

SPEECH OF PROFESSOR DANUTA HÜBNER
EU COMMISSIONER FOR REGIONAL POLICY
INFORMAL MINISTERIAL MEETING
OPENING SESSION
**"Promoting Innovation and Competitiveness through Cohesion
Policy"**
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Ladies and gentlemen,

Over recent years, the European Council has given us a clear and consistent policy direction: investment in innovation in order to move Europe's economy up the value chain is the core element of the drive to create growth and jobs. The Council has also asked for national and Community resources to be mobilised to this effect, cohesion policy being among the most important ones. This recommendation is valid for those countries and regions for which rapid convergence and increased competitiveness are vital but also for the whole EU economy, whose growth will be boosted through this investment effort. This meeting provides an opportunity to take stock of what we achieved until now and to discuss with you the further effort to stimulate more innovation through cohesion policy.

The fact that after long negotiations, the regulatory and financial environment for the next seven years is now in place, creates a stable basis for strategic planning. The Community Strategic Guidelines have been formally adopted by the Member States on 6 October 2006. The Guidelines, consulted broadly for long time, are our joint document in every sense of the term.

The Guidelines identified investment in innovation, entrepreneurship and the growth of the knowledge economy as one of the major priorities to achieve cohesive and sustainable modernisation of the Union. It is on this basis that you have developed your national strategies - the National Strategic Reference Frameworks. The negotiations on these documents are well underway or indeed approaching agreement. In view of the key importance of innovation, the first objective of this meeting for me is to consider the extent to which innovation has been retained as a priority in your national strategies. I would like to discuss together how we can ensure that the Commission and you, Ministers responsible for regional policy, can work together so that our ambitious objectives of innovative EU regions are delivered in reality. To facilitate this discussion, I have presented as a background document for this meeting an analysis of the role of innovation in the national strategies.

Expressed simply, the conclusions of this analysis are positive. Innovation *will* play an increased role in the new generation of cohesion programmes for the period 2007-2013. At this stage, I think we can say: "So far, so good". But we still have major challenges ahead.

We all know only too well that one thing is to develop ambitious plans; it is sometimes quite another to translate policy priorities into real and effective actions. This is the role of the Operational Programmes on which the negotiations are just beginning. They are the blueprint for implementation on the ground, a blueprint which also should explain how the different actors will be involved: regional and local authorities, universities and research bodies and – crucially – enterprises.

With regard to our analysis of the national strategies, I would summarise the results as follows.

- First, innovation features everywhere in the main themes set out by the Member States for the next period. Our analysis suggests that in most of the Member States it will be implemented at the regional level or, jointly, at the national and regional level. This is good news.
- Second, in terms of the substance, Member States focus on all key elements of the innovation agenda: innovative businesses, RTD, improved access to finance, human capital and information society. However, only one Member State – the Presidency – decided to have a possibility to experiment and test new projects and approaches under Operational Programmes. There is still time for other Member States to follow this example and I would encourage you to do this. Regional policy should foster novel – even risky – solutions because we all know that staying ahead in the globalisation game will be becoming more complex task requiring edge breaking solutions.
- Thirdly, it appears that earmarking has been adopted by EU-15, in line with the new rules, while most new Member States have already decided to enter into the process on a voluntary basis, including Bulgaria and Rumania. Although we still need some time to see the final version of programming documents, we can already say that earmarking played its role by encouraging the setting of ambitious targets for key investments on innovation.
- Finally, the evidence in the national strategies clearly suggests that the future regional policy investment in innovation will be significantly greater than in the current, 2000-2006 period. For the Member States

that joined the Union in 2004, given the increase in the annual funding compared to 2004-2006, the absolute amounts will increase very significantly.

Ladies and gentlemen,

The Commission should do its best to effectively assist the national and regional authorities in promoting innovation and in enhancing the innovative capacity of our regions. This is the background to a new initiative that the Commission adopted earlier this month under the heading of Regions for Economic Change. The Commission has been encouraging innovative approaches and actions through a variety of Community Initiatives and Innovative Actions programmes over the years. But today those actions cannot be limited to pilot projects. We must find a way, first, to experiment at a larger scale than it is the case today and, secondly, to create an effective mechanism allowing for a quick transfer of the successful concepts into mainstream programmes. Only in this way, we will have real impact on growth, jobs and competitiveness agenda.

How will Regions for Economic Change work? And what's new about it?

Regions for Economic Change will work through two instruments of European Regional Policy that you know – the Inter-regional Co-operation programme and the Urban development network programme (URBACT) under the new Territorial Co-operation Objective with a total budget of €375 million. The objective is to boost the dissemination of

best practice in economic modernisation between Member States, regions and cities.

The novelty of this initiative will consist of the following features aiming at quick testing, quick learning and mainstreaming of new, innovative ideas:

(1) We will ask regions and cities to conceive and structure their networks around priority themes for economic modernization in line with the Community Strategic Guidelines. We will work on different themes such as improving the capacity of regions for research and innovation; bringing e-governments to regions and businesses; managing migration and facilitating social integration; promoting a healthy workforce in healthy workplaces; and moving to a low carbon economy. These are few examples of themes the Commission is proposing to the regions.

(2) The second important characteristic is a “two-way bridge” which will be established between thematic networks and the mainstream programmes which are the major source of funding. We will be asking the participating regions and cities for a commitment to introduce best practice ideas shared within the networks into their mainstream programmes.

(3) There will be better communication and dissemination of results to those outside networks. In March, annual "Regions for Economic Change" conference will be held in Brussels with awards for the best project ideas in different categories of economic modernization. The first Spring conference will take place on 7-8 March 2007 on the topic **'Fostering competitiveness through innovative technologies,**

products and healthy communities'. The website is under preparation and publications are envisaged.

(4) Within the proposed scheme there will be also a “fast track option”. This will give the Commission a more active role in testing selected ideas with a view to their rapid dissemination through the mainstream programmes. Volunteer networks will be established around the selected themes and the Commission will animate them, collate results, provide technical support and, if necessary, administrative backup.

What are the next steps?

The first network under the fast track option shall be dedicated to the theme "Bringing innovative ideas faster to the market". In this context, we will be working on ways to facilitate knowledge transfer from research to innovative products and services. EU regional policy already in the current period catalyzes and boosts knowledge transfer with four billion euros which European Regional Development Fund will be spending in the area of innovation and technology transfer. This first network will further strengthen the role which cohesion policy's investments play in facilitating interaction between public research organizations and industry.

We intend to invite the selected regions to a kick-off meeting in Brussels before the end of the year. We will subsequently set up other networks in the course of 2007. Of course within the initiative on "Regions for Economic Change", cities and regions will be invited to create and propose their own networks in order to pursue any one of the priority themes for economic modernization.

A quick start will depend upon your cooperation. The good work already done on developing the interregional and urban networks should now be completed by taking on board this initiative.

Supporting innovation in business: JEREMIE

A key part of the innovation is to have innovative businesses. While it is not every day that we will be able to create innovative clusters businesses of the importance of Silicon Valley, Cambridge or Grenoble, it is essential to ensure that the conditions for the emergence of new innovative businesses are present. Access to capital is a key aspect of this, which is why, with the European Investment Fund, we have put in place the JEREMIE initiative. I am pleased that Francis Carpenter, Chief Executive of the EIF is present today, and he will have the opportunity later on to discuss progress on the implementation of JEREMIE.

On our side, in the negotiations with national and regional authorities on the programmes we have witnessed considerable interest in JEREMIE and we expect it to feature prominently in the next programmes. We are grateful for the support from the European Parliament, the Committee of the Regions and the Economic and Social Committee for our efforts.

I would remind you that JEREMIE is up and running. On 3 October, the Commission and the EIF signed the contribution agreement which secured the financing for the year 2006 for evaluations of the gaps in access to financial products for business development in the Member States and regions. By the end of 2006, 15 reports at Member State level

and 10 reports at regional level in two other Member States will be presented by the EIF.

Some Member States, I am pleased to note, have already moved to the next step, and identified the JEREMIE holding fund. The holding fund is the pivot of the operation, taking over the complex task of managing JEREMIE on behalf of the managing authorities, while remaining accountable to the latter. At this very early stage, no agreements have been yet signed by management authorities and holding funds. However, three Member States have already taken a first step in this direction by signing (Slovakia, Greece) or drawing up (Romania) a memorandum of understanding for JEREMIE including the possibility for the EIF to act as holding fund. Some ten more Member States and regions (DK, BG, some PL, F, ESP and IT regions) are currently working jointly with the EIF and the Commission, discussing and negotiating agreements or memoranda of understanding, in this direction.

While JEREMIE is not an obligatory part of the new programmes, I feel that it offers an important support to programme managing authorities to do and innovate more in this important field. By making greater use of non-grant, recyclable sources of finance they will be creating a more durable system of public and private support for business and innovation, that will have a life beyond the current programmes.

Conclusion

I said earlier that we can conclude "so far; so good" as regards the role of innovation in future cohesion policy programming. We should continue this discussion once the Operational Programmes will provide further

details further details enabling a more in-depth analysis and debate on the extent to which and how innovation, with support from cohesion policy, is planned to deliver growth and jobs.

Therefore, I will prepare a Commission Communication next year on delivering the Lisbon Agenda on the ground through cohesion policy. The Communication will examine how innovation is taken into account both from a qualitative and quantitative point of view in our programmes. On the one hand, it will look at the financial resources allocated to innovation, including those devoted to the earmarking exercise which aims to maximise the targeting of Cohesion Policy resources on investments which are most relevant for advancing the Lisbon Agenda. On the other hand, it will look at implementation structures, innovation strategies, governance issues and partnership in support of innovation.

I think we all agree that it is essential to stimulate a greater degree of policy debate on cohesion policy and to facilitate the identification and exchange of good practice. All the initiatives we are talking about today – Regions for Economic Change, Conferences, Regional Innovation Awards, Publication of Good Practice Case Studies, analysis of programming documents – have as an ultimate objective the improvement of the quality of our programmes on the ground and their translation into more growth and jobs for the citizens of Europe.

Thank you for your attention.