



## Rise of the regions

Local authorities and regions have the opportunity in 2011 to step up and play a major role in Europe's innovation drive, believes ERRIN Director Richard Tuffs...

**T**he Chinese economy has grown by another 10%, while Europe slowly climbs out of the recession, with medium-term potential growth projected to remain low and estimated at around 1.5% up to 2020<sup>1</sup> if no structural action is taken. It is clear that one of the biggest challenges facing Europe is the need to adopt a more strategic approach to innovation. Europe must innovate if it wishes to retain its economic and social model in the face of increased global competition. This means tackling the key weaknesses of underinvestment in knowledge and research, slow standardisation and excessive fragmentation and costly duplication. Improving framework conditions, such as access to capital for small and medium enterprises (SMEs) should be another priority.

Building on the Europe 2020 Strategy,<sup>2</sup> the European Commission has published two key communications. Innovation Union,<sup>3</sup> launched in October 2010, is one of seven flagship initiatives that aim to activate the Europe

2020 Strategy with a more tangible agenda with fewer priorities, therefore, avoiding the errors of the less than successful Lisbon Strategy.

### Innovation Union

In the UK, we remember the refrain 'education, education, education'. In Europe, it is 'innovation, innovation, innovation'. Through 34 action commitments, the Innovation Union communication tackles unfavourable framework conditions; tries to avoid the fragmentation of efforts in national and regional research systems; promotes a focus on innovation addressing major societal challenges, such as ageing and climate change; and promotes a broad concept of innovation exploiting Europe's creativity and diversity.

However, from a local or regional perspective, one significant element of the Innovation Union is the need for innovation policy and actions to involve all actors and all regions in the innovation cycle – both public and private

– including corporations and SMEs and citizens themselves, through social innovation.

This innovation ‘revolution’ extends not just to a few hi-tech areas, but to all European regions, each focusing on their core strengths (smart specialisation) with Europe, member states and regions acting in partnership.

Regions provide the institutional infrastructure and linkages to make ‘triple helix’ collaboration (aligning governance, business and research agendas) not just possible but effective. Regions understand their core competences and innovation ecosystems and are used to working in partnership at both the vertical level (local-regional-national-European) and horizontal level between the crucial sectors that provide the framework for innovation – for instance universities, research institutes and SMEs. The regional level also has the institutional capacity to work with other European regions in transnational projects to develop critical mass across regions.

Local authorities and regions are thus expected to support innovation by: setting aside a dedicated budget for pre-commercial procurement for innovative products and services; focusing current and, more importantly, future structural funds on innovation; and supporting innovation in SMEs. Public authorities will also be asked to contribute to public sector and social innovation, linked to a pilot European Public Sector Innovation Scoreboard.

One new approach is the launch of European Innovation Partnerships (EIP) – the first to be piloted in 2011, focusing on healthy ageing. This EIP will have the target of increasing the average number of healthy years by two by 2020, by exploiting innovative products and services and working with a wide range of stakeholders in both the public and private sectors and at all levels. The Commission has announced that these EIPs will not receive any extra funding, so it will be interesting to see how much real engagement comes from potential stakeholders.

**Smart regions**

On the same day as the publication of the Innovation Union came a linked communication on regional policy and smart growth<sup>4</sup> that argued for smart specialisation strategies where each region focuses on its own strengths. By focusing on areas of competitive advantage, regions can ensure a more effective use of public and private investment. These smart specialisation strategies are place-based, build on a region’s strengths and take explicit account of the history, location, territorial features, industrial structure, research potential and scope for collaboration with other regions.

Smart specialisation has a clear local and regional dimension. The strategy cannot be imposed from above in Soviet-style five year plans, but must be driven from a bottom-up perspective within the local area. This bottom-up perspective will need to consider the innovation potential of clusters, as well as the innovation landscape for SMEs. Regions will have to benchmark their educational systems and research infrastructures as well as their digital and design capacities.

The smart specialisation debate has already begun in Brussels and raises many issues. Who decides the specialisation (local, regional, national or European?), what legitimacy will it have and, in the UK context, at what spatial scale? Should the specialisation be asset or ambition-based? Can a region decide to invest in an area where it has no current assets? Finally, is there a danger that the wrong choice of a specialisation will lead to a region becoming a lagging region of the future?

**Regions joining forces for innovation**

The European Regions Research and Innovation Network (ERRIN) was formed 10 years ago as a loose, Brussels-based network to exploit the potential of the research and innovation agenda. Regions need to work together to share experience, to learn and increasingly collaborate in exploiting the advantages of open innovation systems and the ‘creative commons’, and build a critical mass both for research and investment funding and for future markets.

10 years on, with over 90 regions from 20 countries, ERRIN sees a European policy dominated by questions of economic recovery through a research and innovation agenda. As the European research and innovation paradigm develops through the completion of the European Research Area, so do future funding opportunities for regions.

2011 will be a crucial year, when major decisions will be made in terms of future research and regional policy post-2013 and, via the future EU budget discussions, how much funding will be allocated to these key policy areas after 2013. This is a crucial debate for local authorities and regions across Europe, and ERRIN will strive to ensure that the local and regional messages are not forgotten and that local authorities and regions can play a strong role in both policy shaping and policy delivery.

Innovation needs regions and regions need innovation. Europe and its regions can ill afford a lost decade, and that is why the Europe 2020 Strategy and the Innovation Union flagship initiatives must deliver. Success will depend on local and regional engagement. Local authorities and regions, now more than ever, will be called upon to help develop the partnerships and projects that a successful EU innovation policy will require.

<sup>1</sup> Annual Growth Survey: advancing the EU’s comprehensive response to the crisis COM(2011) 11 final [http://ec.europa.eu/europe2020/pdf/en\\_final.pdf](http://ec.europa.eu/europe2020/pdf/en_final.pdf)  
<sup>2</sup> Europe 2020 Strategy COM(2010) 2020 [http://europa.eu/press\\_room/pdf/complet\\_en\\_barroso\\_\\_007\\_-\\_europe\\_2020\\_-\\_en\\_version.pdf](http://europa.eu/press_room/pdf/complet_en_barroso__007_-_europe_2020_-_en_version.pdf)  
<sup>3</sup> Europe 2020 Flagship Initiative Innovation Union COM(2010) 546final [http://ec.europa.eu/research/innovation-union/index\\_en.cfm](http://ec.europa.eu/research/innovation-union/index_en.cfm)  
<sup>4</sup> Regional Policy contributing to smart growth in Europe 2020 COM(2010) 553 final [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/smart\\_growth/comm2010\\_553\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/communic/smart_growth/comm2010_553_en.pdf)



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