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THE CONTRIBUTION OF REGIONAL POLICY TO SMART GROWTH

DG REGIO INFORMAL ROUND TABLE WITH REPRESENTATIVES OF CIVIL SOCIETY, LOCAL AND REGIONAL AUTHORITIES

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BUSINESSEUROPE INITIAL REMARKS ON THE INNOVATION UNION FLAGSHIP

The scale of challenges faced by the economy and society, the context of crisis and fiercer competition at global level call for further efforts to support research and innovation.

Yet, it is well known that Europe is lagging behind its main competitors in terms of investment in R&D and innovation. Europe has an average rate of 1.9% for R&D intensity in 2008, compared with 2.8% in the US and 3.4% in Japan (2007 data for Japan) and well below the 3% target of Europe 2020.

But it is not only a matter of the amount of money invested. Companies are struggling with great bureaucracy and numerous procedures which hamper the effectiveness of European programmes for research and innovation.

This is why BUSINESSEUROPE welcomes the Innovation Union flagship initiative. We believe many of its ideas go in the right direction and will contribute significantly to meeting the Europe 2020 objectives once implemented.

- The recognition of the private sector as a key player in delivering innovation in Europe and the emphasis put on a “business-oriented research and innovation policy” is of fundamental importance. The business community can help ensure a more innovative and competitive Europe and their representatives should thus be closely involved in the debate.
- It is important to recognise that more financial resources will be necessary at the EU level to deliver on the objectives of the strategy. We hope discussions on the future of the EU budget and the next multi-annual financial perspectives take this properly into account. The development of public procurement as a useful driver for research, innovation and market uptake as well as the suggested measures to improve access to finance are welcome.



- The necessary resources must be complemented by the continuation of simplification and streamlining of the regulatory framework for research and innovation, simplifying procedures and better coordinating among different initiatives to avoid different application of rules across different areas and programmes.
- Finally, the European Innovation Partnerships could become crucial to give a political drive to innovation as a tool for tackling societal challenges. But this implies proper management and assessment of the potential for future value added in Europe. Due to the complexity of such partnerships, BUSINESSEUROPE considers it appropriate to launch a pilot partnership as a first step.

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Divergences in terms of research and innovation are also very marked within Europe, across countries and regions. Today, most knowledge-intensive clusters are concentrated in some European regions where specific conditions are met, such as high level of education and adequate infrastructures.

With 65% of public investment implemented by regions, cohesion policy can play a key contribution to innovation. In this regard, its main role should be to incentivise lagging regions to develop the necessary framework conditions for research and innovation while continuing to support leading regions to thrive for excellence.

This should follow the so called “smart specialisation”, as referred to by the Commission in several communications. It is indeed necessary that each region develops a coherent innovation strategy that builds on its comparative strengths.

Such an approach, if properly integrated in a coherent development plan and closely linked to the National Reform programmes, sets the right direction of reform. The proposal from the 5th report on economic, social and territorial cohesion to establish a development and investment partnership contract between the Commission and Member States has a great potential if effectively designed.

But it is necessary to act upon the current shortcomings that are hampering the innovation. It is clear that spending on innovation is currently facing serious problems and this is particularly alarming if one looks at the numbers presented by the Commission in terms of the implementation of the ERDF envelop on innovation. The Commission must properly identify the underlying reasons and draw the necessary policy conclusions once such an evaluation is done.

Having some key framework conditions in place can certainly facilitate innovation to emerge, develop and translate into concrete application.

- Innovation depends very much on competition and making a commercial success of new ideas. For that, companies need the best entrepreneurial conditions. Regulation is a particular important aspect for a dynamic business environment and



reduce administrative hurdles that slows down the responsiveness of firms is badly needed. This should come along with an improvement of services provided to companies and by developing interfaces between universities and companies. An adequate labour force, with continued investment in training for workers and entrepreneurs and education systems that improve management skills are equally necessary.

- Adequate financing instruments and risk sharing facilities must be effectively developed. Regional policy must continue its efforts to improve financial instruments and move away from a one-off grant culture only. Specific financing instruments for SMEs as important drivers of innovation, especially on the regional level, must be further developed and an integrated venture capital market is urgent. Existent instruments such as JEREMIE must be further simplified and widespread.
- Platforms to facilitate interaction across regions and exchange of best practices must be created. This can allow cooperation to naturally emerge in similar projects, rather than being imposed from the top, and avoid a duplication of research efforts. This is particularly important in what concerns clusters given that Europe is characterised by a large number of small-scale clusters. It is thus important to facilitate cooperation between those which develop similar projects in order to develop the necessary critical mass to compete internationally.

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