

Trömsö

June 2007

Innovation and regional development
Speech of Commissioner Danuta Hübner

Ladies and Gentlemen,

I am delighted to have been invited to this Conference in Trömsö. Your attendance in such numbers confirms your interest in the European regional policy and your willingness to share experiences with us.

I would like to start by explaining why at all we put such a strong emphasis on innovation in the context of regional development. Then I would like to share with you couple of thoughts on how European regional policy – and regional cooperation – promotes innovation. Finally, I shall say some words on the important contribution that Norway has been making through our cooperation to European innovation agenda and, in this context, introduce a new initiative called ‘Regions for Economic Change’.

Today it is evident that economic competitiveness is intrinsically linked to innovation and that states which are performing well on innovation lead also in terms of competitiveness. However, even within the same state or a group of states at a similar level of economic development we find large differences between regions which otherwise display a similar set of characteristics. On the other

hand, it becomes increasingly clear that the national performance in terms of innovation can be only explained while taking into account developments at the local and regional levels.

There are two basic reasons for this. Firstly, globalisation is reinforcing localization, giving more importance to localized productivity advantages. However, rather than by proximity to markets or low labour costs, competitiveness is driven now by the availability and concentration of such local resources as: research institutions, innovative businesses, skills and talents.

Secondly, most of EU and OECD members have gone in recent decades through the process of decentralisation, relying increasingly on local and regional planning. As a result, modern development policy involves today a much wider array of actors that include national, regional and local governments as well as various social and economic stakeholders such as business or universities, with the central governments taking a less dominant role.

This evolution can be explained in political terms but it also has a strong economic rationale. It is driven by an increasing awareness of efficiency gains which result from decentralisation. Investment implemented by local and regional authorities, who/ that know best their constituencies, is much more sensitive to the local variety of growth factors than the central government. Simply put, from the economic point of view decentralisation makes sense. National governments have themselves recognised this by devolving an increasing amount of responsibility for public investment to the regional and local level. In the last 10 years the share of local and regional authorities in public investment increased from 25.4% to 26.8%.

The result of those two processes – globalisation stressing "new" local growth factors, and evolution towards multi-level governance – is that the competition for assets such as creative people, innovative companies or young researchers is taking place at the regional and even local levels. Throughout the Union we see a variety of development patterns, depending on how able and how successful local and regional authorities are in this competition. And, in most cases, it is innovative policies which make a difference. In fact, it is estimated that around 50% of differences in the level of economic development can be explained in terms of innovation performance.

There is no better example to illustrate it than rural regions, which, to those who see rural exodus, lack of services and aging population as irreversible trends, are synonymous with decline. By no means. At the beginning of the 21st Century, in more than one out of three OECD countries, the region with the highest rate of employment creation was a rural region.

So how European regions are performing in terms of innovation? Fourth Cohesion Report, which was adopted a month ago by the Commission, shows an important innovation deficit at the regional level. 86 regions with 123 million people have an innovative performance below the EU average, the great majority being located in new Member States, Spain, Greece, Portugal and southern Italy.

On the end of the scale, there are regions in the Union – especially in Nordic countries, Germany, the Netherlands and UK - which rank among the most competitive and innovative regions in the world. This has been achieved by open innovation policies - investing in new skills, building or attracting new reservoirs of talent, and favouring networks and clusters.

The lesson we can take from this is that, in the context of globalisation, innovation is a must for all regions. And the more underdeveloped they are, the more innovative they have to be. Clearly, there are differences; for example, while investment in R&D is crucial in urban areas, rural regions should focus more on investments in education and training. They should also develop the alternative use of mature technologies rather than try to compete in emerging technologies. But ultimately it is the capacity of regions to support learning and innovation processes which is a key source of competitive advantages.

We've put innovation very high on the European regional policy agenda. The last programming period 2000-2006 abounds in examples of innovative projects boosting region's capacity to grow. Such as the one in Extremadura, the poorest region of Spain which connected its 383 municipalities to broadband, linking all public institutions to Internet, to introduce a wide range of educational programmes and foster technological literacy.

For the period of 2007-2013 however, we want innovation to be in the core of the regional policy, to turn these "success stories" into a systematic approach to regional development. In terms of amount of investment our preliminary estimates show that innovation expenditure under the new regional policy will triple compared to the 2000-2006 period, up to 55 billion euro. But we also demand from all lagging regions that they have in place regional innovation strategy which is well integrated with their approach to the implementation of European regional policy.

We understand that Norway shares this view. In particular, the current regional policy in Norway has much in common with the Lisbon strategy. This is good news for our cooperation which is

another important tool fostering building of innovation capacity. If we compare business parks, universities, centres of technology transfer to the innovation "hardware", we may say that exchange of best practices and cooperation is the "software" of innovation.

This is particularly true today, when innovation is no longer limited to a concept of a new high tech product developed behind the closed door. We live in the era of the open source, open innovation, where competition and cooperation are intrinsically linked to each other. For example, not a single producer can develop an array of applications necessary to support all the functions which are available in modern mobile phones. In order to be able to do so, he must cooperate to some extent with his competitors.

That is why I believe that both Norway and the EU have a lot to gain from the exchange of knowledge and good practices. Our Norwegian partners are systematically involved in cooperation in the field of innovation and research with partners from the EU Member States, in particular the Nordic ones. Regions in northernmost Sweden share the same constraints as this region with regard to peripherality, population density and climate.

Both Swedish and Norwegian regions have successfully made use of their own creativity and new technologies and proved that innovation can flourish also far from the capitals. The peripheral location and extremely sparse population have inspired innovations and clusters in the fields of ICT and tele-medicine. The cold climate has been turned into an asset, allowing for the development of a very successful car-testing cluster.

In the past, there have already been some very successful projects between Norway and the Union, in particular under the INTERREG

programmes. Norway participated to 146 projects during the 2000-2006 period. To illustrate this, let me give the example of the 'ScanBalt campus'. It is a pilot project aimed at creating a critical mass in research and education within some selected scientific areas within biotechnology and life science. In the project 31 universities, hospitals and companies from 10 countries in Northern Europe unite to increase the mobility of students, lecturers and researchers within their regions.

This takes me to my last topic – the Regions for Economic Change. The aim of this initiative is to generate and disseminate knowledge through the exchange of expertise, practices and innovative ideas between regional stakeholders. To make the best use of the networks we enlarged the scope of eligible partners – not only regional authorities but also municipalities, NGOs or universities can participate. We have also foreseen the "fast track" option under which the Commission will offer its expertise to the networks with a particularly significant potential for regional development.

The networking activities of RFEC will be delivered through the future INTERREG IVC and URBACT II programmes. The Commission should 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.

Norwegian regions, cities and other regional and local actors can participate in Regions for Economic Change initiative. Norway already indicated its intention to continue to make use of INTERREG and committed itself to participate to the INTERREG IVC projects - in the fields of innovation and sustainable development - with a financial

contribution of 3 Million euros. Norwegian partners can also participate in the work of URBACT II networks, although at their own expense. Therefore, I would like to use this opportunity to strongly encourage you to identify within RFEC the themes relevant for you and to start to prepare partnerships ready to submit project applications.

Thank you for your attention,
