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**Staying competitive in a changing world – regional innovation and
cohesion policies now and in the future**

**Panel discussion on how regional innovation systems can be optimally
supported by the future EU regional policy**

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This debate takes place in a moment when Europe is getting out of crisis and trying to put its economy on track of long term sustainable growth. Also, when Europe is facing the grand challenge of unemployment and of the need to enhance its competitiveness in the global context. Innovation is not only the way out of the crisis but also the way towards new jobs. The trade-off between innovation and creation of new jobs can be avoided, as investing in highly skilled jobs goes hand-in-hand with innovation.

To make growth in Europe sustainable we must see that it comes from advances in knowledge and innovation. We have already learnt that networks of cooperation, multilevel governance and integrated approach to policy making are all conducive to innovation.

We have learnt that innovation requires local and regional focus.

What happens at local and regional level in the area of innovation matters. And that has come out very clearly all contributions of today.

But for Europe innovation cannot be limited to a few most advanced technology centres. Europe must mobilize creativity, as well as knowledge generation and use across its territory. This means that all regions and cities must upgrade their human capital and capitalize on their resources via knowledge and innovation.

All regions must enhance the ability and willingness of their enterprises to innovate and be internationally competitive.

Regions and cities must boost their research centres and universities.

We all know that Europe has to deliver solutions to such challenges as: demography, climate change, resource efficiently, competition from emerging economies, new patterns of globalisation.

Innovation is an essential part of any effective response to them.

Innovation can help Europe put productivity gains on track.

Of course investing in innovation is not a one-off boost, it is a process as regions and cities will be confronted with a permanent need to restructure, to modernize, to foster knowledge-based innovation to meet the challenges I mentioned and exploit opportunities which those challenges bring ahead.

Many European regions do better than United States and Japan on innovation, but many lag behind.

European regional policy should continue its involvement in enhancing innovation, building all necessary links and exploit fully synergies with other policies.

In the history of regional policy, a lot has been done for innovation. In particular in the current period (2007-2013) a significant investment in regional innovation system has taken place. Regional policy contributes to innovation through support for integrated regional innovation strategies and experimentation. It has been the policy ambition since the 1990s and its Community Initiatives, based on proven institutional capacity or credible commitment of regional public-private partnership. Between 1994 and 2006 the Innovative Actions allowed for the creation of experimental laboratories of ideas for regions to develop innovation policies.

In 2005, the Initiative Regions for Economic Change was launched, supporting innovative projects and promoting the exchange of experiences across regions. In an enhanced communication effort by the Commission, the RegioStars Award was established within the Initiative, aimed at identifying good practices in regional development and at highlighting innovative projects attractive and inspiring to other regions.

These initiatives have promoted small scale experimentation, mutual learning and the set up of clusters and have contributed over the years to change the role of the modern cohesion policy that manages 1/3 of the Community budget, or 0.4% of EU GDP, a high percentage of which is devoted today to the spread of innovation and to investments in the knowledge-based economy. Thanks to all the experience we have, we know that innovation is man-made, it can be grown where we create adequate conditions.

The reform of European regional policy in 2006 moved this policy towards building competitive advantages at the regional level through strengthening the knowledge base of European regions. The top priority has been to increase levels of innovation to help Europe's businesses move up the value chain. The global amount currently allocated to R&D and innovation under regional policy is around €86.4 billion.

The longterm planning involved with these multi-annual programmes also provides a stable financial basis for companies to invest in innovation on a prolonged basis.

Investments such as support to business and SMEs especially in the start-up phase, development of ICT services to enterprises and citizens, industrial clusters and science parks, training of human capital to potentiate talents and skills have been put at the top of the priorities for regional policy across all member states and regions.

We therefore do not have to start from scratch: the foundations for increased attention to innovation and thus competitiveness are already in place at the local and regional level.

Europe has many exciting examples of innovation in the regions. You have the evidence in your hands.

We are all aware of barriers to innovation that continue to make drive towards innovation an uphill battle.

On the business side, barriers to innovation are related mostly to the internal market. Making the European internal market work for innovation, making it sensitive to local and regional dimension of Europe is a priority. I am not the only one in this room that can present far too numerous examples of how difficult it is to exploit the cross border cooperation potential to make Europe more competitive.

A particular area, which has found less room than it perhaps should in the Lisbon agenda and hopefully could be taken up under the EU2020 framework, is the financing of high growth knowledge and technology-based enterprises.

Moving forward on specific innovation supporting financial engineering instruments is necessary. Jeremie has been just a first step towards

development of venture capital institutions and new forms of guarantees for SMEs, in particular those open to risk and innovation.

There is a growing recognition in Europe that the appropriate responses are increasingly at local and regional level of European governance, even if challenges and opportunities may spring from further afield than 20 or 30 years ago. In the EU2020 context, we therefore have to encourage regions to look into their current strategies and see how they could adjust them to increase their efficiency and their potential for innovation and knowledge-promoting strategies. The effectiveness of EU 2020 policies depends critically on local and regional involvement.

The low growth and economic stagnation experienced in the last decade, and more recently aggravated by the crisis, have made it clear for regions and cities that they cannot simply rely on relatively favourable macroeconomic framework conditions to ensure competitiveness and growth. Instead, European regions and cities have understood that they must seek to combine macroeconomic assets with implementing effective microeconomic measures, to work with enterprises, and thus, in fact, to put in place regional innovation policies, truly and concretely enabling 'framework conditions for innovation'.

For the European regions this means that in order to compete successfully in the global market, and to continue to grow at a pace that will allow them to bring their GDP per capita levels to a good and sustainable level, they must strengthen the ability and willingness of their enterprises to innovate, to be internationally competitive.

Raising awareness of how the European regional policy can assist in drawing new knowledge into a region by helping firms and researchers to engage with international partners, and potential customers and suppliers, is vital to the long-term economic growth of that region. Are European regions able to be competitive at the global level? In fact, some already are, and with the continued attention of regional policy, others will be as well in the future.

European regional policy is but one available tool. It can be, indeed it is, an excellent partner in innovation process but we need all hands on deck. It is important that the European Union keeps focussing on bolstering long-term growth by constantly increasing and enhancing its focus on innovation. If the right balance is struck in this process between all levels of European governance and partners - business, academic and civil society - are involved and committed, then the EU will continue making steps towards becoming the world's most competitive economy with regions that can compete worldwide.

In a period of economic crisis we need to be both practical and ambitious. The regional policy already makes an important contribution to research and innovation activity in the regions of the EU and represents a big opportunity for the knowledge-based economy. The regional policy disposes of a consolidated methodology in terms of integrated approach and offers a well worked out governance system able to mobilise local investments and to engender structural reforms in the longer run. The degree of success in the implementation of the knowledge-based economy in the future strongly depends on how deeply these tools will be used. Let's further build on what we have built so far.

EP position on support for innovation through Structural Funds

- In its resolution the European Parliament makes it very clear that research and innovation are key instruments for the development of the EU, therefore require regular investment. In this regard Parliament called for a better coordination of the Regional Policy and the Research Policy, and their funding instruments and the Framework Programme to maximise the benefits of the both and recommended the development of regional innovative clusters within and between Member States. use synergies.
- In the REGI report and the following EP resolution of 20 May 2010 on the implementation of the synergies of research and innovation earmarked Funds in Regulation (EC) No 1080/2006 concerning the European Fund of Regional Development and the Seventh Framework

Programme for Research and Development in cities and regions as well as in the Member States and the Union ("implementation report", Rapporteur: Lambert van Nistelrooij) , the need was underlined to better coordinate Community policies that play a role in achieving cohesion and to undertake a closer analysis of their impact on the territory with a view to identify and promote the best ways of supporting local and regional investment in innovation at European level. The resolution recommended to take account of the different social and economic circumstances of the three types of regions (convergence, transition and competitiveness), and the variations in creative and innovative capacity and entrepreneurial spirit. Investment in R&D, as also in innovation, education and resource-efficient technologies will not only benefit high-skill service economies, but will have a positive spill-over effect on traditional sectors and rural areas. Interventions targeting research and innovation should capitalise on regional assets and capacities and form part of a regional innovation strategy based on smart innovation. Such strategies require an enhanced role of regions and cities in the EU and national priority setting and implementation; the EP called therefore for consideration of the possibility of re-establishing innovative actions within the Structural Funds with a view to promote regional innovation strategies.

- In the above resolution Parliament recommended that sufficient resources be allocated from the Structural Funds for research and innovation, in particular sustainable innovations, and strengthening of research capacities. It is necessary to ensure the sustainable development of regional research and strategic frameworks for innovation in collaboration with enterprises, research centres, universities and public authorities. Furthermore, the potential of knowledge-intensive regional innovative clusters should be capitalised upon noting that knowledge exchange in regional clusters can also be facilitated by Structural Funds.
- Parliament repeatedly stressed the need to review and consolidate the role of the EU instruments that support innovation (Structural Funds,

the EAFRD, the Framework Programme for Research and Development, the CIP and the SET plan), with the aim of rationalising administrative procedures, facilitating access to funding (especially for SMEs), and introducing innovative incentive mechanisms based on achieving objectives linked to intelligent, sustainable and integrative growth, as well as to promoting closer cooperation with the EIB.

- Parliament considers that Structural Funds are the appropriate instrument for supporting local and regional authorities in their endeavours to promote creativity and innovation, and easily accessible cohesion policy support can be particularly valuable for small and medium-sized enterprises on a wide scale, by providing improved access to research and the transfer of technology and innovation, oriented towards practical application.