necessary to stop depopulation, aiming at a place-based economy (built on the peculiarities of the place) for which municipalities, regions and central administration define a local specific strategy.

SNAI wants to bring out innovators, often fragile actors, who have good ideas and are the protagonists of experimental experiences in the field of local development and social cohesion. In the "philosophy" of the approach for internal areas, a coordination between ordinary policies on essential services of citizenship (mobility, health and education) and

Development Policies, on the following themes, is requested: Protection of the territory and local communities; Enhancement of natural and cultural resources; Sustainable tourism; Agri-food systems; Energy saving and local renewable energy supply chains; Know-how and craftsmanship.

The Lombardy Region has identified four internal areas¹⁴: Alta Valtellina, Valchiavenna, "Appennino Lombardo - Oltrepò Pavese" and "Valli del Lario - Alto Lago di Como".¹⁵

The strategy for the internal areas identifies synergies between funding and support pillars related to different European, national and regional policies. This strategy is supported by integrated measures and policies:

- approximately 38 million ERDF (European Regional Development Fund - Lombardy Region), of which 19 for the development of cultural tourism – ca. 9.5 million per area, of which 4.75 million for the development of cultural tourism;
- about 15 million ESF (European Social Fund - Lombardy Region) – or 3.75 million per area;
- 11.324 million from the EAFRD (The European Agricultural Fund for Rural Development) with reserves on RDP action lines (DG Agriculture);
- the Stability Laws for the years 2014-2015-2016 have established a fund of 190 million at national level that devotes 3.74 million per area (14,960,000 in total for Lombardy).

In particular, two measures identify as beneficiaries the enterprises (activating synergies with Axis III measures of the ROP):

- support for innovation and research (maximum financial resources up to € 1,500,000) and business beneficiaries;
- support to enterprises, start-ups and tourism enterprises (Total financial resources available up to 4,500,000 euro) and beneficiaries companies often highlight dynamism, new ideas and innovation.

4 Emerging assets from Innogrow A actions

The main relevant inputs from deliverables and activities of INNOGROW Interreg Europe are summarised in the table 6.

Table 6 INNOGROW A and B activities: main inputs for the Action plan

Action typology	Action / derivable	Inputs (keywords / short sentences)
A1 exchange and share knowledge	A1 .1. report on new technologies impact & good practice	Synergies activation among agricultural and rural SMEs: touristic sector, valorisation of local food/agrifood productions (quality certification, market internationalisation)
	A1.3.b. Recommendations on	<ul style="list-style-type: none"> • Improvement of measures for unlocking financial opportunities for rural economy SMEs

¹⁴ Region laws, D.g.r. 2672/2014 and D.g.r. 5799/2016.

¹⁵ the institution of the internal areas are defined by specific Regional laws (Delibere di giunta regionale): Alta Valtellina (D.g.r. 5229/2016) and Valchiavenna (D.g.r. 5445/2016) to which specific framework programme agreements are connected: Alta Valtellina (D.g.r. 5933/2016) and Valchiavenna (D.g.r. 5995/2016).

Action typology	Action / derivable	Inputs (keywords / short sentences)
	the improvement of existing policies in INNOGROW regions	<ul style="list-style-type: none"> facilitate the adoption of innovative strategies in rural SMEs Promote skills development and entrepreneurial culture Improve the institutional framework and operational environment
	A1.4.b Report on influential factors based on data analysis	<ul style="list-style-type: none"> The majority of rural economy SMEs (64%) show a low level of innovation (P.51) “the most pronounced barriers to innovation (hindering the adoption of innovation among rural SMEs) are those related to funding, regulation and uncertainty over business benefits” (p.52)
A2 key stakeholders group meetings	1st stakeholder meeting 28 September 2016	<p>Shared key concepts:</p> <ul style="list-style-type: none"> Boost innovation in the touristic sector (in rural areas) Improve synergies with results from Horizon 2020 projects (in particular: integrating social and natural assets and the quality of life as factors/lever in rural SMEs development) Importance of preserving rural areas and ecosystems services (as possible economic sector for rural SME) Improve / enhance the support to green companies and orient the ROP and financial measure towards the adoption of more sustainable economic paradigm
	2nd stakeholder meeting 15th February 2017	<p>Shared key concepts:</p> <ul style="list-style-type: none"> Development of rural areas must pursue economic growth and job creation accordingly to sustainable development criteria Relations with urban and metropolitan areas are crucial since they offer a potential trade partner for goods and services required and produced by rural SMEs Environmental protection is a primary condition for the long-term development of rural areas
	3rd stakeholder meeting 20 September 2017	<p>Lombardy Regional Operative Program presentation by Regional Managing Authority (presentation by the coordinators of axis I, III and VI)</p> <p>Presentation of projects implemented by the Chamber of Commerce in Lombardy to support innovation in rural SMEs (eg. Lecco Innovation Ecosystem)</p>
	4th stakeholder meeting 13 February 2018	<p>Meeting on ROP 2014-2010 measures with the ROP Lombardy Managing Authority and INTERREG Europe projects focussing on rural SME, rural territories SMEs innovation and urban-rural partnerships in boosting the rural and periurban areas economy (RUMORE, P-IRIS and INNOGROW)</p>
	5th stakeholder meeting 24th September 2018	<p>INNOGROW / RUMORE synergies in orienting ROP measures Axis III with Axis VI (internal areas) and Axis I (innovation/agri-food and urban rural partnerships)</p>
A2 public consultation	A2.2 Identification of common barriers & enablers as regards innovation diffusion	<p>Emerging inputs for Lombardy region are:</p> <ul style="list-style-type: none"> To strengthen business cooperation between rural and metropolitan areas in order to promote the rural SMEs in metropolitan areas and reduce development divide between both rural and metropolitan areas To support the development of the organic and biotechnology and ecosystem services (eco-innovation) To envisage specific support to initiatives to improve the access of rural SMEs to R&D measures and innovation measures To foresee specific support initiatives that encourage more active engagement of rural SMEs in creation and implementation of innovations (through participation in innovation platforms, networks, trainings ...)

Action typology	Action / derivable	Inputs (keywords / short sentences)
A3.1/2/3 interregional workshops	interregional workshop on innovation support centres Lecco	Key concepts presented and shared are: <ul style="list-style-type: none"> • Lombardy policies (and law) on research and innovation (with a specific focus on the role of innovation for rural SMEs) • Regional polices on Inner areas and presentation of the whole process for the definition of the strategic development program of the Alto Lario inner area • Presentation of polices and initiatives promoted and implemented by the Chamber of Commerce system (in particular, initiatives on networking platform and capacity building polices eg. Lecco eco-smartland...) • Presentation of good practices on innovation, environmental issues, tourism sector innovation
A3.4 2days study	study visit Mantova	In the public presentation debate and the good cases visited it has been stressed the relevance on activating synergies among rural SMEs development and support polices and natural and environmental issues (natural park), cultural values, touristic sector, internationalisation of touristic asset and market, polices based on territorial values (values chains from food to touristic and agri-food production and cultural values...), social enterprises and social inclusion in rural SMEs
	B3.3 Participation in 3rd party events 7th 2018 - Green.Eu	Circular economy, eco-innovations and green innovations clearly emerged as common strategic asset for innovation and competitiveness (for SMEs and sustainable development of local territories) of the Horizon and EU interregional cooperation projects presented and discussed.
	B3.2 information day 22 giugno 2017	INNOGROW information day was coordinated with a Regional Meeting of the Regional Secretary for the Development (Tavolo di Segreteria del Patto per lo Sviluppo) involving also P-Iris project and the EUSALP Strategies (and inner areas) .

4.1 INNOGROW, RUMORE and P-IRIS synergies

The synergies activated with the Interreg-Europe projects RUMORE and P-IRIS emerge from all activities (regional meetings, information day, Lecco Workshop, Mantova Study Visit) of the INNOGROW project. A specific lobbying activity was activated since the 2017 in order to promote a coordinated action in orienting the Regional measures towards common goals: SMEs innovation and competitiveness improvement in rural areas and in urban rural partnerships.

RUMORE “Rural-Urban Partnerships Motivating Regional Economies”. The project improves regional innovation policies and capacities by fostering rural-urban cooperation and partnerships. The project enhances the delivery of innovation by improving innovation chains between rural and urban stakeholders and by supporting the better use of synergies between urban and rural areas. By integrating the potentials of rural and urban areas into smart specialization strategies RUMORE facilitates the better implementation of these strategies and of the cluster policies of the participating regions.

> **The main connection and inputs from RUMORE are: urban-rural partnerships, role of agri-food sector in innovation and environmental issues**

P-IRIS aims at improving rural areas' innovation systems by professionalising networking activities and use of innovation tools. Young people are leaving rural areas because they do not find jobs answering their professional aspirations. There is therefore a need to boost innovation in these areas in order to develop knowledge-based or **creative businesses, offering attractive jobs for well-educated and creative young people**. The partners from Norway, Finland, Slovenia, Croatia, Italy and Spain have identified that **triple helix (3H)** or **quadruple helix (4H) cooperation** is important to **boost innovation in rural areas**. Management of innovation tools must not copy lessons and solutions from metropolitan areas but be adapted to the specific features of rural innovation systems, which are characterised by asymmetric relations and uneven resources between public, R&D and SMEs actors, and by shortage of scientific disciplines. Priority Axis 1 addresses the whole of Lombardy (23.800 km², about 10 million inhabitants) and its implementation is now at an early stage. However, data from the past programming period (ROP ERDF 2007-2013) show that nearly the whole amount of the investments in R&D and innovation were directed to main urban centres, such as Milano, Brescia or to their hinterland. There is therefore a need for improving and strengthening R&D and innovations systems in “non-urban” areas, including rural and marginal ones, for a better involvement in 2014-2020 ERDF implementation. P-IRIS will support expressing the Valcamonica potential, an “inner area candidate” under Axis 6, showing a relevant development planning attitude and a robust will in addressing local fragmentation and lock-ins to innovate its economic system.

> The main connection and inputs from P-IRIS are: SMEs innovation, environmental issues as key lever for rural SMEs innovation and competitiveness, marginal/inner areas

5 Challenges identification and goals prioritisation

5.1 Priorities

From Part I - Background has emerged four priorities for the rural SMEs innovation and rural areas development:

Environmental challenges

Environmental challenges are a priority to be included in the rural SMEs policies: innovations on this topic (circular economy, green economy, new energy and low carbon technologies, ecosystem services) could play a strategic role and activate a lever for the improvement of competitiveness of rural SMEs.

SMEs innovation based on integrating environmental challenges can contribute to the sustainable development goals and to climate change mitigation and adaptation strategies of Lombardy Region.

In these terms, environmental issues emerge as a priority and an economic lever for rural SMEs both in Interregional INNOGROW exchange activities and in Regional stakeholders' meetings and exchange activities. **The rural SMEs development has contributed to the environmental local development towards more liveable, safe and sustainable rural territories and communities:** the strategies have to incorporate both environmental issues directly connected to the sustainable natural resources management (energy sector, circular economy...), to the landscape valorisation (cultural values), to the stewardship of natural habitat and the provision of ecosystem services for adaptation and risk mitigation.

Territorial alliances [synergies with ROP AXIS VI]

In the regional exchange activities, **it has been shown how policies and measures for rural SMEs development have to be referred not only to specific sectors of SMEs (or innovation assets) but also have to be place-based and related to local territorial system in order to valorise all the territorial resources.** Good cases and best practices of rural SMEs (Eg Premana/Premix, Le Tamerici, Oca Sforzesca ...) presented and visited are strongly connected to the cultural values and the peculiarities of the local history and communities. The rural SMEs development (and in particular in relation to the inner or marginalised areas) has to be integrated and specifically oriented to "local context". In this term, the synergies with the ROP Axis VI is an important resource to be activated in the INNOGROW action. At the same time policies as "Lecco smart ecosystem" or other policies promoted by local Chamber of Commerce have to be improved in order to increase the access to regional measure (ROP) of internal areas and orient the adoption of integrated innovation along productive lines (e.g. alliances among food production, agri-food and market, touristic; or environmental and circular lines) involving agricultural, rural SMEs.

A large percentage of the funds given through the competitiveness (axis III) Lombardy ROP measures have as beneficiaries SMEs localised in rural municipalities (not urban centres) but the data include also SMEs localised in the municipalities close to the main urban and metropolitan centre (not properly aligned/overlay to rural areas). For this reason, to address competitiveness measures on the inner of marginal areas could be a priority in order to address Axis III measure to rural SMEs localised in territories characterised by phenomena of marginality.

Innovation [synergies with ROP Axis I]

The innovation in improving competitiveness and development of rural SMEs plays a crucial role. In particular, from INNOGROW regional and interregional exchange and knowledge sharing activities, **the innovation of SMEs has to be integrated with the research and innovation policies** (RS3). The need to improve the access to financial measures on innovation for the rural SMEs emerges also from the analysis of the ROP 2014-2020 measures activated. In relation to the measures activated on Axis I (Priority 1), it emerges that scarcely 50% of the total funding is addressed to SMEs located in non-urban municipalities (Table 5). This result shows quite a difference with the data relative to Axis III, where enterprises in non-urban municipalities collected a more sustained amount of the funding with respect to their counterparts located in urban poles.

Capacity building and SMEs networking / platform

Both in interregional and regional exchange activities emerged the need to boost policies and initiatives for enabling the rural SMEs to access to existing financial measures: specific support initiatives aimed to encourage more active engagement of rural SMEs in creation and implementation of innovations, through participation in innovation platforms, networks, trainings (...) could be activated in existing SMEs innovation networking and capacity building initiatives and policies. In particular, based on the outcomes from INNOGROW two existing policies could be addressed:

- The **Open innovation platform** can be improved in order to provide a specific focus on Rural SMEs both to boost the innovation on environmental and on sustainable innovation.
- A large range of **policies promoted by the Chamber of Commerce (and other entrepreneurial associations and consortia)** aim to improve the SMEs capacity building with actions supporting the awareness on policies and opportunities measures for the innovation adoption implemented in the framework of ROP 2014-2020. The improvement and enhancement of these initiatives can play a relevant role in enabling the rural SMEs in financial support opportunities on innovation (in particular in supporting the activation of partnerships among public/private and with research centres fostering the innovation eco-system at local scale with a specific focus on inner and marginalised areas).

5.2 Challenges

Emerging challenges to boost innovation of rural SMEs to improve the economic competitiveness and the sustainable development of rural areas in Lombardy are:

1. **Supporting the SMEs acting on touristic sector localised in targeted areas (multi-functionality and environmental, cultural resources) and orienting the rural SMEs towards environmental sustainability**
> synergies Axis VI; Axis III
2. **Supporting start-ups in targeted territorial rural areas with a specific characterisation towards the adoption of eco-innovation in the start-up mission**
> synergies Axis VI; Axis III

- 3. Improving networking and exchange among SMEs in rural areas (isolation and fragmentation) and improve the capacity of SMEs to access and apply to the launched calls and planned calls (2019-2010) activating synergies with OPEN innovation platform**
> synergies Open innovation, capacity building policies of Lombardy region, existing policies and measures of Chambers of commerce (local) and involving SMEs and other associations / consortia
- 4. Orienting the existing/oncoming ROP measures addressed to SMEs towards environmental sustainable development of rural areas**
[Measures addressed: Axis I on innovation acting in RIS3 smart innovation; Axis III Support the financial capability for innovation and competitiveness (e.g. Intraprendo > in specific sectors); Axis III on touristic and attractiveness of SMEs and on cultural attraction in Lombardy region]
- 5. Improve the accessibility (enabling) the rural SMEs to access to the existing/oncoming measures of ROP addressed to SMEs Axis III**
[Support the financial capability for innovation and competitiveness (Intraprendo > in specific sectors); Axis III on touristic and attractiveness of SMEs and on cultural attraction in Lombardy region].

PART TWO | GOALS, ACTIONS and RECOMMENDATIONS

6 Actions

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instrument addressed: Regional Operational Programme (ERDF ROP) 2014-2020 Co-financed by the European Regional Development Fund (ERDF) Adopted by the European Commission in Decision C (2015) 923, 12 February 2015

6.1 Action 1: support rural SMEs acting on the touristic sector in inner areas

6.1.1 Action 1a improve the tourism and attractiveness (SMEs) of inner area of Appennino Lombardo - Oltrepò Pavese

6.1.2 Action 1b improve the tourism and attractiveness (SMEs) of inner area of Valli del Lario – Alto Lago di Como

Background	<p>Challenge 1 <i>Support the SMEs acting in touristic sectors localised in targeted areas (multi-functionality and environmental, cultural resources)</i></p> <p>Sustaining tourism, culture and general attractiveness of Lombardy territory is also another important issue of the regional plan with focus on developing products and services to enhance the potential for tourism, culture and nature in Lombardy.</p> <p>As seen previously, about 71% of funds addressed to tourism and attractiveness of Lombardy, within Priority Axis III, have been allocated to non-urban enterprises, in line with the expectation that consider tourism and attractiveness as mainly part of non-manufacturing business with high potential of developing outside urban territories. Quite limited, instead, appears the devolution of funds dedicated to new firms and start-ups as well as to reinforce existing ones in the non-urban areas, showing more vitality among those belonging to urban context.</p> <p>Concerning tourism, it is very important to mention also Priority Axis VI dedicated to Tourism Strategy Dedicated for Hinterland Areas. This Programme supports the National Strategy for Hinterland Areas which applies to those areas suffering from the effects of rapid demographic decline, geographical isolation and/or poor levels of essential citizen</p>
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	<p>services (health, transport, education). It based on strengthening citizen services (schools, health and transport) and constructing pathways for local development (tourism, craft production, etc.). With initial budget of 19 million euro, main beneficiaries are Local authorities, official local organizations, bodies managing Protected Areas, tourism promoters, museums, heritage managers, arts associations, tourism operators, government, networks and partnership for local tourism and promotion of the cultural heritage.</p> <p>INNOGROW project demonstrated the need to activate synergies among measure of Axis VI; AXIS III in order to give priority to SMEs localised in inner areas and the need to boost the financial support to rural SMEs in these territories.</p> <p>Tourism and attractiveness of territory emerge as key sector for the marginal areas development. Measures improving financial support to SMEs can give opportunity to</p> <ul style="list-style-type: none"> • boost innovation in touristic sector (in particular, regarding the internationalisation of targeted rural SMEs) • valorise the local values (local food production, agri-food, immaterial cultural values, landscape and natural values ...) • improve the multi-functionality and the touristic sector as integrative economical activities (bed & breakfast) • activation (re-activation) of local production chains (connected to food, energy, traditional immaterial culture production as building technologies of construction...) <p>Innogrow priorities related to the Action 1a and Action 1b: Territorial alliances and synergies with ROP AXIS VI; environmental challenges.</p>
<p>Description</p>	<p>Support the SMEs acting in touristic sector localised in targeted areas (multi-functionality and environmental, cultural resources)</p> <p>The action provides support (financial) for the requalification of hotel, accommodation and touristic / public facilities; for interventions for the requalification and expansion of buildings/areas for hotel or public facilities use and complementary structures and infrastructures directly connected; purchase and installation of innovative equipment or technologies.</p> <p>Activation of financing / facilities for accommodation, catering services and facilities activities located in the internal areas of Appennino Lombardo - Oltrepò Pavese (A1a) and Valli del Lario – Alto Lago di Como (A1b). Among the beneficiaries, in addition to SMEs, there are also activities in a non-business form (income support and multi-functionality/bed & breakfast) in relation to economical activities categories (NACE) codes 55 (Housing) and 56 (catering services).</p> <p>The action aims to support projects consistent with the strategic tourism positioning of the Lombardy Region: food and wine and/or food experience; fashion and design; business conferences; nature and green; sport and active tourism; spas and wellness.</p> <p>The action aims to ensure support for projects consistent with territorial</p>

	<p>strategies characterized by the internal areas of targeted:</p> <p>A1a the funding should be targeted to proposals and projects consistent with the Area Strategy of Appennino Lombardo - Oltrepò Pavese</p> <p>A1b A1a funding should be targeted to proposals and projects consistent with the Valli del Lario – Alto Lago di Como Area Strategy</p> <p>The call for proposal for this action has been agreed upon with the MA, which considered it significant to finalize and set even more specific support for SMEs, in particular targeted areas not considered in the previous similar calls. The new call has been released on the 10th July 2019 (BURL N.26 serie ordinaria, publication 27th June 2019 - http://www.consultazioniburl.servizirl.it/ConsultazioneBurl/ElencoBurl?pag=1 and the attached pdf file) and eligible SMEs have time till the 16th September 2019 for applying. The call provides for a total loan of 2,550,000 euros with a maximum of 200,000 euros per project.</p>
Stakeholders	<p>Regional Government (Regional Management Authority, department of DG TURISMO, MARKETING TERRITORIALE E MODA, responsible for Axis III and Axis VI).</p> <p>Entrepreneurial association and consortia</p>
Time frame	2019-2020 – end period 2023
Financial support	<p>The regional financial support covers approximately 40% of the total eligible costs of proposed interventions (with a minimum total eligible investment of not less than 20,000 euro). The maximum regional financial supports are different in relation to different typologies of beneficiaries:</p> <ul style="list-style-type: none"> • beneficiaries in entrepreneurial form (SME): 200.000 euro • beneficiaries in a non-entrepreneurial form (bed and breakfast that regularly carry out economic activity): 15.000 euro
Financial resources	<p>ROP ERDF 2014-2020 – Axis III - Action 3.b.2.3</p> <p>Financial resources allocated for both the Actions (A1a e A1b): 2.550.000 euro</p>
Innogrow role	<p>The INNOGROW project accompanies Lombardy Region in the development of the call for proposals by proposing guidelines for an orientation towards criteria of greater environmental sustainability (including energy-environmental efficiency and de-carbonisation), eco-innovation and enhancement of environmental and landscape resources.</p> <p>The Innogrow project during phase 1 has produced relevant inputs from deliverables as summarised in Table 6-A1 Exchange and share knowledge, Chapter 4 above. In this learning process Lombardy Region and its Managing Authority has been constantly informed on the working in progress and relevant information shared during the official stakeholder meetings (3rd Stakeholder meeting 20 September 2017, 4th Stakeholder meeting 13 february 2018). At the beginning of 2019, on 6th February 2019, on 1st March 2019 and on 7th March 2019 (please see the attached pdf file as Annex to the Action Plan), the MA has encountered a delegation of Lombardy Interreg's projects in order to finalise new calls</p>

	<p>for projects' action plan. Under suggestions and main relevant results gathered in the Innogrow project (particularly Deliverable A1.3b and A1.4b), also according to experiences in other partners regions, the MA decided to refine the previous calls by targeting remaining financial resources from actual ROP 2014-2020- Axis III to SMEs in targeted areas. This action-has been considered thanks to the experience learned from Innogrow that has been shared with the region and its member staff.</p>
Impacts	<p>Main positive impacts:</p> <ul style="list-style-type: none"> • Strengthening rural SMEs with tourism activities • Improvement of the tourist accommodation offer in the internal areas of Appennino Lombardo - Oltrepò Pavese and Valli del Lario – Alto Lago di Como • local development of marginal territorial system and activation of local production chains
Monitoring	<p>INNOGROW monitoring activities will evaluate:</p> <ul style="list-style-type: none"> • financial support provided to rural SMEs located in the two inner areas targeted • main social and economical indicator of (sustainable) development of local territorial system

6.2 Action 2: support Start-ups in rural areas

<p>Background</p>	<p>From the analysis of the implemented measures of ROP 2014-2020 it has been found that the Line 1 start-ups measures shows a relative lower coverage and distribution in rural areas. Start-ups and consolidation of MSMEs (Axis III of ROP) allocated 776,115 euro, but only 31% have been accessed by non-urban companies. From regional and interregional exchange activities also emerges the need to strengthen funds and resources for enterprises in rural areas (INNOGROW guidelines for policy) and in particular the synergies with Axis VI for the development of internal areas in order to guarantee a privileged channel towards rural areas with greater development difficulties. The support to Start-ups with specific financial measures is a key factor for rural SMEs and for the whole local territorial development in rural and inner areas.</p> <p>There is a need to activate a financial support to rural enterprises (from internal Appennino Lombardo - Oltrepò Pavese and Valli del Lario – Alto Lago di Como areas) on rural SMEs with reference to internal areas (synergy Axis I and Axis VI) and on the themes of strategic tourist positioning of the Lombardy Region.</p> <p>The measures have to sustain projects and proposal consistent with territorial development strategies of internal areas in order to activate and strengthen policies and systemic interventions in marginal rural areas.</p> <p>Innogrow priorities related to the Action 2: Territorial alliances and synergies with ROP AXIS VI; environmental challenges</p>
<p>Description</p>	<p>The Action support start-ups in targeted territorial rural areas with a specific orientation towards the adoption of eco-innovation. The support is to boost competitiveness also through specific credit line for business.</p> <p>Target of this action are the start-ups of internal areas (Valli del Lario – Alto Lago di Como and Appennino Lombardo - Oltrepò Pavese): the funding and support should be aimed primarily at subjects and projects capable of activating and renovating economic activities located in marginal areas (Valli del Lario – Alto Lago di Como and Appennino Lombardo - Oltrepò Pavese).</p> <p>The action aims to support new businesses consistent with the themes of strategic tourism positioning in the Lombardy Region: Food and Wine/ Food Experience; Nature and Green; Sport and Active Tourism; Spa and Wellness;</p> <p>The financial support must benefit as beneficiaries MPMI, as defined in Annex I of Regulation (EU) No. 651/2014 of 17 June 2014, registered and active in the Register of Companies for no more than 24 months. Among the beneficiaries could be included also not registered companies (with specific declaration to register the start-up as enterprises if financed).</p> <p>The call for proposal for this action, as for Action 1 above, has been agreed upon with the MA, which considered it significant to support start-ups in the individuated target areas not considered in the previous calls. The new call will be released by next September 2019.</p>
<p>Stakeholders</p>	<p>Regional Government (Regional Management Authority, department of</p>

	DG TURISMO, MARKETING TERRITORIALE E MODA, responsible for Axis III and Axis VI). Entrepreneurial association
Time frame	2019-2020 (call) – end period 2023
financial support	The contribution granted may not exceed the total amount of 200.000 euro. The financial contribution (intensity) is up to 40% of the total eligible investment cost with minimum total eligible investment must not be less than 20.000 euro.
Financial resources	POR 2014-2020 – Axis 3 - Action 3.a.1.1 Financial fund allocated ca. . € 1.000.000.
Innogrow role	INNOGROW and P-IRIS support the Lombardy Region in the Call definition (development of specific guidelines to support the construction/revision of the call) in order to guarantee the integration of criteria able to strengthen the aspects of environmental sustainability and eco-innovation of rural SMEs. As for Action 1, the official and unofficial meeting with the Lombardy Region and its MA has been crucial to redefine the previous calls and launch the new ones for the second half of 2019. With regard to this specific action, the close collaboration with other Interreg Europe projects assigned to the Lombardy region has been crucial to uniform efforts and inform the MA (4 th stakeholder meeting 13 February 2018, 5 th stakeholder meeting 24 th September 2018; two unofficial meetings on 6 th February 2019 and on 1 st March 2019 - please see the attached pdf file as Annex to the Action Plan).
Impacts	<ul style="list-style-type: none"> Increasing the number of SMEs (start-ups) in rural areas with particular reference to marginal territorial systems targeted by the action (Appennino Lombardo - Oltrepò Pavese and Valli del Lario – Alto Lago di Como) Improve the opportunity and the access to financial support for start-up located in rural areas (marginal areas)
Monitoring	INNOGROW monitoring activities will evaluate: <ul style="list-style-type: none"> financial support provided to rural SMEs located in the two inner areas targeted main social and economical indicator of (sustainable) development of local territorial system

7 Recommendations and guidelines

7.1 Recommendation 1: improve networking and the accessibility (capacity building) of rural SMEs to the ROP ERDF measures

In relation to the measures activated on Axis I (Priority 1), it emerges that scarcely 50% of the total funding is addressed to SMEs located in non-urban municipalities (Table 5). This result shows quite a difference with the data relative to Axis III, where enterprises in non-urban municipalities collected a more sustained amount of the funding with respect to their counterparts located in urban poles. This difference demonstrates two important issues for the policy maker.

The first is that **non-urban SMEs are active in accessing funding.**

The second is that **such policies are more effective in sustaining the traditional activities, specifically tourism and cultural sectors, but much less is given on the importance of strengthening the capacity of rural SMEs to participate and access calls for innovation.**

The strengthening of access to the innovation measures of rural economy SMEs is a key factor emerged in INNOGROW project.

- Acting on the existing policies and measures within the framework of **Open Innovation platform**¹⁶ key priorities are: specific initiatives targeted to the rural SMEs in order to strengthening and support the access to the existing measures (platform dedicated initiatives in collaboration with others local stakeholders).
- Acting on the existing and planned measures (2019-2020) related to the ROP AXIS I Innovation in order to enable the rural SMEs to access to these measures (and in particular on the measures focussing on innovation and sustainable development and eco-innovation issues). A recent study on the Green Economy and Competitiveness¹⁷, companies that have invested in green products and technologies in the three-year period 2015-2017 have recorded better economic performances both in the final data and in the forecast ones. The report shows that an increase in turnover in 2017 involved 32% of companies investing in the green compared to 24% of non-investing companies. Also in the forecasts for 2018 this gap is confirmed (27% against 22%). The same companies that have invested green have seen higher increase in the internal employment (23% against 14%) in 2018.
- Acting on existing policies and initiatives of Chamber of Commerce system and Entrepreneurial association and consortia activation and strengthening of policies and measures on capacity building of rural SMEs in order to improve the skill and business culture and orienting the SMEs towards the innovation measures access.

¹⁶ AXIS I: "Strengthening Research, Technological Development and Innovation " and SmartSpecialisation Strategy - S3, Dg.r. No 3486 of 24 April 2015.

¹⁷ Symbola, GreenItaly 2018- Report.

http://www.symbola.net/assets/files/GreenItaly%2018%20WEB_1540812454.pdf

7.2 Recommendation 2: boost the environmental sustainability as priority in ROP measures for competitiveness and innovation of rural SMEs

In the context of the measures envisaged by the ROP on Axis I and Axis III, it is important to integrate and strengthen the environmental dimension in order to orient investment activated by rural SMEs system (on competitiveness and innovation) towards the environmental sustainability.

The ROP provides specific measures on environmental development (the Axis IV is dedicated to low carbon and energy efficiency measures).

Lombardy Region adopted the following **regional environmental programmes and environmental sustainability policies**:

- the Lombardy Region has developed and is still acting with multiple instruments and actions to reduce greenhouse gases emissions in the atmosphere. In recent years, the Lombardy Region promoted several projects and studies aimed at identifying and implementing specific measures to mitigate climate change, as well as interventions for the reduction of local air pollutants in general (PM, ozone and NO₂);
- in relation to air quality, an important planning instrument recently implemented is the Regional Plan of Interventions for the air quality (PRIA, September 2013), which aims to prevent and reduce air pollution emissions for the protection of health and the environment. The strategic objective of this Plan is to achieve levels of air quality that do not affect human health and the environment;
- another important programming tool is the Regional Environmental Energy Program (PEAR, 2014). This instrument of strategic planning will define regions' objectives around energy savings and renewable energy sources (RES) development, in line with the mandatory quotas for the use of renewables allocated to all regions under the decree of so-called "burden sharing", and with the Community Program 2014-2020;
- with regards to adaptation, in recent years the Lombardy Region developed a knowledge basis to define adaptation measures to climate change with several projects and studies, in urban and rural areas (especially in the Alpine area). More recently, it embarked on a path that will lead to a regional adaptation plan. The first step, in 2012, was the definition of the guidelines for a regional climate adaptation plan, developed with the support of the Lombardy Foundation for the Environment, followed by activities currently in place at the Directorate of Environment, Energy and Sustainable Development of the definition of an Adaptation Strategy (SRACC, 2014) and of an Action Document of Adaptation (DARACC, 2016).

To achieve the environmental and sustainable goals identified in Regional policies the issues and challenges must be included into all regional measures and policies and thus also into future measures to support businesses and sustain economical development. This integration is strategic in relation to rural areas both for the contribution of economical rural components to the implementation of European environmental policies (mitigation and adaptation to climate change, transfer and implementation of innovations from Horizon 2020 projects on nature-based solution and climate change) and for the relevance of green, sustainable and environmental issues in terms of strategic assets of innovation and competitiveness for the rural SMEs and for the development of rural areas.

INNOGROW will support the Regional Authorities in the definition of specific measures related to the Axis III and Axis I of ROP 2014-2020 in order to provide **guidelines to strengthen the environmental dimension and improve access to the planned measures for rural enterprises**.

The measures of priority interest for INNOGROW are listed below.

> **Measure “Accesso a linea di credito/ Access to credit line”** (Linea “Intraprendo” Axis III ROP 2014-2020) which provides *de minimis* non-repayable financing for new companies and provides for a total financial intervention: from 25.000 to 65.000 euro.

> **Measure “Linea FRIM FESR 2020”** /support the economic exploitation of innovation through the experimentation and adoption of innovative solutions in processes, products and organisational formulas, as well as through the financing of the industrialisation of research results, Specific Objective 'Increase in firms' innovation activity' (ROP 2014-2020 Axis I). The measure FRIM FESR 2020 on Research and development aims to support industrial research and experimental development projects aimed at introducing product and/or process innovation. The innovation projects have to be linked to the Smart Specialisation sectors (RS3) Aerospace; Agribusiness; Eco-industries; Creative and Cultural Industries; Health Industries; Advanced Manufacturing; Sustainable Mobility; Smart Cities and Communities. The measure will have a financial disposal of 1 million euro (with a maximum of financial support of 35% of the project financial investment).

> **Measure “Valorizzazione turistico culturale della Lombardia / Cultural and touristic enhancement of Lombardy”** Axis III ROP 2014-2020. The measure aims to give financial support to Integrated Projects with the aim of enhancing cultural tourism. The identified cultural attractions are: intangible cultural heritage; cultural routes and paths; contemporary art; archaeological heritage. The projects that can be eligible must consist of an integrated set of interventions, products and services (e.g. identification, enhancement, creation and development of itineraries and routes related to tourist-cultural attractions; initiatives for the enhancement of the offer of typical and traditional products; interventions for the rediscovery, enhancement and integrated promotion of the territory). The call target are consortia of economic operators (MSMEs and professional activities) from the cultural and creative sectors (visual arts, live entertainment, publishing, music, cinema and video games, fashion, design, communication, marketing and digital) and tourism-commercial, from the innovative service sector and from the creative manufacturing sector (accommodation facilities, tour operators, travel agencies, bars and restaurants, fixed location retail trade, innovative and quality craftsmanship).

> **Measure "Turismo e attrattività 2/Tourism and attractiveness 2"** Priority Axis III ROP 2014-2020 action III.3.b.2.3 - Support for the competitiveness of enterprises located in tourist destinations, through interventions of qualification of the offer and innovation of product/service, as well as change in strategies and organization of "Promoting the competitiveness of small and medium enterprises" of the Regional Operational Programme (ROP) 2014-2020 of the Lombardy Region. The action provides support (financial support) for the requalification of hotels and other public facilities, and for interventions relating to the requalification of buildings/areas for hotel or public facilities use and complementary structures and infrastructures directly connected; purchase and installation of innovative equipment or technologies. The action aims to support projects consistent with the strategic tourism positioning of the Lombardy Region: food and wine; food experience; fashion and design; business conferences; nature and green; sport and active tourism; spas and wellness.

8 Monitoring Actions plan

Lombardy Region (Managing Authority of ROP ERDF) since 2016 had produced annual reports to be transmitted to European Commission illustrating the measures and actions implemented in relation to the qualitative aspects (description) and quantitative aspects (financial aspects and several performance indicators). This report also contains specific evaluation factors and indicators in order to assess the implementation of the Regional development policies in the framework of EU strategies for smart, inclusive and sustainable development. The evaluation process involves internal (Managing Authority, audit authority) and external (certification authority) bodies for different assessment activities.

The INNOGROW monitoring will be based on the results as determined by the implementation of measures and actions clearly identified in the present project (in coordination with Managing Authority).

Additional monitoring actions focus on the rural SMEs database, in order to monitor the impacts of ROP measures implementation and the access to funding by such enterprises.

The monitoring process will allow to identify the progress of INNOGROW actions and priorities and the recommendations implementation during the second phase of the project (4/2019-3/2021). The monitoring process will involve the INNOGROW regional key stakeholders in activating dialogues (meeting), to discuss the impacts and benefits of Actions and Recommendations implemented, as well as to present and share the results and progress from the monitoring process.

The table below summarises main measurable targets and indicators, data sources and assessment period.

Yearly report on the obtained result for each considered action will also be provided.

Table 5 INNOGROW Action Plan monitoring: main measurable targets and indicators, data sources and assessment period

Action	Measurable targets and indicators	Data sources	Assessment period
Action 1	Total effective allocated funds to SMEs	Lombardy Region Database	After implementation of action, every six month till 31 march 2021
	Number of interested SMEs	Lombardy Region Database	After implementation of action, every six month till 31 march 2022
Action	Measurable targets and indicators	Data sources	Assessment period
Action 2	Total effective allocated funds to Start-ups	Lombardy Region Database	After implementation of action, every six month till 31 march 2023
	Number of start-ups involved	Lombardy Region Database	After implementation of action, every six month till 31 march 2024
	Sector of activity of Start-ups	Lombardy Region Database	After implementation of action, every six month till 31 march 2025

9 Signature

The managing Authority of ROP ERDF 2014-2020 of Lombardy Region herewith agrees to support and promote the implementation of the actions detailed in the present Action Plan.

I confirm that I have the required authority of my organization to do so and that the required authorization process of my organization has been duly carried out.

Date: Oct 7th 2019

Name and job Title: Dario Sciunnach, ERDF ROP Manag. Author.

Signature: 

Stamp of the organisation: Il dirigente
(Dr. Dario Sciunnach)