

ERIK Network Position on the role of Innovation Support Measures in European and Regional Policies

Introductory Considerations

IN RECOGNISING the growing role played by innovation in expanding wealth and job creation opportunities and in supporting regional development, social cohesion and competitiveness

IN RECOGNISING that globalization of markets, the expansion of international trade and the strong growth of foreign direct investments have helped to create worldwide networks and define a new international division of labour but also have emphasised the role of proximity in the development and diffusion of innovation. It ensues that communities and regions are increasingly the cradle of new products and processes

IN RECOGNISING that innovation is less and less the result of the isolated work of firms but rather the outcome of companies and institutions interacting in partnerships and that policies to stimulate innovation need to address the problem of networks of firms and research organizations and to tackle systemic failures such as weak ability of companies for cooperation and institutional rigidities

IN RECOGNISING that a main shift is taking place within regional development policies from subsidy based policies that thwart business innovation to targeted territorial policies which address the specific causes that prevent each region from realizing its full potential and that accelerating innovation is a requisite for making full use of local tangible and intangible resources

The Erik Network is proud to support the organization of this conference, jointly organized by Regione Toscana, the EC Regional Policy Directorate and the OECD Governance Directorate. It provides opportunities to assess the work achieved by governments and international organizations to speed up and better articulate policies aimed at stimulating innovation and regional development. It is an important opportunity to exchange experiences and information about best practices in countries in three continents.

Priorities and Recommendations for the Regional Innovation Policies

Main priorities and general recommendations

The Erik Network UNDERLINES the crucial role of regions in building innovative capacities and in particular their contribution to strengthening regional research and innovation systems. This includes:

☞ *Strategic planning for innovation:* Innovation strategies and action plans have been established in a growing number of regions. These exercises aim at assessing regional strength and weaknesses, setting up goals and mobilizing public and private money to attain these goals and to implement new policies and measures.

☞ *Building regional partnerships:* A knowledge economy does not exist without a knowledge community formed by networks of institutions and firms. Local and regional policies are increasingly focusing on facilitating the synergies between different actors, often in a form of public-private partnerships, helping to create frameworks for dialogue and providing incentives for developing long standing cooperation. The role of social capital is recognised as a key factor in these processes.

☞ *Assisting SMEs and firms formation:* The innovative capacities and flexibility of small firms are increasingly recognized. It is also clear that SMEs face particular difficulties in accessing research results in undertaking successful innovation processes. Regional authorities have taken numerous initiatives to assist SMEs, in particular to encourage the cooperation between the SMEs, to create direct links and the transfer of expertise between large and small firms and to establish venture capital funds and local guarantee schemes.

☞ *Supporting R&D expenditure.* While increasing public expenditure is a target of many central governments, regional authorities are increasingly called upon to share the investment burden with the central level whether in unitary or federal frameworks. In this frame Regional authorities must be committed in targeting the private and public expenditure according to local priorities.

☞ *Placing more focus on policy evaluation and benchmarking.* With the increasing cost faced when providing support to innovation infrastructure and programmes, evaluation and benchmarking of policies, notably on a regional level is becoming common place. The development of a toolbox of approaches and experience-sharing through regional networking has also increased. The search for new evaluation methods for innovation policies gains even more importance in the light of recent developments of EU Structural Funds reform that has put innovation at the top of the agenda

IN RECOGNISING these new trends in policy making and the importance of a well coordinated and coherent approach to regional innovation

The ERIK network RECOMMENDS the promotion of a clear division of tasks and responsibilities between the different levels of government with regard to innovation policy, in particular the stimulation of technological development and measures to encourage new products and processes and the setting up of joint programmes.

The network also RECOMMENDS *to pay due attention to the creation or the strengthening of collaborative institutions* within clusters of firms and to promote the creation of associations, fora and tables in order to ensure the widest possible circulation possible of knowledge and ideas among members.

Moreover the network RECOMMEND to emphasise the role of *regional and local agencies* in supporting SME - particularly in the industrial sector - and in encouraging the supply of qualified services and knowledge transfer critical to the global competitiveness of small companies.

These qualified services and knowledge transfer should include the main elements of innovation - technology, business and market development and should be based on the real demands from companies.

While these services and transfers can be provided by a large spectrum of public and private institutions, joint initiatives, more co-ordination and cross agency teams are crucial to reduce the fragmentation of qualified regional and sub-regional supply and knowledge links and design appropriate packages of services that are more hands-on and market oriented and also deliver value for money to companies.

IN RECOGNISING that entrepreneurship policies are often pursued from an employment creation perspective alone, which underplays the importance of new firms as a source of ideas and innovations

The network RECOMMEND: a) to prioritise regional policies to assist innovative entrepreneurs in developing their projects and in particular to assess their needs and help them reach the stage of investment readiness and subsequently b) to reduce transaction costs with financing institutions and business angels able to meet their needs for funds

IN RECOGNISING that foresight and strategic policy planning are important not only for public decision making and policy making but also for the private sector and for potential investors since it helps to reduce uncertainties for the future and facilitate stakeholders commitment to regional development

The network RECOMMENDS to promote the development of a foresight culture among regional and local communities and to embark on regular evaluation and benchmarking of regional innovation policies.

The network also AGREES on expanding the policy dialogue that took place at the conference to countries outside the EU and the OECD

Regional innovation policies in the enlarged European Union

The Erik network WELCOMES the Third Cohesion Report and the proposal for the Council Regulations laying down general provision on the Structural Funds and the Cohesion Fund that set innovation and the knowledge economy at the top of policy agenda.

The Erik network WELCOMES incorporation of the Lisbon and Gothenburg objectives to the EU Cohesion Policy that is to become a “key vehicle” for their realization. This demonstrates that innovation is considered instrumental for regional development.

IN RECOGNISING that gradual advancement of innovation to the top of EU cohesion policy is largely due to lessons learned over 10 years of experience in implementing experimental projects and programs on regional innovation coordinated by the Regional Policy DG.

IN RECONISING that Regional Programs of Innovative Actions (RPIA) offer regions a unique opportunity to independently plan and implement projects that could not be otherwise implemented under mainstream programs. Over decades of innovation support EU regions have expressed a growing demand for such a flexible policy tool to an extent that currently 139 European regions out

of 156 eligible are in different phases of their RPIA implementation. This is an unprecedented success in terms of mobilisation of regional policy-makers and practitioners around an EU initiative focused on regional development. The European dimension of RPIA is a crucial aspect as such a wide geographical coverage helps to develop a pool of expertise and good practices that can be applied to very different regional contexts.

The network UNDERLINES that mainstreaming of innovation and knowledge oriented measures, although being a step in the right direction, should not exclude space for on-going testing of experimental measures that are better equipped to face the changing economic and social trends.

The Erik network RECOMMEND that EU Structural Funds, most notably European Regional Development Fund, continue to offer a possibility for on-going testing of experimental measures in the field of regional innovation policy. Closing up a “regional innovation laboratory” risks limiting the space for new ideas developed by the regions due to a more formal character of mainstream programs that do not allow more risky undertakings. Experience of regions clearly shows that there is a need for regional innovation policy tools that allow a certain level of risk and are more flexible and accessible than mainstream Structural Funds. This is especially important given the recent enlargement of the EU and the accession of the regions from the new Member States

IN RECOGNISING that technological innovation is not only a matter for highly-developed, core regions, but that it has proved to be a way to successfully speed up the development of marginal areas and to help overcoming of industrial decline

The Erik Network RECOMMENDS that the role of the regional networks created to support good practice exchange be addressed and strengthened in order to make sufficient use of the innovative actions heritage in the enlarged EU of 25. The networking activities should be undertaken both at the European and regional level