

Charles WHITE\*

## EU REGIONAL POLICY: SUPPORTING SMART GROWTH AND SUSTAINABLE AND INCLUSIVE INNOVATION

**Abstract:** Under the European Unions regional fund, €86 billion – a quarter of the total – is targeted at research and innovation between 2007 and 2013. However, innovation performance and take-up of funds varies considerably across the EU-27 member countries. The European Commission is now proposing a number of policy recommendations to tackle regional disparities and encourage higher levels of investment in innovation in the regions.

National and regional authorities are being asked to design ‘smart specialisation strategies’ in cooperation with business, universities and research centres. These will help regions identify their best assets, focus on key priorities, increase cooperation with other regions, and identify bottlenecks to innovation. Concentrating resources on a limited number of priorities should also help to leverage higher levels of private investment.

The fields where quicker progress can most likely be achieved would seem to be:

- Clusters for regional growth
- Innovation-friendly business environments for small and medium-sized enterprises
- Increased focus on loans and equity finance
- Regional research infrastructure and centres of competence
- Creativity and cultural industries
- Digital agenda.

The Commission will also be looking to:

Reinforce regional funding support for education, research and innovation with complementary EU funding programmes (e. g. 7<sup>th</sup> Research Framework Programme – FP 7 – and the Competitiveness and Innovation Programme – CIP);

Increase the use of smart financing such as soft loans, guarantees and venture capital through existing instruments including the European Investment Bank group (EIB);

Stimulate the a public procurement market of innovative products, processes and services;



Use peer review by independent experts to enhance the effectiveness of research and innovation support;

Make better use of the possibilities for policy learning and exchange offered by platforms and networks funded through regional policy, FP 7 and CIP.

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\* Mr. Charles White, Unit for Communication, Information and Relations with Third Countries, Directorate-General for Regional Policy, European Commission

\*\* The paper is given in terms of PowerPoint presentation.

## What is Regional Policy?

- **A) The way the EU helps poorer regions catch up (<75% average GDP)**
- **B) Help for economically damaged regions to restructure**
- **C) Part of Cohesion Policy which has €347 billion for 2007-2013, say €50 billion per year (ERDF, Social Fund, Cohesion Fund, IPA)**
- **D) Not just a budget but a tried and tested method**

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## And what do we actually do?

- **Environmental infrastructure: dams, waste water treatment plants, solid waste management, walkways, waterways, paths and parks.**
- **Innovation and the business environment: technology transfer, management, marketing, mentoring, clusters etc;**
- **Transport infrastructure: road, rail, urban transport...**
- **Research infrastructure: laboratories, equipment, access**
- **Training, education, adaptation, integration**

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## How much for different activities?

- **About 20% for the environment and green economy**
- **About 20% on transport**
- **More than 25% (€86 billion) on innovation, research and business support (all the Lisbon Agenda or growth and jobs activities)**

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## How much for non member states?

- **From ERDF, Cohesion Fund, Social Fund, nothing**
- **From IPA €5 billion for pre-accession countries to cover Institution building and some projects under headings such as tourism development and innovation**

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## What has Cohesion Policy achieved?

- **Much higher growth where active than elsewhere**
- **Improved connectivity, road (2000) and rail (4000km)**
- **Significant involvement of enterprise and civil society**
- **Major improvements in local administration**
- **Cross border co-operation a motor for reconciliation in the Balkans, Northern Ireland and elsewhere**
- **Major re-orientation towards innovation and research for 2007-13 (growth, jobs, Lisbon)**
- **Significant improvements to the environment**
- **More than a million jobs**
- **Revolutionary move to flexible credit, recycling funds**

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## Competitiveness: GDP growth rates compared

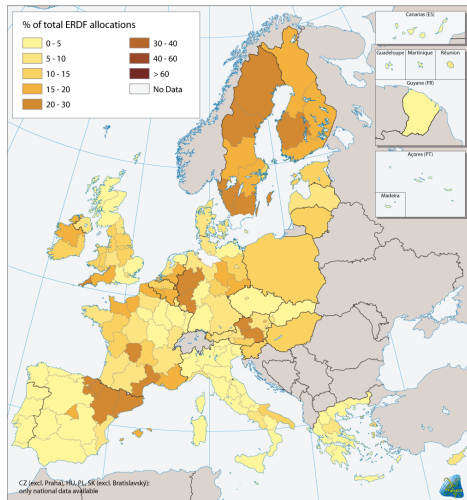
	Population (millions)	1995-2005 % per annum	2000-2005 % per annum
US	299.8	3.3	2.5
Brazil	186.8	2.4	2.7
Russia	142.0	3.9	6.1
India	1134.4	6.2	6.7
China	1312.9	9.0	9.4
<b>EU</b>	<b>491.9</b>	<b>2.3</b>	<b>1.7</b>

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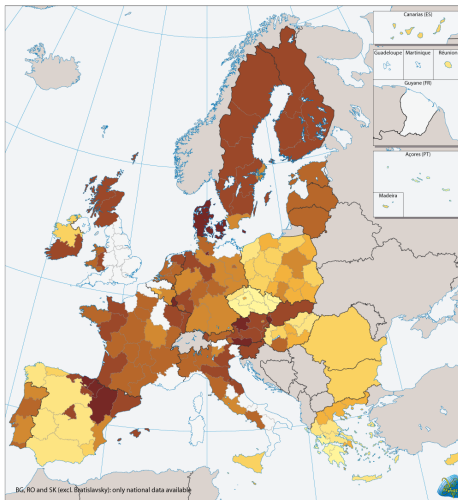
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# R&D and innovation. Expenditure at Regional Level more than doubles...

Expenditure for R&D, innovation and information society at regional level



Averages 2000-2006

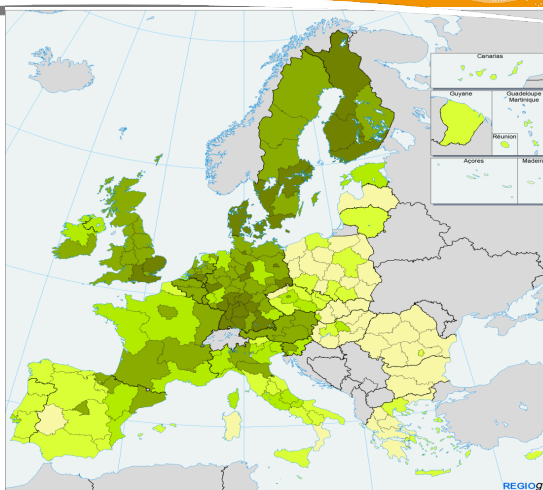


Averages 2007-2013

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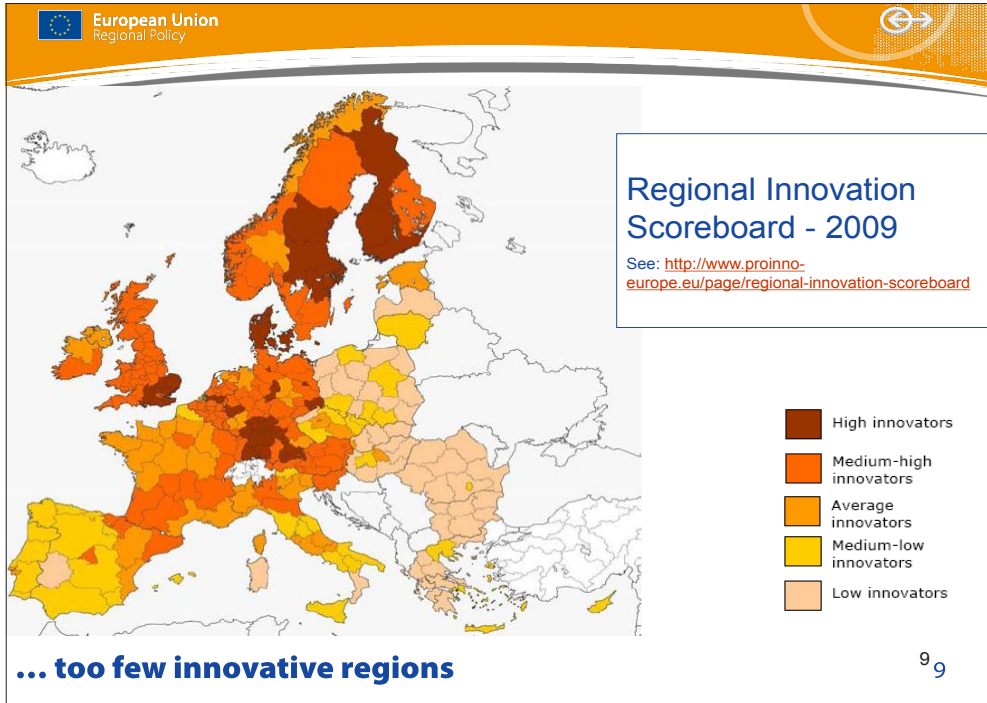
## Regional Innovation Performance Index

shows large variations between strong performing regions (darker shades) and weak performing regions (lighter shades)



Regional Innovation Performance Index, 2006

Source: DG Enterprise, MERT



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## The recent Communication in a nutshell

- Provides guidance to Managing Authorities in Member States and regions on how to optimise the impact of Cohesion Policy funding allocated to innovation
- Adds a regional dimension to the Innovation Union by mobilising all regions to design 'smart specialisation strategies'.
- Aims at a more effective and synergetic use of public funds (ERDF, FP7, CIP, as well as national and regional funds) and at making better use of financial engineering.

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## Main messages



- ❑ **Regional Policy is a key delivery mechanism for smart growth and for implementing the Europe 2020 strategy on the ground across the entire EU.**
- ❑ **All regions can and must contribute to achieving Europe 2020 objectives, if goals are to be met.**
- ❑ **Innovation is as relevant for lagging regions as for advanced regions close to technology frontier.**
- ❑ **No “one size fits all”: policy mixes need to recognise regional diversity, to be in line with innovation capacity of regions and directed towards meeting their needs.**
- ❑ **Combine R&D excellence (FP7 and CIP) and Regional Innovation (ERP), with a special focus on SMEs.**

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## Actions to be considered

- ✓ Clusters for regional growth: ecologies to drive innovation
- ✓ Innovation-friendly business environments for SMEs: good jobs in internationally competitive firms
- ✓ Stronger focus on financial engineering: not only grants
- ✓ Lifelong Learning in research and innovation: support knowledge triangle and university-enterprise cooperation
- ✓ Research infrastructure/centres of competence: support to ESFRI and EU wide diffusion of leading-edge R&D results
- ✓ Creativity and cultural industries as enablers: innovation beyond technology, broad-based innovation
- ✓ Digital agenda: enabling knowledge flows
- ✓ Public Procurement for market pull: pre-competitive PP to open new innovation friendly market niches
- ✓ European Innovation Partnerships: innovation through cooperation



## Further recommendations

- ❑ **Make more extensive use of financial engineering instruments, i.e. loans, guarantees and venture capital, including from the European Investment Bank (EIB); use JEREMIE and JESSICA.**
- ❑ **Increase use of ERDF on inter-regional cooperation (Art. 37) in research and innovation to enhance access to international research and innovation networks; use technical assistance for national networks for good practice exchange.**
- ❑ **Reinforcing ERDF support for education, research and innovation and drawing on complementary support from the EU's Research Framework Programme (FP7) and the Competitiveness and Innovation Programme (CIP); make better use of the European Enterprise Network.**



## Further recommendations

- ❑ **Make better use of public-procurement to increase the innovation content of products, processes and services with the public sector taking on the role of lead customer to stimulate research and innovation;**
- ❑ **Use peer review by independent experts to enhance the effectiveness of R&I support in OPs and S<sup>3</sup> proposals;**
- ❑ **Use ERDF to fund shortlisted FP7 and CIP projects that would not be financed due to the high number of quality project applications and the shortage of funds;**
- ❑ **Make better use of the possibilities of policy learning offered by learning platforms and networks funded through FP7, CIP and INTERREG IVC, including the 'Regions of Economic Change' initiative.**





## **3 Key words for speeches, briefings...**

- **Smart**
- **Inclusive**
- **Sustainable**

