



Regional Focus

A series of short papers on regional research and indicators
produced by the Directorate-General for Regional Policy

Regional Innovation Governance

By Marielle Riché

Introduction

Over the past 15 years, the European Commission has supported the building up of Regional Innovation Strategies by regional partnerships through pilot projects and programmes¹. For the current programming period, the Community strategic guidelines for 2007–2013 indicate that one of the roles of Cohesion Policy in the innovation field is *'helping regions to implement regional innovation strategies and action plans which potentially can have a significant impact on competitiveness, both at regional level and in the Union as a whole'*².

In order to understand better how this role was accommodated in the 2007–2013 operational programmes (OPs), the European Commission launched a study covering 14 regions throughout the European Union³. This study provides an overview of and insight into different approaches towards innovation and the contribution of the European Regional Development Fund (ERDF) programmes. The regions concerned are: Piedmont, Western Sweden, Pays de la Loire, Pomorskie, Lithuania, Prague, Steiermark, South Netherlands, Lowlands & Uplands Scotland, Saxony, Central Tansdanubia, Denmark, Slovenia, and East of England.

This study presents different approaches towards the governance of innovation; examines complementarities between the ERDF and the national/regional funds for innovation; shows an obvious effort to involve partners in the design and in some cases in the implementation of the programme; and argues that there is still room to improve the effectiveness of ERDF support for innovation. Based on only 14 regional case studies, its findings should be understood as a partial picture of the EU regional governance of innovation.

1. Different understandings of innovation

The measures prioritised within the OPs and their implementation differ, depending on the managing authorities' vision of the processes of innovation. Regions such as Western Sweden or Steiermark (Austria) clearly have a systemic vision of innovation: *a complex societal process which cannot and shall not be reduced to technological dimensions only with educational, sociological and (regional) policy implication*⁴. In Western Sweden, this systemic

approach to innovation favours initiatives targeting public bodies and research institutions (industries are not the main target group for implementing projects).

Until recently, Lithuania and Scotland perceived the innovation model as linear and focussed on R&D. Such a vision favours the funding of projects at different stages of the innovation process (idea development, technical feasibility study, R&D, etc.) and not horizontal initiatives aiming to support the innovation system. Such an approach is often top-down and does not meet the needs of firms with less absorptive capacity. According to the study, Lithuanian authorities are progressively changing their understanding to a more systemic approach as an outcome of the work of a Regional Innovation Strategy (RIS) project (2005–2008). The Scottish government recently shifted its innovation policy from a focus on cluster initiatives to networking between all the actors and a strengthening of the overall regional innovation system.

2. Decentralisation favours regional innovation?

Depending on Member States' organisation, some regions have competencies in designing their innovation strategy and managing their OP while others are closely framed by national guidance. In a number of regions, recent administrative reforms have impacted on the ERDF management, as outlined below.

The newly created Western Sweden region was empowered with industrial and innovation policy (amongst others) allowing for more efficiency in dealing with complex interrelated policy challenges such as innovation; the Pomorskie region (Poland) received for the first time a real responsibility for implementing the Regional OP together with a substantial budget. This increased the role of the regional authorities and partnership in designing the programme, even if the framework was a national one, to ensure a close match with other strategies. In Pays de la Loire (France), the State representation normally responsible for the ERDF endowed the Regional Council with a global grant to manage innovation interventions. This gave credibility to the region as a key stakeholder and coherence to the different

¹ RIS (Regional Innovation Strategies) 1990-1993, RISI (Regional Information Society Initiatives) 1994-1999, followed by Regional Programmes of Innovative Actions 2000-2006.

² 2006/702/EC of 6.10.2006.

³ Study undertaken by the Danish Technology Institute.

⁴ Austria national strategy.

initiatives to promote regional innovation launched in this region since 2005.

Meanwhile, the lack of institutional structures, such as NUTS 2 level regions in Lithuania, seems to be a constraint to an effective regional innovation policy⁵. The government elected in 2008 is planning to create four new regions instead of the ten existing counties. In Central Transdanubia (Hungary), the centrally organised design and implementation process of the OP makes it difficult to establish a coherent and effective regional platform for innovation.

3. The Operational Programmes as contributors to national or regional innovation strategies

In most cases, the OP does not set up an innovation strategy from scratch. However, it can play a central funding role in implementing the strategy, in particular in the new Member States, for obvious reasons of availability of resources, but also in Saxony, Steiermark, Piedmont and Western Sweden.

Prior to the design of 2007–2013 OPs, some regions benefitted from a RIS. In Poland, the Pomorskie region managed to integrate some of its findings (the RIS was published at the end of 2004) within its OP, despite the nationally designed general framework for establishing the regional OP. In Hungary, the Central Transdanubian OP contains the most important priorities defined in the RIS project undertaken in 2001 with Umbria (Italy) and Brandenburg (Germany). The priority on Innovation and Enterprise in the Prague 'Competitiveness' OP was based on the RIS outcome.

In Lithuania on the contrary, the two RIS projects which ran in parallel in the southeast and northeast of the country from 2005 to 2008 were barely reflected in the OP. This was not only because of the overlapping period of these projects with the OP preparation, but also because of the top-down design of the OP. In Pays de la Loire a new process of consultations was launched to draw up a Regional Innovation Strategy in the framework of the 2007–2013 OP.

In a majority of regions, the OP contributes to the implementation of the national strategy by funding actions and projects shaped by the strategy (Lithuania, South Netherlands, Slovenia, Pomorskie). In other regions the OP strategy is embedded in a regionally designed economic/business development strategy (Sweden, Piedmont, Steiermark). In Scotland, this alignment aims to maximise the impact of the strategy in a period when EU funds are diminishing. In some cases, the OP and the regional economic/business strategy (or its update) were developed at the same time which allowed a fruitful cross-fertilisation (East of England, Denmark). This was also the case between the Austrian national strategy and the Steiermark OP. In Western Sweden, the co-ordination of national and EU funding is institutionalised through the Regional Growth Plans and in Denmark the national government works in partnership with Growth Forums to ensure common objectives.

4. The role of the partnership: some improvement but still insufficient involvement of the research and private sectors

All the studied regions organised structured consultation with the partners through workshops, conferences, bilateral meetings, regional websites, etc. These consultations were intended to provide a better assessment of needs as well as the development of mutual trust and understanding of the programme rationale and priorities. For a region such as Pomorskie, where 1 900 people were consulted through 37 events, this was a novel process.

However, in some cases the consultation did not really influence the design of the OP. The reasons were that the OP was so closely aligned to established national or regional strategies that there was no room for manoeuvre (Prague); that the concentration of the funding on few priorities limited the possibility for new ideas (Piedmont); or that the partners were already consulted to set up a previous national or regional strategy and consequently the region did not deem it necessary to renew the consultation (Scotland, Prague).

A more fundamental reason lies in the administrative traditions in the different countries. There is a well established tradition of partnerships in the UK, Sweden, the Netherlands and Denmark. Denmark is an interesting case as the partnership at the regional level is institutionalised into Growth Forums involving representatives from the regional business community, social partners, academic and education institutions and the municipalities. Their tasks are to develop strategies, monitor regional industrial development and prioritise initiatives strengthening the regional business environment for funding through the Danish OP.

These traditions are reinforced by a systemic vision of the process of innovation. In the Netherlands, regional innovation is considered to be a task that can only be achieved by co-operating rather than competing. For the preparation of the South Netherlands OP, representatives from the three provinces in the region drafted a position paper based on discussions with local stakeholders including city representatives, regional development agencies and the 'Syntens' Innovation Network for Entrepreneurs. In Sweden, where researchers commonly become members of strategic research groups in large companies and industry representatives play the same role in universities, the region encouraged the establishment of business development organisations, networks, competence and technology platforms: it is therefore natural that the design of the Regional Growth Plan and of the OP of Western Sweden benefitted from an active involvement of the 'triple helix' stakeholders.

The stakeholders consulted in the regions studied are diverse, ranging from ministries, chambers of commerce and industry, regional development agencies, business and labour organisations, knowledge and research institutions, municipalities and funding entities to NGOs and churches. The most involved sector seems to be local and public administrations.

⁵ The whole Lithuania territory forms a NUTS 2 region.

The local level is often represented in the partnership. In the East of England, prior to the design of the OP, the region asked the Local Strategic Partnerships to produce an initial 10-page ERDF delivery plan. The aim was to ensure that the OP priorities fitted with local community strategies and local economic development plans. In Western Sweden and Scotland, municipalities were involved in the design of the OP and the representatives of local self-government and regional bodies were the most active stakeholders in the design of the Slovenian OP.

No organisation representing the research and technology sector was consulted in Saxony or in Slovenia, simply because such organisations do not exist in these regions (the sector was represented by the ministry in charge of research). Some regions (Pays de la Loire, Pomorskie, Lithuania, Prague) put less importance on consultation with universities, research institutes and the private sector. In Steiermark, companies and research institutions were not directly involved in the preparation of the OP, but were consulted during the preparation of previous regional strategies⁶. In Prague, in spite of weak links between the academic and business worlds, universities were not consulted for the 'Competitiveness' OP because they were involved in the 'Adaptability' OP which focused on educational issues.

The private sector is mainly represented by chambers (of commerce, craft and small business) such as in Slovenia, Prague, Saxony or by industry associations (Sweden). In Saxony, the private sector seemed reluctant to get involved because of the small amount of available funds. In Prague, this reluctance seems to be related to EU rules and the perceived administrative burden but also to an underestimation of the challenges of innovation for regional competitiveness. In Scotland, the private sector cannot bid directly for Structural Funds but can get indirect support through projects contrary to Lithuania, where SMEs are the main bidders for innovation support. In Lithuania, industry and academics were brought together in ad hoc advisory groups (five to six people) to discuss aspects of programme implementation, which was a way for policy makers to test their ideas and to prepare the ground for the calls for projects.

The partnership is often involved in the design phase of the programme, but less systematically in the implementation phase (such as in East of England, Scotland, Western Sweden, Steiermark or Denmark - see below). In Lithuania, the partnership did not continue during the implementation phase, the ministry officials deeming that this was no longer necessary, but this position may change with a proposal to form a sub-committee of the Monitoring Committee to discuss the implementation of the OP. In Prague, the partnership plays a role in the implementation phase only through the Joint Monitoring Committee. In Pays de la Loire, although awareness of the importance of partnership is rising, local actors and the private sector (funding institutions, intermediate bodies, universities etc.) are not yet sufficiently involved, nor are they directly represented in the monitoring committee. Some regions justify this on the basis of avoiding over representation of particular interests at the implementation phase.

5. Using intermediary institutions to implement the innovation parts of the OP

In Sweden, Nutek⁷, the Swedish Agency for Economic and Regional Growth, is responsible for managing the programme.

In Pomorskie, implementation of the innovation part of the OP was subcontracted to the Pomerania Development Agency, because it had the expertise to deal with the private sector, in particular SMEs (a large volume of applications and complex issues were expected). No public procurement was launched for fear that the winner, probably a private company, would be less trustworthy and accountable in managing public funds.

On the contrary, the Scottish government launched a tender to set up an intermediate body, the East of Scotland European Partnership, to administer the OP⁸. At the same time, Scottish Enterprise, the main enterprise, innovation and investment agency, plays an important role in the implementation of the OP. It set up the Strategic Delivery Body which allocates 25% of the funds dedicated to innovation in the OP, by identifying strategic projects in collaboration with research institutes and other organisations involved in pre-commercialisation activities.

In Steiermark, the government decided to reduce the number of implementing bodies compared to the last funding period to gain efficiency. The delivery to entrepreneurial beneficiaries was concentrated in the Styrian Society for Business Promotion which manages 63% of the OP funds. This is a limited company wholly owned by the State which holds 75% of a subsidiary firm, the other 25% being held by different banks. It also implements national funding schemes.

Even if the three regional development agencies of South Netherlands are not managing authorities of the OP, they play a key role in its implementation by actively involving stakeholders to develop good projects and directing SMEs towards three special innovation funds. Similarly, Finpiemonte S.p.A. works as the funding company of the Piedmont Region as well as the Regional Development Agency. It acts as the region's 'think tank' for innovation and research; it contributed to the design of the Regional Innovation Strategy of the OP; and it is responsible together with the region for its implementation. In the East of England, the Regional Development Agency also plays a key role in collaboration with other stakeholders in the implementation of the programme.

6. Project selection: a mixed delivery system

Many regions have set up mechanisms to promote projects in line with their strategy. To this end, they provide advice to project promoters, organise double-stage selection processes and use different selection systems as well as international or expert advice to select the projects.

⁶ The regional Technology Concept 1995 and New Economic Strategy 2006.

⁷ Currently Tillväxtverket, whose operations include the areas of responsibility previously belonging to Nutek and the Swedish National Rural Development Agency as well as the Swedish Consumer Agency's tasks concerning commercial and public service.

⁸ A not-for-profit company based on a partnership between the public sector, the voluntary sector, the government and the chamber of commerce set up by the Scottish Executive in 1994 to manage and administer structural fund programmes.

In the East of England region, the East of England Development Agency provides expert support and advice to develop projects through three thematic facilitators (representing the three priority axes in the OP). These facilitators assist the regional partners to develop projects from concept to appraisal in a two-stage selection process. They also run regional partner-search training and awareness seminars for potential project partners.

In South Netherlands, contact points in each province advise potential applicants. The three Regional Development Agencies have an important role in stimulating private and public organisations to develop good project proposals and helping them to find partners if necessary. The programme management, the contact points and the Regional Development Agency give a first feedback on the ideas presented by the applicants before the application form is submitted to the selection process.

Some regions fund two types of project, selected in different ways. In Lithuania, these are 'public sector' projects, planned in the national and regional strategies, and 'open tender' projects, funded through a competitive bidding process. Lithuania transferred this practice from Scotland where a study visit was organised when preparing the OP. Scotland uses a mixed delivery system creating room for large high-profile projects and smaller competitive or experimental projects in order to ensure maximum impact within the limits of the reduced level of funding. While the selection of most projects is based on open calls for proposals, one quarter of the funds allocated to innovation is allocated directly by a Strategic Delivery Body. Slovenia funds projects through two mechanisms: public call and pre-selection of projects (for projects of strategic importance with beneficiaries and operations known in advance).

The East of England selects projects through three different procedures in order to focus resources on fewer projects that can demonstrate greater strategic impact: open bidding; limited bidding where a limited number of project sponsors are invited to present projects meeting a specified priority or objective of the OP; and non-competitive selection where one project sponsor applies or is invited to deliver a specific operation. This blend of supply and demand-driven procedures allows for more flexibility and gives more leeway to policymakers to determine the direction of innovative activity in the region.

7. Role of partnership in project selection

In some regions, the partnership plays a predominant role in project selection. In Western Sweden, projects are evaluated by the partnership (including industry and labour associations) and adopted by Nutek, the Swedish Agency for Economic and Regional Growth, which normally follows their recommendations. In Steiermark, larger projects are approved by the supervisory board of the Styrian Society for Business Promotion which comprises representatives of the relevant government departments and of the business and labour chambers. Large flagship projects are submitted to a committee in which the representatives of the political parties in the Land Parliament and the social partners are also involved. In the East of England, representatives from business, trade unions, the voluntary sector, etc., are included in the formal programme Monitoring Committee. A sub-group of 27 members, representing a broad range of interests including

Local Strategic Partnerships and the East of England Business Group of private companies, consider expressions of interest and recommend either rejection or invitation to develop a full bid. In Scotland, representatives of the private sector, universities, local authorities and research institutes are part of Advisory Groups which short-list project proposals and the Programme Monitoring Committee which approves the projects.

Denmark applies a new way of promoting projects to strengthen the link between administrations, companies and research institutions. The Growth Forum of the Central Denmark Region prioritised support to large projects involving key regional players and to respond to this invitation, a 'project group' involving the partnership develops projects or initiatives. However, involving the partners in project selection raises the issue of potential conflicts of interest. For this reason, Pays de la Loire and Slovenia decided not to involve companies in this process. In order to ensure that the partnership does not favour particular participants when implementing the programme, the Danish Growth Forum created a high level of information sharing between all the partners and set strict demands for professional information and development management.

8. Using external expertise to design and implement programmes

Most regions asked external consultants to help them in the design of the programme: ex-ante evaluators proposed modifications to the programmes and consultants supported the regions in the consultation processes on the design phase of the OPs (Steiermark, Saxony, Pays de la Loire) or in drafting the OP (South Netherlands).

In some cases, other regions were involved in the design of the OP. To conduct the SWOT analysis of the Prague 'Competitiveness' OP, the Regional Development Agency co-operated with Italian and Austrian regions. Lithuania visited Scotland during the OP preparation and Pomorskie consulted representatives of neighbouring regions while designing its OP to exchange ideas on their respective programmes. The Saxony managing authority was in contact with its peers in other East German Länder through workshops and bilateral contacts. This region also shared experiences on designing and implementing new funding instruments with regions in the Czech Republic, Slovakia, Poland and Hungary.

External expertise is also sought to ensure the selection of the best projects in a field where specific knowledge is required. In South Netherlands, a panel of external experts in innovation and SMEs from the private sector assess the proposals concerning SMEs which are formally adopted by the Monitoring Committee. In Piedmont, the assessment of projects is first based on an international peer review. Then a task force of independent experts takes into account this evaluation and assesses the consistency of the projects with the innovation priorities of the OP. The Pomorskie region set up a group of experts contracted through a competitive procedure to assess the technical, financial, institutional and environmental feasibility of the projects. A strategic group including experts proposed by the members of the Monitoring Committee then ensures that these projects fulfil the regional policy objectives before adoption by the managing

authority. These groups represent a broad range of participants who are invited as experts rather than as representatives for their organisation.

9. A tension between broader coverage of programmes and territorial balance

While extending the eligibility of the ERDF to the whole territory of the regions could favour horizontal actions, it may overlook intra-regional disparities (a concern raised by stakeholders in the Steiermark region) or exclude a range of business, regional and inward investors (in the East of England, where only 11% of the territory was eligible in the previous OP, the authorities decided to focus on the meta-theme of 'low carbon economy' within which the region has research strengths but not the regional businesses).

To prevent this, the Steiermark OP set out spatially differentiated development targets for the 'technological and economic space' in urban and in rural areas. This may in turn result in a dilution of the innovative thrust of the OP. The East of England decided not to limit the programme to specific areas but to focus resources on fewer projects that can demonstrate greater strategic impact by limiting bidding procedures and non-competitive selection procedures (see above).

10. Evaluation: a tool unevenly used for policy learning

The ex-ante evaluations influenced the design of the OPs in a variety of ways. In regions such as Steiermark where Joanneum Research plays a specific role in designing national and regional strategies, it was perceived as an integral part of the overall planning process. In other regions, the evaluation played a marginal role, helping to fine-tune the OP more than influencing its content, often decided in previous regional or national strategies.

Some regions chose to evaluate implemented projects. In the East of England, small projects will be expected to produce their own reports whereas large projects will be expected to include provision for an independent external evaluation. Western Sweden's regional policies and innovation programmes integrate real-time evaluations at project and programme levels to spur reflective programme implementation: an external evaluator will assess all projects with EU funding over EUR 1.5 million. Smaller projects will carry out self evaluation, which will be reviewed by an external evaluator who also gives advice to improve the projects and programme implementation.

Food for thought

Based on the findings of this study, the following issues deserve further consideration.

- The role of the regions as stimulator and co-ordinator of regional innovation systems is crucial, while a good co-ordination between national and regional policies is necessary. What is the best level of decentralisation to support regional innovation in each Member State and how to ensure a common policy design framework?
- A wide consultation of the partners creates a common understanding of issues at stake and regional consensus on priorities. Associating this partnership in the implementation of the programme, including the selection of projects, creates a sense of ownership and lasting commitment. Some countries overcome the issue of the potential overrepresentation of particular interests. Is this a cultural and context-dependent issue, or could other countries benefit from their experience?
- The private and research sectors are not involved in the partnerships to a significant extent. In some cases this is due to a lack of representative body, in other cases this reflects a lack of interest to participate in strategies that are too broad. The setting up of intermediary bodies responsible for innovation seems to encourage involvement. What is the best way to involve all stakeholders of the innovative system in the design and implementation of the Regional Innovation Strategy?
- Project selection is an essential phase in the implementation of the strategy. Different mechanisms for project selection used by the regions help to focus the OP on strategic priorities while opening it to new ideas and allowing for flexibility in policy implementation. In many regions, the quality of these projects is strengthened by support and advice from intermediary bodies to project holders and by the involvement of external/international experts in the selection process. Should not the selection mechanisms for projects be an integral part of the innovation strategy design?
- The shared vision of the processes involved in innovation shapes the priorities and the design of the programme. The ex-ante evaluation is thus an important tool to analyse the regional innovation system and understand its dynamism. As such, it should be wholly integrated in the planning process. The ongoing evaluation of projects was planned by a few regions to help increase the quality of OP outcomes. Should not this practice be systematically applied to innovative and experimental projects?

**Any questions, comments or contributions
should be sent to the following address:**

regio-papers@ec.europa.eu

Consult this website for further information:

http://ec.europa.eu/regional_policy/index_en.htm