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**Beyond Best Practice: Taking New Knowledge Rapidly to
the Market**

Cornwall, South West England, 5 July 2007

"Regions for Economic Change: Striving For Excellence"

Ladies and gentlemen, it happens to me rather too often that I have to make concluding comments at an event where my participation has been rather brief. And as a consequence I have missed out on all the interesting work prior to my arrival! The plenary session has nevertheless given me a good overview of your discussions. And this morning – on my second visit to the South West – I had another opportunity to see for myself regional policy in action in three excellent projects. Before I move to the subject of innovation, I would like to thank the South West Regional Development Agency for organising this summit, and to thank all of you for participating. Your attendance is, I think, a sign of two things: first, the importance for regional development of turning knowledge into marketable products and services – innovation in short. And second, your recognition of the fact that working together – sharing experience and ideas – is a key aspect of the regional policy approach and maximises your chances of success.

Turning to the issue of innovation, I want to mention two trends which reinforce the need for a regional focus to our work. First, globalisation is increasing the importance of localised productivity advantages. Whereas in the past, competitiveness was driven by factors such as low labour costs and proximity to inputs and markets, today it is increasingly driven

by the availability and concentration of local resources such as research institutions, innovative businesses and skills – and the way they interact with one another. This trend is matched by an evolution in economic governance. It is increasingly clear that development is best driven by multi-level governance, through the co-ordinated actions of the Union, Member States and local and regional authorities. National governments have recognised this by devolving increasing responsibility for public investment to the regional and local level, not least because this decentralisation has been shown to be economically and financially efficient. The result of these two trends is that the competition for creative people, innovative companies, young researchers – the assets which are key to innovation capacity – is taking place today at regional and local levels.

How should we react to this competition? I want to stress two aspects of the response. First, when I was in Bilbao recently, I quoted from Richard Florida's book on quality of place and the new economy. He says that: *"Quality-of-place – particularly natural, recreational, and lifestyle amenities – is absolutely vital in attracting knowledge workers and in supporting leading-edge high technology firms and industries"*. This quotation is as appropriate to the South West of England as it is to Bilbao. The South West is a region whose population is growing substantially because of the quality of life it offers. We only have to look around outside to see why. The message for all regions is that you all need to exploit your natural assets, to invest in creating a regional brand, and to create a region which is an attractive to live and work in. On Tuesday I was in the Alentejo in Portugal, the poorest region of Portugal and which is losing population. But there are 3 municipalities that have an inflow of professionals who are moving their small companies there

from Portugal because the quality of life is better. Proof of the importance of the quality of place!

Second, beyond natural attributes – and not all regions can compete with Cornwall on that front - companies and people are looking for other factors, such as good roads, developed business environment, technological parks, the right combination of local skills, research facilities, firms to create clusters with. And of course good schools for their children and interesting cultural opportunities. The upshot of this is that fostering regional innovation requires an integrated approach and an appropriate investment mix, based on a comprehensive assessment of the region's needs. But in addition, knowledge and innovation can only spread if they are underpinned by networks, and I want to stress that these networks are of two kinds.

We need networks that link experts and researchers, producers and customers. Development strategies must focus not only on investment in business or R&D infrastructures, but also on the internal and external networks of relationships which often take a shape of regional clusters. These are particularly important for small and medium sized enterprises, which in this environment become more open to new concepts, can find partners and obtain access to research laboratories. But regional economies also need to find their place in European and global networks which allow them to measure their strengths and weaknesses against global challenges and opportunities. For many regions, your major competitors are not your immediate neighbours, but countries and regions far beyond the Union. You should therefore be reaching beyond traditional forms of co-operation and charting new territories.

These two types of networks – reinforcing co-operation within the region and linking the region to the external world – are critical to regional competitiveness because they help our regions to pool the knowledge necessary for managing complex change.

Let me turn to what we will do with cohesion policy over the next seven years. Reducing the innovation deficit will be a key task for European regional policy. The Fourth Cohesion Report, published in May, identifies 86 out of 268 regions (with 123 million people) with an innovative performance below the EU average, the great majority in new Member States, Spain, Greece, Portugal and southern Italy. The performance is particularly low in 17 regions, half of them in Greece, the rest including Podkarpackie in Poland, Calabria in Italy, Extremadura, Castilla la Mancha and Illes Balears in Spain.

But the report also shows that some regions – in Finland, Sweden, Denmark and Germany - are world leaders in innovation and outperform the US and Japan. Cohesion policy must exploit this potential. The challenge is to build the "system effect" of lagging regions catching up with the most innovative regions and Member States. Networks of the sort you have been discussing here, are essential to that process.

The good news is that Member States are well aware of this challenge, and it is a pleasure for me to confirm that they are responding to it. In particular, the investments they plan for research and development, innovation, support to entrepreneurship and ICTs will treble in absolute amounts compared to the period 2000-2006. The South West of England is a good example of this shift in focus. Investments in the 'Lisbon earmarked' categories will reach 94% under the competitiveness

objective and 78% under the convergence objective. For research, technological development and innovation (RTDI), entrepreneurship and ICTs alone, the figures are 59% under the competitiveness objective and 42% under the convergence objective.

However, the size of the investment is only part of the story. First and foremost successful innovation systems need strong partnerships and the commitment of stakeholders as I mentioned earlier. But we also need ideas - as many ideas as possible. As Dr Linus Pauling, the American Nobel Prize winner for both chemistry and peace once said: 'The way to get good ideas is to get lots of ideas, and throw the bad ones away'. We need to share our ideas with each other, to discuss what worked and what didn't work, and why. And we then need to act – to use the good, learn from the bad, and put our conclusions into practice.

This takes me to my concluding remarks on Regions for Economic Change because it is this approach of intensive idea exchange which underpins it. The Programme Secretariats – both for INTERREG IVC and for URBACT II – will very soon announce the details of how the programmes will be implemented.

- Open calls for projects will be launched in the autumn and will be open for 2 to 3 months. As in the past, the process will be bottom-up. Regions themselves will propose networks and the relevant monitoring committees will take the decision on the financing. I hope that this can be done by March of April of next year. Conferences - such as today's – are a key part of the process of regions getting together to explore common interests.

- In parallel to the selection process put in place by the monitoring committees, the Commission will identify those network proposals which pursue the objectives we have set out for the fast track option and to which we would be prepared to give our support. We aim, before the summer, to provide more detailed information on the criteria we will use to assess possible fast track networks. You know already that we will be looking for networks which capitalise on the positive achievements of regional policy, and which will help to transfer this experience into mainstream programmes.
- The Commission will bring to each 'fast-track' network its overview of EU and other networks, as well as our expertise on the priority theme of that particular network.

Central to this process is the building of the "two way bridge" between the learning and the mainstream programmes. My message is that the regions from across the EU 27 must identify their priority themes for interregional work, linked to the key priorities, identify partners and commit themselves to learn with their peers. The regional authorities should follow closely the launch of the interregional programme in early autumn and prepare their detailed network proposals. You must encourage your regional stakeholders to go out to exchange experience and to look for innovation to bring back and to adapt these ideas to your specific regional contexts. More than ever before, the successful regions of the future will be those that can identify and exploit new ideas effectively by building on your natural potential and capacities. This must become one of your main priorities.

Conclusion

You all have an essential role to play in delivering on innovation. With Regions For Economic Change, the Commission aims to highlight the importance of regions learning from each other and to enhance the results and wider impacts of this cooperation in order to gain the best possible outcomes for all. My aspiration is that a maximum of regions will participate. I thank you for your support in that task.