

Professor Danuta HÜBNER  
EU Commissioner for Regional Policy  
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and Cohesion Policy"**  
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Ladies and Gentlemen, "EGUN ON" (*Buenos Días in Basque*),

It is a pleasure to be here today, addressing the IANIS+ conference recapping two years of its activity. It is so not only because of the quality of this conference and good audience it attracts but also because it is a well timed event. There is still enough room for the ideas and good practice you are sharing these days to find their way to the operational programmes for 2007-2013, which regions and Member States are currently negotiating with the Commission.

Today I would like to speak about the role of the new European regional policy in fostering innovation across EU regions, in shifting from "opening roads to opening minds". As the Commission adopted two weeks ago 4<sup>th</sup> Cohesion Report, it may be worthwhile to take as a starting point one of the questions which this Report puts for a debate. Namely, what are the critical competencies that European regions should develop in order to be globally competitive?

It is clear – as we just heard from Mr Aho - that economic competitiveness should be analyzed in terms of the key ingredients of knowledge, creativity and infrastructure. But why focus on regions? The answer is that looking at regional level and taking regional economies as

units of analysis brings us much closer in line with the current and future nature of economic growth and multi-level governance.

Globalisation is reinforcing localization, giving more importance to localized productivity advantages. One can say this is nothing new. But this localization is driven by new factors. Historic factors, such as proximity to inputs and markets or low labour costs are losing importance. Today competitiveness and economic development is increasingly driven by the availability and concentration of such local resources as research institutions, innovative businesses and skills – and the new way they interact one with another.

This tendency is matched by the evolution of economic governance. It has become clear in recent years that development is best driven through multi-level governance, through the co-ordinated actions of the Union, Member States and local and regional authorities. National governments themselves have recognised this by devolving an increasing amount of responsibility for public investment to the regional and local level over the past decade. This evolution is rooted in subsidiarity gains and brings in more economic efficiency and growth.

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 the regional and sometimes local levels. We are well placed to assess the relevance of this finding if we look at the Guggenheim Museum, only a few kilometres away from the pioneer Technology Park in Spain. I would argue that both infrastructures are complementary and that they have spearheaded the

successful economic transformation of the Basque country towards the knowledge-based economy.

Richard Florida in his book on quality of place and the new economy", said 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"*. So, my first message is that regions should invest in creating unique regional brand, in order to build an image of a place attractive to live and work. A brand such as Bilbao's modern architecture or Noord Brabant's "Brainport" – a high tech campus promoting open innovation I visited just yesterday.

Clearly, companies and people are looking also for other factors, such as good roads, developed business environment, technological parks, right combination of local skills, research facilities, firms with which they could cluster. So, the obvious conclusion here would be that fostering regional innovation requires an integrated approach and a right investment mix, based on a comprehensive assessment of our territories. But knowledge and innovation can only spread if underpinned by networks linking different experts and researchers, producers and customers. Such networks ensure cross-fertilisation of ideas, create interrelated eco-systems which exploit synergies between co-operation and competition.

Therefore the second message I would like to pass to you is that your development strategies for 2007-2013 should not only focus on investment in business or R&D infrastructures, but also on the various internal and external networks of relationships. We all know examples of internal networks which often take a shape of regional clusters. They are

particularly important for small and medium sized enterprises, which in this environment become more open to new concepts, which can find partners and get access to research laboratories.

But regional economies need also to find their place in European and global networks which link them to external world and allow them to measure their strengths and weaknesses against global challenges and opportunities. As surveys show this is not always understood by the less advanced regions which often think their main competitors are the neighbour regions while the most advanced regions know that there are outside the European Union.

Therefore regional authorities should be all the time reaching beyond traditional forms of competition and co-operation and chart new territories. An example here is recently created European Enterprise Platform, involving major blue chip companies such as Motorola, Hewlett Packard and Microsoft which, together with regional authorities, are exploring how public private collaboration can enhance regional competitiveness.

These two types of networks – reinforcing co-operation within the region and linking the region to the external world – are critical to the regional competitiveness because they help our regions to pool knowledge necessary for managing complex change. As demonstrated in the Cohesion Report in the future our regions will be confronted with new challenges which will redraw the regional map of Europe and overshadow the traditional descriptions we are using today – such as those referring to new and old Member States.

The impact of increasing economic pressure from global competitors, the ageing of our societies, the developments in the energy market, climate change and social polarisation will be felt across the Union with diverse intensity. All these changes will overlap and create a new, complex map of challenges and opportunities. Managing them will require a lot of co-operation and new roles for different activities such as financial engineering, PPP or research consortia. Well developed innovation infrastructures and networks are of key significance in this approach.

Reducing innovation deficit is a key task for the new European regional policy. Cohesion Report identifies as many as 86 regions out of 268 (with 123 million people) with an innovative performance below the EU average, the great majority being located in new Member States, Spain, Greece, Portugal and southern Italy. Particularly low is the performance in 17 regions, half of them in Greece, the rest including Podkarpacie in Poland, Calabria in Italy, Extremadura, Castilla la Mancha and Illes Balears in Spain.

But the report shows also that some European regions are among world leaders in innovation. Regions in Finland, Sweden, Denmark and Germany have higher capacity for innovation than US and Japan. This is the potential which the new cohesion policy should exploit in the coming years. Thus the challenge for the 2007-2013 period is to build the "system effect" of lagging regions catching up with the most innovative regions and Member States. To do this – as I was trying to demonstrate – European regions should focus their development strategies for 2007-2013 on creating an attractive image, invest in innovation capacity and position themselves in different types of networks.

My third message to you would be that the investment in ICT – and the information networks it can create – is an efficient way of accelerating catching up and overcoming persistent barriers to innovation, such as those encountered by remote or rural areas. ICT is a chance for European regions lagging behind to leapfrog into a new stage of economic development. It has already triggered social and economic revolution, by providing edge cutting technology, in particular in lowly populated or isolated peripheral areas. But even more important part of this revolution was due to its content, creativity, learning processes, networking allowing for information sharing and its transformation into economically relevant knowledge and technologies.

That is why building the Information Society has been a priority for the cohesion policy for more than a decade. The nineties were the years of an increasing awareness about the opportunities and challenges brought by ICT. An opportunity for regions to catch up and improve their competitiveness but also a risk of exacerbating social and territorial exclusion – the digital divide. Cohesion policy helped the regions to upgrade and complete their telecommunication networks but also recognized the contribution of ICT to innovation and concentrated the effort on the demand side and on providing an access to ICT for all.

During the 2000-2006 programming period around seven billion euros was directly invested in ICT infrastructures and services. In Spain alone one billion was invested, significantly reducing the gap with the EU average level of infrastructure provision. This is a sizeable amount of investment, but still far from what we need. That is why, for the new programming period we have introduced the earmarking approach,

which ensures that the predominant share of policy resources is invested in key drivers of growth and jobs agenda.

The good news is that Member States and regions have clearly responded to this call for innovation. According to our estimates, during the 2007-2013 period almost 5% of the cohesion policy resources - 14 billion EURO - will be invested in priorities directly linked to the information society with a novel shift from infrastructure to services. This is a substantial, absolute and relative increase compared to the past period 2000-2006, where the percentage in relation to the global financial envelope was only 2.5%.

Some Member States like Slovakia, Denmark or Finland use nearly 10% of their financial allocation for investing in ICT. Importantly, Member States in their programmes for ICT, broadband and e-learning are moving more and more from infrastructure to services. This shall result in more projects in services and applications for citizens (e-health, e-government, e-learning and e-inclusion) than in pure broadband networks and information and communication technologies.

Ladies and gentlemen,

Research, information society, innovation, dynamic SMEs – are better set in motion at the local or regional level. It is at this level that we find the essential knowledge for identifying problems and appropriate solutions. Besides, information technologies and human capital are the glue and the means to foster communication, collaboration and creativity,

essential conditions to ensure productivity gains and leverage competitiveness.

And it is in the regions and cities where we find best innovative projects and creative ideas. In 2007-2013 the Commission will contribute to their dissemination across the Union through the Regions for Economic Change. Therefore, I would like to use this opportunity to update you on the latest developments concerning this initiative.

As you know, the networking activities of RFEC will be delivered through the future INTERREG IVC and URBACT II programmes. Following the consultation both draft programmes were submitted to the Commission in April and we hope to adopt them by the early autumn. Next step will be calls for proposals launched by the Managing Authorities of these two programmes so that interested partners can submit applications. This is bottom-up approach, allowing partners in regions and cities to propose their own networks.

Thus our partners in regions and cities shall do two things in the coming weeks:

- identify the themes relevant for them and to start to prepare partnerships ready to submit project applications to the INTERREG IVC and URBACT II programmes;
- ensure that the networks they would like to create fit the priorities of the regional Operational Programmes and that these regional Operational Programmes have the scope to mainstream the outputs of the RFEC networks.

Your network is the best proof of the role which networks such as those which will emerge under RFEC initiative can play in the dissemination of creative ideas. During last 9 years eris@ acted as collaboration platform for regions interested in fostering creativity and innovation through the investment in information society, making true what Thomas Eliot once said "*Only those who will risk going too far can possibly find out how far one can go*".

Thank you very much.