



Navigating beyond Lisbon – the regions on course to economic recovery and the knowledge economy!

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**VLEVA (Liaison Agency Flanders Europe)
Kortenberglaan 71, B-1000 Brussels**

Speakers

- Danuta Hübner, Chair of the Regional Development Committee of the EP, laid out her benchmarks for the post-Lisbon strategy and the EU's regional policy post 2013.
- Žiga Turk, General Secretary of the Reflection Group on EU Future, presented his analysis of the major challenges the EU faces to remain prosperous and relevant in the future and the resulting priorities for policy-making.
- Gerard de Graaf, of the EU Commission's Secretariat General, shared his thoughts on where Europe's social and economic development strategy is heading in the post-Lisbon context.
- Mikel Landabaso, DG REGIO, and Olivier Brunet, DG RTD, highlighted their view on the challenges and opportunities on the road to economic recovery and hints of structural reform that would be needed in the near term.
- Karen Maguire, OECD, provided a global perspective on national innovation strategies.
- A number of ERRIN regions presented what they are doing to drive innovation forward, highlighting, inter alia, how to use foresight, to probe where technological innovation was occurring and scientific breakthroughs likely to be and how to bring a diverse mix of industry, academic and entrepreneurial interests around a common table.
- Mike Tremblay, international innovation consultant, moderated the discussion

CONCLUSIONS

Innovation doesn't happen at the national level. It happens within **regional/local hot spots**, in places where innovative and entrepreneurial minds gather to meet face to face, pollinate ideas, compete and cooperate. **Regions are really the breeder sites** where industry, ideas and money mix to produce economic recovery.

We need to celebrate and **share the excellent work at the regional level**, but we must be mindful that narrow national policies of individual member states may trade regional advantage off against national policies.

This means that **we need wide coordination of innovation activities and strategies**, to share priorities, and to **identify emerging innovation areas that have not been prioritised by a region**.

This will require substantial **investment of time into coordination of policies, priorities and development objectives**, particularly between the regional groups, and their national government and European Union institutions.

Regions do need to become world-class, and this means that they will need to increase the originality of their innovation plans to ensure they do not ignore the new and emerging technology areas. Such world-class leadership will be on behalf of all Europe.

With these two objectives in mind, we need to ensure **that regions don't keep reinventing the wheel as similar priority setting processes and strategies risk producing similar technological priorities** — Europe won't excel if all the regions come up with similar priorities.

We also need to ensure that an excessive reliance on public sector funding does not risk **narrowing the priorities chosen to ones which meet local/regional political goals, and not necessary the wider interests of Europe, but seek ways to harmonise regional, national and European priorities**.

Finally, we need much closer working between private equity and venture capital and the regions. Where are the venture capitalists when regional innovators meet, and where are the regions when private equity is looking for new ideas?

Key points/discussions:

1st session

Danuta Hübner

Europe is not just Brussels and the capitals. **To face the challenges of our time a horizontal, place-based approach is needed.** The territorial dimension lets us avoid too one-sided sectoral approaches.

With the Lisbon Treaty, the EP will move to co-decision power on regional policy. It is, thus, important that the EP is active in the pre-legislative phase and more visible in the political debate on the issues.

The Council in March will have to adopt the new strategy 2020. There will be a lot of continuation, but also some fresh air.

As to regional policy post 2013, there are a number of notable challenges.

The 2006 reform of the EU's regional policy already introduced a level of coordination between the Lisbon Agenda and Regional Policy. However, it is not very clear whether the funds really go into supporting long-term growth and jobs. It should, thus, **be important to study where the money is going and whether it is really going towards innovation and sustainable growth.**

In terms of sustainable development it is important to note that the impact of climate change is asymmetric. This necessitates a lot of tailor-made responses, which, of course, also presents a huge economic opportunity.

We will not achieve competitiveness unless we have engagement of all levels of governance. The continuation of involvement of the regions/the local level is absolutely essential and harnessing the concepts of knowledge and innovation is key. **Those who think we can disconnect local/regional level from the pursuit of European policies are wrong.**

On many issues the process to build more knowledge-based economies at the regional level has already started. In this respect, the **triple helix approach is key.** There are 100s of good practice examples to mobilise stakeholders for innovation. Still, **we will have to do more on the networking.**

Now the time has come that we have to ask those with the practical know-how to contribute their ideas at the stage of building the visions and designing the programmes.

Many regions now have innovation strategies. But **we also have to encourage the regions to further analyse what they are doing and see where they could improve efficiency.** This is in some ways a duty of the regions and will be extremely important for the post-Lisbon landscape.

There is a lot of talk about the need for a new growth paradigm. To support that **we must provide a single development framework at EU level, supporting the transformation of knowledge to innovation,** while taking into account that the world is moving quickly and everything is intertwined.

Žiga Turk

Reflecting about the future of the EU, four major challenges appear on the horizon:

A – Abundance

We have had a tradition of associating economic growth with increasing abundance of industrial products, which today now challenges sustainability in

the longer term. Can there be sustainable wealth creation without growth or must we face a low-growth/high unemployment future? Some now speak of the 'conceptual economy' to capture the value of knowledge and innovation. If the whole world is moving into the knowledge society, then Europe will be lagging behind. Europe will be below 10% of global talent, due to below 10% of world population.

B – BRIC-countries/globalisation: BRIC (Brasil,Russia,India,China) represents the major shift in global economic influence, in which Europe's current position cannot be assured.

C - Climate change is fundamentally changing all our assumptions, and is particularly relevant with energy use.

D - Demographic challenge: The progress of demographic change is inexorable and extremely difficult to work around – there is a retirement bulge coming and there will be fewer and fewer workers entering the workforce and will leave it. For instance, **it would take 50 Mio immigrants to keep the same ratio of non-working to working population.** This raises important implications for immigration, as well as social cohesion and land use.

The four challenges A, B, C and D are due to historic changes (e.g. the end of industrial age, the end of fossil fuels and energy exploitation...)

Fundamental issues are here with us. To have a sustainable way out of crisis we have to tackle ABCD and not pretend we can go on like this.

The present may seem a bit gloomy but we have to believe that the future is endless. **We are borrowing massively in all kinds of areas from the future,** e.g. capacity to absorb CO2. Wall Street was borrowing on the future. We ourselves borrowing are to live beyond our means, our Heads of State not better, not sustainable. **"When it comes to the future there is no time like the present". Since silo thinking will not provide us with the necessary answers, an added value lies in** exploring the horizontality.

The crucial question is what kinds of resources can we make better use of?

At present,

3 types of resources are viable:

1. People (keep and develop good people, focus on skills and lifelong learning),
2. Sun (shift from 'below ground' to 'above ground' sources of energy),
3. European Union (use the EU and its institutions as a tool to achieve new ways to addressing the challenges we all face).

People, i.e. people's hearts, their values, their creativity, their innovative mindsets. Both, quantity of skilled people and quality by educating people. Therefore, **skills upgrading is essential. However, at the same time, we also need to foster the (job) opportunities** so that these people can exercise their skills. Further to that, business infrastructure, entrepreneurial infrastructure and political empowerment have to be core future opportunities that enhance people.

Sun, i.e. getting carbon neutral. We need to totally change energy infrastructure and use. **A lot can be done locally but if we do not have critical mass, we are underutilising what we have. The sun shall be the third industrial revolution.**

European Union: It was said about the computer that it is like a violin, i.e. if

you are good with it you can do a lot, if not, you will be in trouble. Europe is the same, i.e. the better we make use of the European Union as a global actor, the better the outcome will be for our common future. We can keep discussing how to make it more perfect or learn how to play it better! In any case, **we should try to take Europe as a solution to the problem and not one of its challenges.**

A key element of the new 2020 strategy should be how to explore the synergies between different EU strategies. Particular attention should be upon a strategy including environmental (sun), social (people) and economic & innovation (European Union) policies. There is a need for coherent framework and it should better be complete. Specific measures on selected areas can guarantee a better tackling of the challenges A,B,C and D.

“You are not making people happier by increasing the GDP. Europe has to be made relevant in answering the big challenges”. Relevance on a global stage is vital for the future of the EU, since Europe stands and falls with how relevant it is on the big issues of our time.

Gerard de Graaf

In terms of the future strategy, we need to envision where we want the EU to be in 2020 as a truly smart economy (Barroso) and work our way back to identify our priorities.

We shall focus on three drivers/priorities:

1) knowledge and innovation

2) people/skills

3) the social dimension

It is not that there wasn't a clear vision before, but there was a delivery gap, a problem with the implementation. For instance, we had a mismatch between priorities and taking important measures (e.g. the Community Patent, where language issues became more important than delivering innovation).

These priorities have to be reflected in everything we do. We have to make sure objectives are meaningful to MS, i.e. neither insufficiently ambitious nor demotivating, therefore we have to have EU targets but translate them into national targets. **We will have to monitor this, use surveillance and peer pressure, work with benchmarks and scoreboards. Ultimately politicians respond to pressure.** This will not be an easy discussion, but we will have to have it.

We have to realise it is not the EU that can deliver this alone. Multi-level-government is absolutely critical. This is about policies, setting framework conditions at national and local level and about finances, since such an agenda will require investment in our future, which, of course, faces considerable constraints in the current climate. **The most important resource is political will.**

Conclusion. **Best practices:** If we could only multiply success! How can we learn from each other? There is a lot going on. What can the EU do? Facilitate this? **Create some kind of a knowledge base/marketplace?** Your suggestions are welcome.

Recently, we had a discussion of the General Affairs Council, based on a paper by

the commission. And soon, we will present a longer paper, to prepare the ground for the spring European Council.

We have a partnership with the MS. We should also have to have one with the regions. Not just from perspective of SF also in terms of other policies that are relevant to Lisbon. This is not necessarily always about having a formal consultation but using your own policy responsibility and acting pro-actively.

2nd session

Mikel Landabaso (session moderator), DG REGIO

Two dimensions to this debate: Innovation as game-changer (e.g. why Malthus got it wrong ignoring the power of innovation) and, as underlined by Ziga Turk, the raw material of this conceptual economy is evenly distributed in the economy, since people are genetically equally intelligent.

But why are there places where this potential is not valorized into knowledge and new products/services in the marketplace?

Do we need sectoral policies or do we also need a territorial approach, should we go for R&D excellence or for territorial cohesion?

The answer will probably be in the middle. But for better evidence, we are currently undertaking a review of regional innovation strategies together with the OECD. The first results will be available in March.

Invites audience to next Regions for economic change conference on 20/21st May 2010.

Olivier Brunet, DG RTD

Cohesion of today is excellence of tomorrow and therefore considerable effort to increase synergies amongst the many EU research funding streams:

- 7th Framework
- Competitiveness and Innovation Framework Programme
- European Union Cohesion Policy, comprising the Regional Development Fund and the Social Fund
- ERASMUS and ERASMUS MUNDUS
- LIFE: Environment
- LEADER: Rural Development
- Fisheries and Aquaculture

plus other initiatives such as EUREKA. This last is important as **responsibility for promoting synergies rests with member states and regions, while the EC can act as facilitators** and development of a Practical Guide on developing synergies, available on CORDIS.

Karen Maguire, OECD

Regional development from the OECD perspective differs from the EU, in that it refers to subnational jurisdictions, (such as provinces, or states).

Some areas are getting attention now that did not get attention in the past, e.g.

public sector innovation and improving the governance of policies.

Multi-governance: Lots of priorities set outside the region. We need tools to bridge the coordination gaps across levels of government.

The conclusion of a recent OECD ministerial meeting on regional development was that: There is an equity/efficiency trade off and it is mutually beneficial.

Does concentration equal growth? Not necessarily. GDP growth was actually higher among low patenting regions. So we need to move away from a simple R&D patenting approach to analyse this.

Who is at the table setting the priorities? It seems there is a dominance of the academic side. But in a lot of cases (regional innovation strategies) there are no priorities stated. Horizontal coordination at regional level is an issue here. There is a trend now to move towards foresight-based approaches.

Panel Discussion:

- Definition of region: There is very different language used between the US and the EU on what a region is. We need to keep in mind what these **other, less public sector driven models** are.
- Interregional cooperation: Not all of these projects EU regions engage in can be super-productive.
- OECD presentation/patent table: Not an econometric model. OECD looks at patenting by inventor. Where is the actual geographical location of the activity? Not always easy, e.g. co-patenting, headquarter effect. There is a certain weakness of these patenting indicators in particular for small, open economies like Belgium. Would be good to have broader measurement of cross border spill-overs.
- This points also to one weakness of the **EU's research policy: Autocratic views**, measuring everything within the regions/borders. Indicator problem.
- It is important to also move beyond European borders.

3rd session

Flanders, Vincent Thoen, Advisor of the Flemish Council for Science and Innovation

SWOT and foresight study – led to 6 strategic clusters for Flanders

For each cluster we created an expert panel. Resulted in 30 priorities for Flanders. And defined preconditions for these clusters.

Important step: **From strategic priorities towards concrete Breakthrough Innovation Platforms**, i.e. concrete projects with a specific timeframe, excellence target etc. 2-step process: 1) Identify a project for a breakthrough innovation platform and 2) develop a business plan for the selected project.

Strategy: Flanders in Action. Make Flanders one of the 5 EU regions by 2020. Main breakthroughs identified leading to 10 spearheads.

However, difficult to get the resources for implementing this plan.

PACA, Anna Lisa Boni, Director PACA EU Office

European Union can be a tool. We actually delivered the innovation policy thanks to Objective 2. Regions have been asked by the national government to adopt a regional innovation strategy as part of the O2 funding.

This was a welcome opportunity for us to integrate the existing plans/strategies into one strategy. It took 18 months to do it.

We were engaging experts for the diagnostics/analysis. Our specialty: Services driven economy. Methodologies enriched thanks to European input.

Looking at what where the strengths and dynamics, helped us to position ourselves as a sustainable and creative Euro-Mediterranean region. It also helped to link to other European funding, including FP7 Regions of Knowledge.

People dimension: There is lot of investment flowing into this, e.g. social innovation/societal innovation, social responsibility of enterprises.

The strategy has to speak to citizens. Special needs, e.g. seniors, patients. This is a different approach than one focusing only on technology. It is based on user-centred innovation. We don't have world-class clusters but the capacity to innovate through that user-centred innovation with an emphasis on people: **One of the conditions of clusters/poles for funding is that they invest in skills development/training.**

Governance. Technical consultation and political consultation. Empowerment and responsibility to realise this, once adopted. The unanimous adoption in our regional council across the political divide was quite significant.

Strong governance: **Strategic committee and permanent conference of actors plus online forum. Operation governance with action team.**

Navarra, Maria Lozano Uriz, Head of the Delegation of the Government of Navarra in Brussels

The focus of the Third Technological Innovation Plan Navarra (2008-2013) is on RDI internationalisation. We are, for instance, funding an exchange programme for researchers. This is delivered through fostering intra and interregional cooperation: 1) developing R&D integrated projects (Poles of Excellence), 2) integrating ICT in high potential sectors, 3) integrating different regions in the ERA.

We gathered triple-helix actors and got them to cooperate through projects. Success factors have been a commitment and leadership from regional authorities and a certain degree of patience and generosity of the stakeholders.

The European dimension was the most difficult part: We did a mapping of European regions working on these sectors. Developed an interregional foresight.

There was the objective to do a joint call, but we did not manage to do it.

To establish success, we measured how much private investment was triggered though every Euro of public investment. Company leadership is very important in this respect. Besides that, IPR related problems have to be dealt with.

South West UK, Richard Male, Science and Industry Manager, South West England RDA

– Shaping the regional innovation agenda through cooperation

Real belief in the value of networking to achieve targets and advance regional development. Networking provides access to professional expertise about innovation from across Europe.

It is implemented through iNets that are platforms for SME interaction, collaboration with and contact to national and international networks. iNets support ideas, knowledge through company-led innovation.

A second pillar are the Business Technology Centres: sound partnerships between research organisations and businesses and collaboration between research organisations, including higher education.

The challenge lies in better harnessing of procurement: Try to access the high public procurement budget and direct public procurement to better supporting innovation. Public procurement-led innovation stimulates SME involvement. In such, it allows government, local and regional authorities to shape the development of products and services.

Who is the driver, public sector-led model or private?

Discussion

- A **regional observatory for innovation** would be welcome.
- Often **difficult to get SMEs around the table**, particularly now during the crisis, but there is a clear need to develop 'clusters' approaches for innovation.
- There is a lot of **overlap in regional strategies**, but not every region can, for instance, have a world-class biotech cluster. **Regions will need to increase the originality of their innovation plans.**
- Before being able to work successfully at inter-regional level, you have to be able to work successfully with stakeholders/triple-helix partners in the region.
- Concerning **SME involvement** in projects funded by regional governments: A certain **reciprocity** (between countries/regions) would be needed to strengthen cross-border linkages.
- There is a **fundamental gap** in that companies get funding for technology development but not enough efforts go into **creating market demand** for new technologies/products. But it is the market where companies need to make their money.
- The (cluster) approach so far is to ask who is doing this or that and then put a number of people in a room. **But what do you do about businesses that do not yet exist? How to deal with disruptive innovation? And how do you involve risk capital in these discussions?**
- Have we understood the problems we are facing as we move forward?
- **Maybe the innovation challenge is about the way we think of innovation?**
- That is also a weakness of the **foresight** approach. It simply cannot make sense of something that has not been invented yet.

For more information and to download the presentations, please visit the [ERRIN webpage](#)