The power of collaborative innovation – visions for CENTRAL EUROPE.

Focus: on diversity and the need for cooperation
People: on fresh air and thinking out of the box
Feature: on innovation poles and coordination needs
Letters: on clusters and the knowledge economy
Profiles: on seeking and keeping the competitive edge
Welcome to CENTRAL EUROPE – Welcome to the “the CENTRAL EUROPEAN”

The CENTRAL EUROPEAN is the newsletter for the CENTRAL EUROPE community. CENTRAL EUROPE is a European Union programme financed by the European Regional Development Fund. It encourages transnational cooperation with the goal to strengthen Central Europe’s innovation capacity, improve its accessibility, protect its environment and enhance the competitiveness and attractiveness of its cities and regions. CENTRAL EUROPE runs from 2007 to 2013 and invests €231 million to provide funding to projects carried out in partnership involving national, regional and local institutions from Austria, the Czech Republic, Germany, Hungary, Italy, Poland, Slovakia and Slovenia. In addition, the programme also reaches out to non-EU regions by including Western Ukraine in the cooperation area. Projects are selected following public calls for proposals, which are open to public and private actors, including companies.

As Managing Authority, the City of Vienna is proud to host and support this programme. We are, thus, looking forward to a successful cooperation with the programme’s European, national and regional stakeholders and hope that this important initiative will bring visible benefits to the wider Central European region.

The CENTRAL EUROPEAN, which is published twice a year, focuses on the issues, the people, the regions and the projects that shape our new programme. It is designed to offer magazine-style reading with interviews, articles and stories that should stimulate debate, exchange and awareness of CENTRAL EUROPE’s potential and its achievements. The CENTRAL EUROPEAN includes the following sections: CENTRAL FOCUS - analyses the main theme of the newsletter; CENTRAL PEOPLE - interviews politicians at EU, national and regional level; CENTRAL FEATURE - highlights topical issues in connection with the main theme; LETTERS TO CENTRAL EUROPE – provides food for thought and a forum for ‘movers, shakers and thinkers’; and CENTRAL REGIONS – offers REGIOPROFILES and a platform for regions to share their visions, achievements and goals.

We are very pleased that European Regional Policy Commissioner Danuta Hübner kindly agreed to be interviewed for our first edition. We would likewise thank Minister Turk of Slovenia, Minister Bajnai of Hungary, President Illy of the Assembly of European Regions and Minister Pfister of Baden-Württemberg as well as all other interview-partners and contributors to this first edition of The CENTRAL EUROPEAN.

Starting with innovation and the knowledge economy in this edition and focusing on key aspects of other programme priorities in forthcoming issues, we hope to present a fascinating picture of a region in motion, a Central Europe that is cooperating for success!
Fresh thinking and smart growth

Innovation is a hot topic these days. Researchers, business gurus and policy makers around the globe are all trying to figure out exactly what it is – and how to get more of it – and for good reasons. Businesses need innovation to stay at the cutting edge of competition. Policy makers are also concerned with innovation, because of its importance in driving growth and securing jobs – while also helping reduce environmental impact and mitigating the risks of climate change.

The Internet offers a myriad of definitions for innovation, such as “the successful exploitation of new ideas” or simply “fresh thinking that creates value”. It is clear from these descriptions that innovation is more than just new technology or new products. It is also about new and smarter ways of doing things, new processes, new management methods, new business systems or new services.

Innovation, therefore, is not only about more growth, more jobs and more money, it is also about being smart. Smart growth does more to improve the overall quality of life than economic growth alone. Smart growth can involve eco-innovation that improves the environment or social innovation that provides everyone with similar opportunities. It does not simply consist of more production or increased sales, but instead involves real improvements in our lives. Achieving innovation that brings smart growth ultimately requires social interaction. This means that the social and cultural environment is key to the innovation process.

The EU’s innovation policy

Through the Lisbon growth and jobs strategy, innovation has become the European Union’s top policy priority. The Lisbon Agenda, approved by European heads of state in 2000, is Europe’s response to the challenges of globalisation. It sets out ambitious economic objectives for the EU, based on the idea that Europe, in order to stay competitive, needs to boost research and innovation.

As outlined in its recent communication, “Putting knowledge into practice: A broad-based innovation strategy for the EU”, the European Commission favours a wide-reach-
Innovation as a CENTRAL priority

This new focus on innovation has also been fully translated into the new generation of transnational cooperation programmes. Innovation is one of four funding priorities of the new CENTRAL EUROPE Programme, focusing on three key areas in particular:

• Framework for the generation of knowledge and new technologies: This includes the organizational, financial, legal and administrative structures and processes for the generation and transfer of knowledge and related entrepreneurship - such as clusters, networks, innovation systems, access to finance, SME support.

• Framework for the diffusion and application of knowledge and uptake of innovation and technology – such as access to research and technology development results and new knowledge, technology transfer, the development of new products and services.

• Framework for the development of human capital: This includes the promotion and development of skills and qualifications needed for the knowledge economy – such as through joint training and education initiatives.

Within its additional three priorities, the CENTRAL EUROPE Programme supports projects targeting other important factors of regional competitiveness, including improving accessibility of regions and improving a city and region's quality – as measured by environment, attractiveness and competitiveness.

All CENTRAL EUROPE projects that apply for funding, regardless of their focus or priority, have to adopt a knowledge-based approach and pay close attention to the generation, application and transfer of relevant knowledge. One important way this is achieved is through the involvement of relevant actors in the project partnerships, in order to ensure availability of diverse and relevant knowledge and expertise across the programme area.

Diversity powers innovation

The CENTRAL EUROPE Programme unites nine countries of Central and Eastern Europe in a joint effort to improve their regions innovation potential and competitiveness. But not all of these countries and regions start from the same level.

In fact, the programme area is as diverse as it can possibly get in Europe. It unites some of Europe’s richest regions with some of Europe’s poorest regions. In this situation, the programme must learn the diversity of its members as a source of strength and innovation potential. “The programme unites diverse economies in their innovation efforts. Diversity is as important as ability. Diversity powers innovation. It works with people, but it works with regions as well”, says Walther Stockl of the CENTRAL EUROPE Managing Authority, the City of Vienna.

Regardless of the existing differences in the CENTRAL EUROPE countries, and the resulting differences of their strategic priorities, (see our regional profile section for some examples) there is an enormous potential to exploit the diversity and build on the complementary strengths of the regions in Central Europe.

The programme could, for instance, lead to more coordination and synergies in policy development, build bridges between key actors, strengthen links between education, research, and company-based innovations and help to build transnational clusters. It could help generate strategic projects or realise unconventional projects that would otherwise not be undertaken. However, since the programme is based on an open, transparent and competitive process, with public calls for proposals, the impact of the various activities to be funded up to 2013 will ultimately depend on the quality of projects submitted and the professionalism of their implementation. Projects are, therefore, asked to have a clear orientation towards producing tangible and transferable results that add value to the partnership and the programme and have efficient and effective management structures in place. They are also asked to demonstrate a knowledge-based approach and build on what has already been accomplished in their field.

The new generation of transnational projects should, thus, build on the experience of earlier cooperation programmes as well as other initiatives targeting the regions’ innovation capacity – such as the Regional Innovation Strategies, the Regional Innovation and Technology Transfer Initiatives projects, or the Innovating Regions in Europe initiative.

The resulting scale of these new investments, and the broad mobilization of actors, should potentially make a real difference in the regions and unleash the “power of collaborative innovation”, to borrow a phrase from the organizers of this year’s World Economic Forum.

The interviews and contributions to this first edition of the CENTRAL EUROPE newsletter emphasise a strong need for more coordination between the regional, national and European level, and for concrete actions to maximise synergies between different programmes and initiatives supporting innovation. At the same time, they highlight the need and opportunity for more cooperation between the actors of the knowledge triangle – i.e. public policy, education and research – and the business community. They also emphasise the diversity between the regions of Central Europe, in terms of their level of development and innovation, while also underlining their potential for cooperation, for instance in relation to building transnational clusters and poles of excellence.

Claus Schultze is Head of Communication at the CENTRAL EUROPE Joint Technical Secretariat in Vienna and Editor of the CENTRAL EUROPEAN.

Katrin Stockhammer supported the programming of CENTRAL EUROPE. She is Programme Manager at the INTERREG IVC East Joint Technical Secretariat in Vienna and assists the INTERREG IVC East Info Point in Katowice (Poland).
Danuta Hübner, European Commissioner for Regional Policy, says transnational cooperation programmes like CENTRAL EUROPE can ‘mobilize the best of local knowledge’ and bring out innovative ideas.

**“From all the studies and research done in the past, we know what the challenges and problems are, and we should now make things happen, using the shared lessons and experience of others.”**

Danuta Hübner

**Bringing out innovative ideas**

In analysing territorial cooperation programmes, do you see any room for improvement in delivering innovation through these programmes, for instance, by improving the dissemination, visibility and sharing of the knowledge created, or by ensuring the innovative nature of projects?

**DH:** One way to facilitate delivery is to make use of good examples being set in Europe’s regions. Transnational cooperation programmes, such as CENTRAL EUROPE, have the potential to mobilize the best of local knowledge and to stimulate innovative ideas for projects that otherwise would not have materialized. However, I think it is important to see, especially in Central Europe, that we are not starting from scratch. We have to build on what we have already done. From all the studies and research done in the past, we know what the challenges and problems are, and we should now make things happen, using the shared lessons and experience of others.

In this context a special reference can also be made to the INTERREG IV-C and URBACT II programmes. These programmes are the financial host of the Regions for Economic Change Initiative that the Commission launched in November 2006. Regions in Central and Eastern Europe are, for the first time, given a unique chance to benefit from, and contribute to, these EU-wide networks.

At a November 24 meeting in the Açores, you updated European ministers on the progress being made in promoting innovation through regional policy. What were your main messages?

**DH:** The document presented to the ministers in the Açores in November 2007 (Staff Working Document „Regions Delivering Innovation through Cohesion Policy“ SE (2007) 1547) underlined the intrinsic link between European Union Cohesion Policy and innovation. The document recalls the pioneering role of Cohesion Policy in promoting innovation, summarises the main results of the data from adopted and draft programmes, and, finally, concludes with recommendations on how to achieve results after such a good start.

The first analysis of the 455 programmes that Member States submitted for the period 2007-2013 is very encouraging. All Member States responded to the call for more investment in innovation. The planned EU investment for innovation in 2007-2013 will be more than € 85 billion, which corresponds to 25 percent of the total new envelope for Cohesion Policy for the 27 Member States. This is more than three times higher than the amount invested over the period 2000-2006.

For the so-called EU 15 (older Member States), the amount is more than € 48 billion, corresponding to 32 percent of their total allocation under cohesion policy. The so-called EU 12 – Member States who joined in May 2004, including most Central Europe countries – are planning to invest € 35 billion, or 25 percent of the total EU resources available to them, for innovation.

Even though the need for investment in infrastructure in regions that are lagging behind is much higher in relative terms, it is investment in innovation and people that will make a truly crucial difference in enabling these regions to catch up.

We are reaching the end of the programming stage for the 2007-2013 funding period and the time has come now to deliver. Delivering on ideas, human resources, innovative technologies and products is a complex task that requires continued effort and on-going assessment of progress on the part of the responsible authorities. Investment in innovation and a strategic approach to development can only work if it is supported by concerted efforts among all partners, including key players, such as the research communities, universities and business.

The Commission will continue to work with the national and regional authorities on improving arrangements for co-ordinated preparation and use of Community instruments, like Cohesion Policy and the Seventh Framework Programme, to support research and technological development (RTD), innovation and development. This focus was highlighted in the recent Communication on synergies between EU policies, „Competitive European Regions through research and innovation“.

In preparing for the Spring Council, your services are currently working on a Communication on „Delivering the Lisbon Agenda through Cohesion Policy“. What can be expected from this communication in terms of new insights?

**DH:** The Communication adopted the Communication on December 11, 2007 as part of the package of measures on the renewed Lisbon Agenda. That package will be sent to the Council reviewing progress under the Lisbon Agenda over the three-year period since it was revised in 2005. The Communication demonstrates that a number of major reforms for the period 2007-2013 make Cohesion Policy one of the key Community policies for the delivery of the Lisbon Agenda. This focus is reflected in the strategic approach through Community Strategic Guidelines, earmarking of expenditure for Lisbon-related investment, reporting mechanisms to monitor delivery of Lisbon targets, efforts to ensure consistency between the Cohesion Policy programmes and National Reform Programmes, and greater decentralisation of responsibilities to improve delivery and ownership of the Lisbon process on the ground.

The Communication also shows that the new programmes will lead to a concentration of resources on the Lisbon-related priorities, such as the knowledge economy, RTD and innovation, human capital and sustainable development. For the Convergence Objective regions, 68 percent of the funds are to be invested in these areas. This represents an increase of 11 percentage points compared to the previous programming period.

Regions grouped under the Regional Competitiveness and Employment Objective (RCE) plan to continue to invest a high proportion of the funds – 82 percent of the total for 2007-2013 – on Lisbon-related priorities. A high level of commitment can be observed, not only among the EU 15, the older Member States (74 percent for Lisbon expenditure under Convergence regions and 83 percent under RCE regions), but also for the newer, EU 12 Members (59 percent under both Convergence and RCE objectives). This commitment comes despite their extensive need for investment in basic infrastructure.

Implementation is just beginning, and Member States’ programme documents set out their intentions. The Commission will continue to monitor closely the progress on the ground, to ensure consistency between Cohesion Policy and the Lisbon goals.
What does Central Europe mean to you as a cooperation space?

ZT: Slovenia has spent most of its history as a part of the Central European geographic, cultural and political space. It is an important area for cooperation between companies and institutions, due to geographical proximity, good connectivity and rich common traditions. We have also seen cooperation and cross-border cooperation among companies through clusters, for example in the automotive industry. As one important initiative worth mentioning in this context, Slovenia has decided to participate in the CEE Cluster initiative by PRO Inno Europe, and the country has already signed the agreement to join. The CEE Cluster Network project was proposed with the aim of collecting information on innovation potential in Central and Eastern Europe. In this project, 11 regions (including Slovenia) will cooperate through their ministries, regional development agencies and innovation centres. Eleven clusters and initiatives from Slovenia will also take part.

How can the Central Europe Programme contribute to innovation in Slovenia? Where do you see the needs and opportunities?

ZT: In the framework of the CEE Cluster Network, there is an intention to plan, implement and evaluate two or three cross-border cluster pilot projects, and to develop trans-regional programmes of activities in the field of innovation and clusters. The Central Europe Programme could support and complement the envisaged projects and resulting activities of the CEE Cluster Network. The programme could also support projects initiated by companies in clusters, or participate in related EU programmes, like the Competitive-ness and Innovation Framework Programme or the Seventh Framework Programme.

Where do you see your country’s role in promoting innovation in Central Europe? What are major challenges for the Slovenian innovation scene?

ZT: Slovenia takes over the EU presidency in an important time for Europe and for the Lisbon Strategy for growth and jobs. During the Slovenian presidency, the strategy will be updated while entering into a new cycle, 2008-2011. Throughout that process, Slovenia will strive to give the strategy a strong push forward and to address the challenges that have surfaced in the last few years. Globalisation and climate change are two such challenges, and addressing them calls for improvements in the education, knowledge and research triangle; in flexicurity; entrepreneurship, etc. In addition to innovation, I would like to stress the importance of creativity for the prosperity of Europe. This means thinking out of the box and building on European creative industries, culture, design, brands and values. Slovenia has a very good R&D sector and quality higher education, but the links between these sectors and business are weak. This situation needs to be improved. We should coordinate national and European R&D efforts better, and strengthen collaboration with our neighbours.

“Thinking out of the box”

Žiga Turk

Žiga Turk, Slovenia’s Minister for Growth, explains how his country is involved in transnational networks that can help Central Europe build its knowledge economy.

“We should coordinate national and European R&D efforts better, and strengthen collaboration with our neighbours.”
Central Europe can now really be linked together in the literal and figurative sense. I am not only thinking along the lines of traditional economic and political cooperation. For example, plans to set up and develop joint scientific and technological networks in the field of innovation are now high on the agenda. Explosive growth in research and technological development innovation capacities in regions providing background services is anticipated, and Hungary may substantially benefit from this change. In this regard, better coordination and development of the different European Union funding programmes that are already running is essential. Multi-modal logistics cooperation may begin as well, since the programme supports sustainable and safe mobility and improves access to information technology and alternative solutions.

To me, Central Europe is a region with special characteristics that have evolved over the course of history. These characteristics are manifested through positive traditions and still exist today – and through certain structural problems. Member States of Central Europe have now finally achieved a qualitative leap forward, not only in terms of supporting innovation, but also as regards improving the external and internal access of the region.

The remaining 6 percent of programme resources will be spent on research carried out at universities. Through these means, higher education will also underpin economic and social objectives. In the long run, the Hungarian economy can only be competitive if, on the one hand, it is capable of integrating its substantial labour reserves, while, on the other hand, it pushes its economy towards knowledge-based industrial sectors.

Although we have achieved results at an international level, the performance of the Hungarian research and development (R&D) sector still remains well under the European average. While the 15 'old' Member States of the EU spent 1.92 percent of their respective GDPs on R&D in 2004, which, as we are well aware is nevertheless low in relation to the United States and Japan, this ratio was only 0.89 percent in Hungary. Moreover, the business sphere finances less than one-third of R&D expenditures in Hungary, which is well under the 55 percent EU average. According to surveys, nine out of 10 Hungarian enterprises do not undertake R&D, and eight out of 10 enterprises were not even capable of innovation of new company operations. This is why innovation has received greater emphasis in the New Hungary Development Plan for the 2007–2013 period than it did in the past. Hungarian applicants will be able to spend EU resources of nearly HUF 230 billion (€ 913 million) for this purpose over the course of seven years. HUF 34.6 billion (€ 137 million) will be made available for small- and medium-sized enterprises for this purpose during the next one-and-half years alone. Well-functioning research centres, as well as well-equipped innovation and industrial parks, are essential for achieving results in the field of research and development.

Naturally, we are well aware that the EU is currently in the process of finding its bearings as regards the Lisbon Programme, and that, by and large, all countries in Europe are struggling with similar problems – such as difficulties involved in the establishment of a knowledge-based economy, providing a high volume of R&D expenditures. I would like to refer to a thought articulated by José Manuel Barroso at an earlier date: Mr. Barroso drew attention to how India will become the service centre of the world within a few decades time, while Europe will become the museum of the world, if things continue to go the way they are going now on the continent. I am convinced that the gust of fresh air blowing from the regional level can help the continent avoid this fate and contribute to the establishment of the “New Europe”.

GB: Let me go back a little further in time. We defined our strategic objectives, i.e., extending employment opportunities and improving competitiveness, in a manner that complies with EU priorities set out in Lisbon. Ensuring a healthy growth structure in Hungary is our truly great national task. We naturally consider the establishment of a knowledge-based economy as a priority objective. The funding granted provides the opportunity for establishing connections between research centres and enterprises. We rigorously regulate what percentage of the funding a funded enterprise must spend on research carried out at universities. Through these means, higher education will also underpin economic and social objectives. In the long run, the Hungarian economy can only be competitive if, on the one hand, it is capable of integrating its substantial labour reserves, while, on the other hand, it pushes its economy towards knowledge-based industrial sectors.

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CENTRAL PEOPLE

The Cold War border heavily influenced Friuli Venezia Giulia thereafter, brought to a halt this fecund osmotic process. Artifical division of Europe into two blocs that followed the tragedies that marked the Second World War, and the idea of Europe, characterised by unity in diversity.

The region could be defined as the heart and the laboratory of European cultures: the Latin, the Germanic, and the Slavic. The Mediterranean and the Suez Canal – between the two areas of the world that are growing at the fastest pace: Central and Eastern Europe and the most dynamic Asian econo- mies, starting with China and India.

What does the vision of your region in terms of innovation, what are the current strategic priorities, what are concrete initiatives?

The region is finding once again its central calling. Therefore, we look at Central Europe as a renewal of the concept of „Mitteleuropa“ – as an area that makes up our natural dimension of economic, social and cultural cooperation. Today we are certainly not starting from scratch. Consider the extraordinary experience of the Alpe Adria Working Community, which, since 1978 – when the „iron curtain“ was in existence – allowed the revival of ancient bonds, the setting up of several cooperation projects among regions in the countries that, formally, belonged to opposing sides, the capitalist and the socialist. Today, with the Euroregion project – promoted together with Veneto, Carinthia, Slovenia and the two counties of Croatian Istra – Friuli Venezia Giulia intends to build on the experience of the Alpe Adria Community and go beyond, at the same time, with an instrument that is updated and fully adequate to the new context of an enlarged Europe.

The region also engaged in the promotion of „InnovAction“, the first „World Fair of Innovation, Knowledge and Ideas“, which for the third time this February brought together regional, national and international innovation actors attracting over 45,000 visitors. We also established an Innovation Award for small- and medium-sized enterprises and public administrations. Regional policies also focused on other crucial aspects of innovation: the development of e-govern ment processes in public administration, to set a good example for other sectors; the creation of a venture capital fund by the region’s holding company, Friulia, to support innovative ideas; investments in broadband telecommunication networks, to promote the transfer and dissemination of knowledge; computer literacy courses, to make innovation accessible to the population as a whole. The aim is substanti ally to turn Friuli Venezia Giulia into an „innovation lab“. The city of Udine and the region also engaged in the promotion of „InnovAction“, the first „World Fair of Innovation, Knowledge and Ideas“, which for the third time this February brought together regional, national and international innovation actors attracting over 45,000 visitors.

Innovative Regions. What does this initiative stand for?

Regions are the driving forces for an innovative strategy, and they play a fundamental role in the socioeconomic development of the territory. The AER Innovation Award aims at honing those European Regional authorities (and their institutions) who have stimulated, fostered and implemented innovation in their territory. These actions can be both direct, such as initiatives of authority-controlled institutions, scientific or technological centres and educational activities – and indirect, such as placing innovation-sup

Riccardo Illy

Turning regions into labs

Riccardo Illy, President of the Assembly of European Regions and former President of Friuli-Venezia Giulia, explains how a regional strategy combined with the right balance of transnational competition and cooperation can fuel innovation.

In 2008, we will announce the Innovation Award for the third time – and we encourage all regions of the CENTRAL EUROPE programme to participate with innovative projects.

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RI: Are we now in the era of knowledge and therefore we have banked on the promotion in Friuli Venezia Giulia of our great resources in the field – which include three universities and a hundred scientific and technological research centres of international renown, employing more than 8,000, with a ratio between the general population and researchers that is up to par with the most advanced economies. We have updated the strategies and instruments of the region’s industrial policy, starting with the new law on innovation, which aims at strengthening the network of “technology centres” that are present across the region’s territory.

This change facilitates the transfer of knowledge from the laboratories to the business world, creating a network that brings together the region, universities, research centres, technology parks and business enterprises, so as to enable them to work as a synergetic system. With the city of Udine the region also engaged in the promotion of „InnovAction“, the first „World Fair of Innovation, Knowledge and Ideas“, which for the third time this February brought together regional, national and international innovation actors attracting over 45,000 visitors. We also established an Innovation Award for small- and medium-sized enterprises and public administrations. Regional policies also focused on other crucial aspects of innovation: the development of e-government processes in public administration, to set a good example for other sectors; the creation of a venture capital fund by the region’s holding company, Friulia, to support innovative ideas; investments in broadband telecommunication networks, to promote the transfer and dissemination of knowledge; computer literacy courses, to make innovation accessible to the population as a whole. The aim is substantially to turn Friuli Venezia Giulia into an „innovation lab“. The city of Udine and the region also engaged in the promotion of „InnovAction“, the first „World Fair of Innovation, Knowledge and Ideas“, which for the third time this February brought together regional, national and international innovation actors attracting over 45,000 visitors.

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Ernst Pfister
Building bridges for knowledge

Ernst Pfister, Minister for the Economy of Baden-Württemberg, says Central Europe allows for concrete and tangible actions that help to make better use of local and regional potential, kick-start innovation and support regional development.

ee: What does Central Europe mean to you as a cooperation space?

EP: Cooperation in Central Europe is of paramount importance for European integration. It is through joint projects and jointly achieved progress that Europe advances and that it regains its significance for its regions and citizens. Baden-Württemberg has been involved, right from the start, in developing the EU’s INTERREG initiative and will continue to provide momentum to the process of closer regional integration.

Right now we are chairing the German committee for the CENTRAL EUROPE programme. I attach great personal commitment to developing territorial, economic and social cooperation, together with partners from all regions in this programme area.

Central Europe’s different constituent spaces are connected by large-scale development axes, reaching from the Baltic Sea down to the Adriatic and from the Black Forest to the Carpathians. This territory includes extraordinary natural and cultural regions and offers a bright potential for economic, environmental, scientific and cultural cooperation between its growth, development and innovation centres. One of the tasks ahead is to close gaps in the transport infrastructure and better connect different modes of transport. This is important for several reasons, not least of which is that Central Europe is a significant “gateway” for the markets east of the European Union.

ee: What is the significance of the CENTRAL EUROPE programme for the regions, i.e. the Länder, in Germany?

EP: This transnational programme distinguishes itself from other EU funding programmes through its integrated development perspective. It derives its specific strength from building bridges between different actors, such as municipalities and public administration, small and medium-sized enterprises (SMEs) and scientific and research institutions. It also allows for concrete and tangible measures that help to make better use of local and regional potential, kick-start innovation and support the region’s development within a transnational context. I welcome in particular that the CENTRAL EUROPE programme allows for the participation of private actors, such as SMEs. Their participation is necessary, to make a real contribution to the Lisbon growth and jobs strategy. The key to success is clearly to integrate important decision-makers into the transfer of project results.

Baden-Württemberg is Germany’s third-largest federal state, with a population of 10.7 million inhabitants. It is economically the most successful and most dynamic state in Germany and owes its place as the leading innovation region in Europe to a healthy mixture of large international companies and well performing SMEs, which together provide economic growth of around 3 percent – and kept unemployment at less than 5 percent in 2007. It is in particular the innovation capacity of our SMEs that is responsible for their performance and competitiveness. This successful balance sheet should, however, not distract us from the fact that innovation is posing a particular challenge for small and medium-sized companies, especially those with fewer than 20 employees.

The continuous improvement of products and services is particularly demanding and requires capital and qualified human resources, as well as a functioning knowledge transfer from the field of research to the companies. In cooperation with varied partners, we will be able to approach the challenges differently. The capacity to innovate and the capability for intercultural communication are both important preconditions for success in globalised markets. It is here that I see many good and new starting points for transnational projects in the new CENTRAL EUROPE programme.

ee: In terms of innovation, what are your current strategic priorities? What are concrete initiatives?

EP: The core of our economic policy is our so-called “SME Future Programme”. It aims at maintaining and improving the competitiveness of SMEs. It should also help to reduce competitive disadvantages linked to lack of critical mass or size, to facilitate the adjustment to technological and demographic change and to improve the chances for participating in international competition. This programme includes five packages of measures. Key elements are initiatives to strengthen innovative capacity and the development of clusters. A special pilot project that started this year provides innovation vouchers to SMEs with fewer than 50 employees. The SMEs can use these vouchers to pay for different innovative measures, such as scientific research for process and product development; new materials research; technology that help bring products closer to market, like construction of prototypes, design, environmental impact assessments, etc. In the same way, the CENTRAL EUROPE programme could contribute to transnational cluster building, for instance by interfacing cluster organisations, and through transnational extension of existing regional clusters in areas like automotive, biotech, life sciences, information technology, media and film.

To support these clusters, we have installed a number of regional cluster organisations (see links below), all of which offer a high level of excellence that they could contribute to future transnational innovation and cluster projects.

Links to cluster organisations:
Technology: Baden-Württemberg connected
Automotive: AutoLand Baden-Württemberg
Life Sciences: BIOPI
Fuel Cell: Forschungsallianz Brennstoffzellen Baden-Württemberg
Aviation/Space: Forum Luft- und Raumfahrt Baden-Württemberg
ICT-based production: Innovationscluster Digitale Produktion
Bionics: Kompetenznetz Biomimetik
Nano materials: Kompetenznetz Funktionelle Nanostrukturen
Mechatronics: Kompetenzzentrum Mechatronik
Media/Film: Medien- und Filmgesellschaft Baden-Württemberg
Microsystems: Mikrosystemtechnik Baden-Württemberg
Nano materials: Netzwerk Nanomaterialien Nanomat
Optical technologies: Photonics Baden-Württemberg

“...is through joint projects and jointly achieved progress that Europe advances and that it regains its significance for its regions and citizens.”

Links to cluster organisations:
Technology: Baden-Württemberg connected
Automotive: AutoLand Baden-Württemberg
Life Sciences: BIOPI
Fuel Cell: Forschungsallianz Brennstoffzellen Baden-Württemberg
Aviation/Space: Forum Luft- und Raumfahrt Baden-Württemberg
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www.kompetenzzentren-biomimetik.de
www.nanomaterialien-bw.de
www.mechatronik-ev.de
www.mfg.de
www.msd.de
www.nanomat.de
www.photonics.de
What is the role of the Austrian Council for Research and Technology with regard to promoting innovation and the Lisbon goals?

LG: The Austrian Council for Research and Technology Development advises the Federal Austrian government, the federal ministers, and the regions in all matters related to research, technology and innovation. We are an independent advisory council, acting as a central information and advisory hub of the widely spread Austrian RTD [research and technology development] landscape. One important task is the provision of recommendations to strengthen Austria’s competitiveness.

HS: More specifically, we identify those areas in Austria that have the highest potential in terms of international competitiveness and give advice on where to focus resources and efforts.

ce: What, in your opinion, are the main opportunities and challenges for promoting innovation and the Lisbon goals in Central Europe?

HS: Innovation strategies in Central Europe vary significantly, as do the points of departure in the countries of the cooperation area and the general conditions for RTD in these countries. In my opinion, this is a major challenge. How do we get to a common focus on innovation given that basic conditions, such as accessibility, environmental conditions and available resources are so different?

In other words, to be successful, the cooperation partners need to be able or need to be enabled to meet at the same level, and they must have similar cooperation capacities, goals and resources. But it is also important to know who the relevant players are and to focus the limited resources...
on partnerships that make sense and projects that can really achieve something.

cce: How, in your opinion, could CENTRAL EUROPE, as a transnational cooperation programme, support innovation and the achievement of the Lisbon goals?

HS: First of all, I think we need to get to a joint understanding of innovation. Innovation is not only a technical factor; it also has a strong human element. Innovation has to take into account how it influences the way organisations function and what it means for people. For instance, how technology influences people, and vice versa, is important for anticipating the uptake of new products. In this context, cultural and social sciences are very important, not only the technical sciences. This part of the reality is too often overlooked in a purely technical orientation of innovation. Likewise, there is not only one feasible innovation strategy in Central Europe. Therefore, it’s important to build upon existing national strategies and pinpoint the specific opportunities for innovation in Central Europe. What we need in reality is a master plan that includes all that and formulates clear common goals, complementing national efforts and creating a common understanding of what can be achieved and what not. For this, it is also vital to identify the relevant players and involve them in the development of such a plan, to ensure delivery on the ground.

cce: What could be concrete initiatives to strengthen the practical delivery of innovation and Lisbon goals in the regions and countries of Central Europe?

HS: I believe it is essential to identify innovation poles in the regions of Central Europe that can act as starting points. We have to understand where the know-how is and what the necessary resources are. For each of the involved players, the benefits of a joint strategy and cooperation effort needs to be obvious.

For instance, certain research cannot be tackled alone because it would be much too expensive. Equally important is business innovation. How can the research institutes and enterprises in Central Europe be linked more effectively to deliver applied technology development? Which thematic fields, which projects should be supported?

cce: Does the Austrian Council for Research and Technology Development cooperate across borders with institutions in other countries?

LG: So far we have looked at comparably advanced systems in countries such as Sweden, Finland and Ireland, to see what we can learn from them and what they can learn from us. However, in reality, not everyone can go for the 3 percent RTD spending target (3 percent of GDP is the Lisbon target). While Sweden and Finland can exceed this target, for other countries, 3 percent is simply not realistic. In addition, other aspects, such as human capital and governance, are even more important than the spending target. Due to their geographic proximity, the neighbouring countries of Central Europe are very important and natural cooperation partners, in particular as regards human resource development. I see the role of Austria in Central Europe as a sort of initiator and incubator, able to bring people on board. In our strategic plan, we have a chapter on international relations, including Central Europe, and we have now just started to strengthen our network relations.

HS: It is clear that Austria is interested in Central Europe. There is great potential in the area and also historical linkages between Austria and the countries of Central Europe. It is important to network on the level of the councils and institutions responsible for the implementation of the Lisbon Agenda. In addition to that, we need to invite other actors and build upon the potential for cooperation.

Ludovit Garzik is Managing Director of the Austrian Council for Research and Technology Development. He previously worked for the Managing Board of the Austrian Research Promotion Agency, and also served as Head of Galileo Unit in the program for Satellite Navigation at the Austrian Space Agency. He is President of the Austrian Institute of Navigation and Vice President of the International Association of Institutes of Navigation.

Hans Schönegger is a member of the Austrian Council for Research and Technology Development. He is also Managing Director of the Austrian Regional Economic Development Fund in Carinthia and Head of the Carinthian Capital Development Company. He is also Head of the Lakeside Science and Technology park, which he planned and developed.
The 7th Framework Programme for Research, Technological Development and Demonstration Activities (FP7) is the largest trans-national, cooperative and competitive programme world-wide. With its total budget of € 50 billion it will last for seven years from 2007 through to 2013. FP7 has two main strategic objectives:

• strengthening the scientific and technological base of European industry;
• encouraging the European competitiveness, while promoting research that supports EU policies.

FP7 is open for proposals from all kinds of organisations including academic institutions, research organizations and companies from all over Europe and beyond that work jointly on issues in the fields of research and technological development with a European dimension.

A number of policy areas, programmes and initiatives that are not part of FP7 are nonetheless related to its aims. Some are designed to operate in conjunction with FP7, such as the Competitiveness and Innovation Programme (CIP). Others, like the research dimension of regional policy, have been built up in a different policy context but are still of considerable importance for FP7 due to their realignment in support of the Lisbon Strategy.

The CIP has a total budget of € 3.6 billion and runs from 2007-2013. Its objectives are: stimulating the competitiveness of SMEs, fostering and promoting eco-innovation, energy efficiency and renewables, and accelerating the process leading to a fully-fledged information society. The purpose of the Structural Funds is to strengthen economic, social and territorial cohesion by reducing disparities in the level of development among regions and Member States. Research and development are now more important targets of the Structural Funds. The allocation of funds in a given Member State or region varies according to its level of development. However, most regions will have funding available from the Structural Funds in support of research, technological development and innovation. EU investment under the Structural Funds for innovation and research in the current funding period of 2007-2013 will be more than € 99 billion.

At the European level, there is often discussion of the potential for synergies between FP7, CIP and the Structural Funds. Indeed, there is obvious potential for complementarity funding for such areas as different phases in the development of technologies, European infrastructure projects, SME activities or human-resource-related activities. However, to exploit these synergies, some form of close coordination is desirable and necessary.

There is a real opportunity to use European taxpayers money in the most effective way in order to contribute to building a future-oriented competitive Europe of knowledge.

To exploit the synergies between the FP7, CIP and the Structural Funds, some form of close coordination is necessary.

Does the above mentioned information sound complex? Yes, indeed, there is complexity involved in bringing together major European programmes, FP7, CIP and Structural Funds, in line and using them in a complementary way. However, there is a real opportunity to use European taxpayers money in the most effective way to contribute to building a future-oriented competitive Europe of knowledge.

Sabine Herlitschka is director of the Division of European and International Programmes of the Austrian Research Promotion Agency in Vienna. She previously was deputy director at the Bureau for International Research and Technology Cooperation (BIT) in Austria and vice rector for research management vs. decentralized management in the Medical University of Graz. She is also member of the “High-level Expert Group on Frontier Research” and chairs the EU Expert Group on the “Impact of External project-based Funding on the Financial Management of Universities”.

Sabine Herlitschka
Pursuing complementary funding strategies

Sabine Herlitschka, of the Austrian Research Promotion Agency, suggests complementary funding strategies and close coordination for exploiting the synergies between FP7, the CIP and the Structural Funds.

What are the potential synergies between the 7th Framework Programme, the CIP and the cooperation programmes of the Structural Funds?

SH: The 7th Framework Programme for Research, Technological Development and Demonstration Activities (FP7) is the largest trans-national, cooperative and competitive programme world-wide. With its total budget of € 50 billion it will last for seven years from 2007 through to 2013. FP7 has two main strategic objectives:

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How can these synergies be exploited? What concrete activities would be useful?

SH: The European Commission is currently preparing practical guidelines to assist in developing measures that should help to exploit these potential synergies. Most interestingly, these guidelines will include scenarios and examples on how to set up complementary funding strategies for specific projects. Developing concrete actions for using all three programmes means that the specific project is perceived as a kind of puzzle and each of the three programmes provides elements to completing this puzzle. In principle, what has to be considered is:

• the regional focus of Structural Funds versus the thematic/sectorial focus of FP7 and CIP
• different procedures, such as calls for proposals with separate deadlines
• funding regime issues, such as complementary funding and prevention of double financing
• thematic complementarity in the Structural Funds OPs and the work programmes of FP7 and CIP
• different management structures (European-wide management vs. decentralized management)
Letters to CENTRAL EUROPE

Letters to CENTRAL EUROPE provide a forum for ‘movers, shakers and thinkers’ and ‘food for thought’ for the CENTRAL EUROPE user community.

By Reinhard Büscher

Promoting a European cluster strategy

Transnational cooperation between clusters can promote excellence by linking and integrating each other’s competences and sharing knowledge and technical infrastructures. That’s why the European Commission has made clusters part of its broad-based innovation strategy.

I welcome the fact that facilitation of innovation across Central Europe is one of the key priorities of the CENTRAL EUROPE Programme. I am particularly pleased to see that you have identified “supporting the establishment and development of transnational clusters in key competence areas” as being relevant for enhancing the framework conditions for innovation.

Indeed, support for transnational cooperation between cluster organisations and cluster initiatives is a vital element of the European Commission’s broad-based innovation strategy. Clusters compete for leadership in markets, cluster organisations and cluster initiatives is a vital element of the European Commission’s broad-based innovation strategy. Clusters compete for leadership in markets, cluster organisations and cluster initiatives is a vital element of the European Commission’s broad-based innovation strategy.

The European Cluster Memorandum describes in a very convincing manner why Europe needs stronger transnational cooperation between clusters. The results achieved so far are encouraging and confirm that not only cross-border cooperation is important but so is cross-sectoral cooperation. This experience will be taken into account when preparing for the next generation of Europe INNOVA this summer.

The success of the European Cluster Alliance, as supported under the PRO INNO Europe initiative, shows that transnational cooperation is not only needed at a practical level but also between policy-makers and cluster programmes. The Alliance, created in September 2006, is a cooperation platform that brings together more than 52 partners from ministries and regional development and innovation agencies, and it is open to any public organisation dealing with cluster programmes. The Alliance’s activities and I wish the projects of CENTRAL EUROPE the very best success.

“This is Europe ‘bottom-up’ and marks an important change of attitude of cluster programme managers, who now value cooperation much more than previously.”

For more information, see:
http://www.proinno-europe.eu
http://www.europe-innova.org
http://www.proinno-europe.eu
The innovation gap between the United States and Europe is widening, according to recent studies, which show that the European Union is 52 years behind the United States in innovation. Instead of catching up, Europeans are losing the ability to innovate, while the pace of innovation in the United States is higher than Europe. Europe seems to lack the vision for innovation. When it comes to making an economy dynamic, knowledge and ideas alone are not enough. It is important that knowledge and ideas are put into action. For the first time in modern economic history, Europe is not involved in the current industrial revolution, which is built around information and communication technology, software and the internet. Out of the 25 largest web sites in the world, 11 are American, nine are Chinese and the rest are based in India, Korea and the U.K. Not one is based in a Euro-zone country. There is a fundamental misunderstanding about innovation in Europe. A wide belief in Europe is that an increase in spending on research leads to more employment. While innovation in Europe. A wide belief in Europe is that an increase in employment may increase, it won’t necessarily be in Europe. What’s important is the transfer of knowledge into new products and services. Capitalism is unique not in invention but in innovation. Europe understands quite well how to transfer money into knowledge but not how to transfer knowledge into money. Investing in knowledge is not enough if that knowledge does not produce financial returns. Spurring economic dynamics requires a higher pace of innovation, driven by entrepreneurs. The central role of entrepreneurs and founders in the innovation process is well understood in the United States and in other parts of the world, but apparently not in Europe. The key for a higher innovation pace and more economic dynamics to increase growth and employment is a renaissance of the entrepreneurship culture in Europe. The poor pace of innovation results from a lack of new entrepreneurs in Europe. It is the birth of new firms that gives an economy its dynamism. This is the biggest deficit in Europe, which is reflected by the business start-up rate, which is about twice as high in the United States compared to Europe. The problem is not that we are losing jobs, it is that we are not creating enough jobs. Instead of worrying about losing companies, when firms go out of business, we should be more concerned that we are not creating enough new businesses. Societies that do not want to change prevent entrepreneurs from starting up businesses. The real secret of the U.S. economy is its entrepreneurship culture. The United States and Asia understand the role of fast-growing start-ups as being key to economic dynamism and also job creation. This leads them to foster an environment that encourages more entrepreneurs, faster-growing start-ups, higher productivity, higher efficiency, a higher pace of innovation and better employment. Innovation and entrepreneurship are the parents of a modern economy, and their influence is evident in places like Silicon Valley. Only through innovation and entrepreneurship can an economy survive in the long-run, because these forces allow the economy to be dynamic in the Schumpeterian sense of creative destruction. Governments cannot solve the problem. Governments use entrepreneurs to solve the problem of innovation, of developing new products and services, of creating income, of creating wealth, of creating growth, of creating employment. It follows that economic freedom is the key to a more dynamic Europe, which is badly needed. Modern growth is explained by innovation! Innovation requires competition. We did not leave the Stone Age because of a lack of stones but because of a competition of ideas leading to better solutions. Europe sometimes gives the impression that it likes to win, but it does not like competition. To welcome more competition means to embrace more capitalism. Capitalism is a European invention, it was not invented in the US. The ideas of capitalism and the values of the bourgeoisie have created the modern world. Capitalism is a process of creative destruction. Europe should be proud of having contributed to a more dynamic world economy, with the best ideas and thoughts, like the Scottish Enlightenment and the Austrian School of economics. Europe will survive and will be successful in the future only if it embraces its own ideas and thoughts - if it embraces capitalism by reinventing the entrepreneurship culture.

Peter Jungen, former CEO of Strabag, is President of the European Enterprise Institute and is active as an entrepreneur and angel investor. He is also Co-President of the SME Union and Chairman of the Economic Policy Council of the European Peoples Party and holds other assignments and board memberships in industry and public institutions.
Letters to CENTRAL EUROPE

By Paul Ryan

Tracking the Celtic Tiger

Ireland is a European success story.

One lesson from the Irish experience that can be transferred to Central Europe is how to take advantage of high-tech clusters and global business networks.

Public policy initiatives aimed at building and developing internationally competitive industry clusters within regions of Ireland have received great interest among scholars and policymakers overseas, due to the phenomenal success of the Irish “Celtic Tiger” economy. There is much that Central European economies can learn from the Irish experience. I wish to share one part of the story with you here, that is: how Ireland created successful high-tech clusters and local collaborative networks among firms, and the development of local supply chains.

Ireland provides an example of a country which, through policy initiatives aimed at developing particular regions, has embraced the concept of clusters. The Irish economy has changed over the past 35 years, from being predominantly agrarian to being driven by technology-related activity and internationally traded services. The sectoral transformation mirrors a shift in economic policy in the 1950s, from trade protectionism to trade liberalisation, resulting in a very open and trade-dependent economy. This focus is reflected in substantial foreign direct investment inflows. The influx of FDI was a consequence of the strategic goal of IDA Ireland (Industrial Development Agency Ireland) to develop high-tech activity. The Agency has sought to build regional clusters of activity with “world class research and development” (IDA Ireland 2005), by both encouraging overseas firms to engage in higher value-added activities and by promoting interconnectivity between industry, third-level institutes, government departments, funding agencies and regulatory authorities at a regional level.

“Industry clusters are ‘sticky places in slippery space’, and the case of Ireland shows that building regional clusters is only important if they are embedded in global networks.”

Research conducted by the Centre for Innovation and Structural Change (www.cisc.ie) illustrates that firms in clusters of an open economy engage in extensive global linkages, in order to access end-users, specialist suppliers and partners. These global contacts are important sources of knowledge and are vital for the firms’ survival. This approach defies the traditional cluster theory, which focuses predominantly on building local linkages between customers, suppliers, specialist institutions and competitors. In fact, clusters may outlive firms, or even industries, so long as they develop specialist capabilities that endure and form the basis of future cluster development as innovation evolves. Public policies should aim at assisting firms, particularly early-stage companies, in developing such capabilities within the region. It is important to make sure that they truly have an impact on the local environment by entrenching capabilities.

As Ann Markusen stated, industry clusters are “sticky places in slippery space”, and the case of Ireland shows that building such clusters is only important if they are embedded in global networks. In an era when global markets and linkages are pursued by firms in order to remain innovative and competitive, the challenge for policymakers is to anchor an industry to a region by ensuring it is placed as an important “local node in a global network”.

Lessons for Central Europe

Some of the lessons that Central European countries and regions can take from the Irish experience include the following:

• It is important to understand the dynamics of local embeddedness and global integration. A cluster is commonly a hub or node in a global network.
• While clusters are built around international experience, it is important to make sure that they truly have an impact on the local environment by entrenching capabilities.
• Countries and regions must create and fund a strong policy agency to attract FDI that can be the catalyst for cluster development while subsequently providing access to global customers, markets and networks for indigenous firms that join the cluster.
• The local cluster commonly requires an “anchor” unit. This, in the case of Ireland, is usually a multinational overseas investor, such as Dell, Intel or Boston Scientific. It can also be indigenous, as with Nokia in Finland or HP in Silicon Valley. The anchor is generally attached to a local university or research institute.
• In Central Europe, multinational investors can take the anchor role in a cluster, just like in Ireland, but the potential contribution of Central Europe’s excellent universities and research centres should be kept in mind.

“Clusters may outlive firms, or even industries, so long as they develop specialist capabilities that endure and form the basis of future cluster development as innovation evolves.”

Paul Ryan is Lecturer at the Cairnes School of Business and Public Policy, National University of Ireland, Galway. He lectures in strategic management and international business. He is also a project leader at the university’s Centre for Innovation and Structural Change, focusing on the areas of industrial clusters, strategic networks and collaborative innovation.

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of our Structural Funds support, while, at the same time, investing in lifting already well performing areas to global excellence status. It must be clear that focusing on only one of these will not bring Europe that global cutting edge that it covets according to the Lisbon Strategy. If the verbal commitment to the Lisbon Strategy that we have heard from those deciding on Europe’s regional policies in the past years have any meaning, we should stimulate and facilitate the development of projects that focus on adapting regional innovation systems and on developing and implementing regional action plans, i.e. on internationalizing their economy, enhancing human resources, adapting their educational systems for the knowledge economy and boosting research and cluster centres for future needs and the pursuit of global excellence. These are exactly the types of projects that ERRIN member regions are currently developing with the support of the network. ERRIN is the European network of Regions for Research and Innovation. The ERRIN network can facilitate and support the exchange of knowledge and expertise among regions, thereby allowing mentoring and capacity building. ERRIN is, of course, keen to expand its activities and will warmly welcome regions from Central Europe within its network.

ERRIN has started the debate on the linkage between the next generation of Structural Funds and the Framework Programme and will continue to seek the dialogue with the European Institutions on this theme. As a first contribution to the debate, ERRIN has published a discussion document, which you may find on the ERRIN Internet site at: www.errin.eu

With the debate about the future format of the European Structural Funds taking off, thoughts about the linkages between Structural Funds and the current and future Framework Programme on Research and Development are gaining centre stage. This is a logical result of the European Union ambitions, set out in the Growth and Jobs Strategy, to which both programmes aim to contribute, albeit in different ways.

The questions are: Are there synergies? Should there be synergies? Can there be synergies and, if yes, how can they be maximised? Even if, on the surface, there would seem to be logical synergies and complementarities between Structural Funds and the Framework Programme, it is important to bear in mind that the two programmes have different starting points, different objectives and different management structures. While the Framework Programme stresses excellence as the core criterion, the Structural Funds highlight different aspects of economic development.

Having said this, and having established that Europe is seeking a prominent position in what we have come to know as the Knowledge Economy (an economy stronger than before based on research and development and innovation), it is clear that the future Structural Funds can and should play a supporting role in strengthening the capacity of European regions to develop their research and innovation capacity. With the balance of eligible regions moving east, the message to Central European regions should no doubt be to jump on this opportunity and participate strongly in projects that will help in developing and strengthening the regional capacity for research, on the one hand, and innovation on the other!

Facing the ever stronger competition with other world regions, Europe will need to find a “third” way allowing for a continuation of the principle of solidarity, the very basis of our Structural Funds support, while, at the same time, investing in lifting already well performing areas to global excellence status. It must be clear that focusing on only one of those will not bring Europe that global cutting edge that it covers according to the Lisbon Strategy. If the verbal commitment to the Lisbon Strategy that we have heard from those deciding on Europe’s regional policies in the past years have any meaning, we should stimulate and facilitate the development of projects that focus on adapting regional innovation systems and on developing and implementing regional action plans, i.e. on internationalizing their economy, enhancing human resources, adapting their educational systems for the knowledge economy and boosting research and cluster centres for future needs and the pursuit of global excellence. These are exactly the types of projects that ERRIN member regions are currently developing with the support of the network. ERRIN is the European network of Regions for Research and Innovation. The ERRIN network can facilitate and support the exchange of knowledge and expertise among regions, thereby allowing mentoring and capacity building. ERRIN is, of course, keen to expand its activities and will warmly welcome regions from Central Europe within its network.

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CENTRAL EUROPE covers eight EU Member States and more than 60 regions. About 148 million citizens or 28 percent of the EU population live in this area. It is an area with high economic disparities and great opportunities. It is also an area that is growing closer, where increasing cross-border and transnational cooperation helps to overcome borders that have been so important in the past.

This issue highlights the following regions:
- Stuttgart Region
- Silesia Region
- Vienna Region
- Bratislava Region
- Moravian-Silesian Region
Stuttgart Region: Keeping the competitive edge

With an output of €100 billion, and a high concentration of high-tech industries, this region is one of Europe’s economic powerhouses. But complacency is not an option if Stuttgart hopes to maintain its position, so regional officials are working hard to encourage the knowledge economy.
In Germany’s Stuttgart Region, a vital industrial centre that makes a major economic contribution to Europe, we know that innovation and change are essential to staying competitive. To help the Stuttgart Region maintain its competitive edge, our economic development corporation encourages cooperation for innovation. The corporation has worked to foster innovation through clusters, through networking, and through efforts to open up innovation. A better understanding of the approaches and techniques employed in Stuttgart Region can be beneficial to other regions.

**Stuttgart Region: Business and governance**

The Stuttgart Region, the economic and political centre of the State of Baden-Württemberg, has 2.7 million inhabitants and an economic output of around €120 billion, making it one of the most important economic regions in Germany and one of Europe’s largest industrial centres. It is governed through 179 local authorities, divided into five districts and the region’s capital, the City of Stuttgart – as well as a regional parliament, elected directly by the citizens.

The Stuttgart Region is shaped by industry from the key areas of automotive, engineering, electrical engineering, creative industries and information technology. Its economic structure is influenced by a mix of global players, such as Daimler, Bosch, Porsche, Trumpf and Festo, IBM and HP, as well as a large number of well-known businesses, like Stihl, Mabe, WMF, Märklin, Kärcher and Alfred Ritter.

More than 40 percent of the 1.3 million employees in the region still work in the manufacturing sector, despite hasty forecasts, starting as early as the 1990s, of local industry’s demise. Customers all over the world value the products and services of Stuttgart’s firms. The approximately 160,000 companies in the region record more than half of their earnings abroad. The Stuttgart Region is also an attractive place to visit or live. Situated amid picturesque valleys with vineyards reaching up the hills, it retains its history while providing a unique mix of near-rural tranquility and the urban beat of a metropolis.

Although the Stuttgart Region is wealthy, with a balanced economic structure, there are certain challenges that pose risks to the area’s continued economic success:

- **Lock-in effects**: On the whole, the dominant role played by the automotive industry and manufacturing technology is seen as a special challenge to the long-term viability of the region. Debates on this issue inevitably centre on the problems of “mature” industries, which have a low level of innovative dynamism and are especially vulnerable if owners see advantages in outsourcing jobs. This argument is countered with the contention that automobile manufacturing, in particular has been the backbone of the Stuttgart Region and the State of Baden-Württemberg in the past, and that this industry and the area of manufacturing technology will both experience significant opportunities for growth with new products and technologies.

- **Lack of specialist staff**: A lot of companies are already failing to find trained staff and engineers. This is especially true for small- and medium-sized enterprises (SMEs), who are witnessing tough competition for highly trained staff, due to the presence of a lot of large companies in the region. This problem will intensify in the future, in light of the demographic changes taking place.

- **Comparatively low number of company start-ups**: The strong labour market has encouraged those leaving university to pursue careers as employees in companies, instead of starting their own companies. This trend could hinder the rejuvenation and regeneration of the region’s companies.

- **Aging infrastructure**: The infrastructure of the Stuttgart Region as an economic engine is reaching its limits. Because of the special nature of the distribution of tax funds in Germany, and the federal responsibility for major roads and all railroads, the transport infrastructure is not growing fast enough to keep pace with the burdens placed upon it.

**Strategy 2020**

In order to respond to these challenges effectively, WRS developed a regional economic strategy for the Stuttgart Region in 2007. The objective of this strategy is to develop areas for policy action, between now and 2020, that will expand the competitiveness of the Stuttgart Region further and place the region on a solid foundation to meet future requirements in terms of safeguarding employment and wealth in the long term. “Strategy 2020”, as the plan is called, takes into account the problems of “mature” industries, which have a low level of innovative dynamism and are especially vulnerable if owners see advantages in outsourcing jobs. This argument is countered with the contention that automobile manufacturing, in particular has been the backbone of the Stuttgart Region and the State of Baden-Württemberg in the past, and that this industry and the area of manufacturing technology will both experience significant opportunities for growth with new products and technologies.

- **Aging infrastructure**: The infrastructure of the Stuttgart Region as an economic engine is reaching its limits. Because of the special nature of the distribution of tax funds in Germany, and the federal responsibility for major roads and all railroads, the transport infrastructure is not growing fast enough to keep pace with the burdens placed upon it.

**Wirtschaftsförderung Region Stuttgart**

The key player in encouraging networking for innovation in the region is the Stuttgart Region Economic Development Corporation (Wirtschaftsförderung Region Stuttgart, or short ‘WRS’), which was founded in 1995. WRS is responsible for economic development and marketing of the region. Its tasks include: promotion of the region, providing up-to-date information on the region, targeted acquisitions of companies, helping firms to find suitable industrial locations, promoting regional networks and cluster organisations, encouraging innovation, supporting company start-ups, providing advice to companies and local authorities, supporting companies in finding specialist staff and grooming international relationships, which includes interest representation vis-à-vis the EU institutions in Brussels.

The project-based work of WRS calls for intensive cooperation with companies, research institutes, municipal economic developers, chambers of commerce and other partners. The development corporation has roughly 40 employees. Acting on a regional stage, and with a statutory mandate for economic development, the Stuttgart Region, therefore, has a real opportunity to provide the impetus for future-focused development of the region.

**Challenges for the region**

Although the Stuttgart Region is wealthy, with a balanced
“Firms are often reluctant to use new ideas that they didn’t invent themselves. This traditional view of innovation completely disregards the growth market of demand-driven innovation.”

consideration that this region is one of the few in Europe to have extremely high-tech production with a strong regional value-added contribution that ranges from basic research to manufacturing and product-related services in the main industries. The strategy was agreed upon and developed on a regional level, in discussions with regional decision-making bodies and entrepreneurs.

Learning together with Europe’s best
WRS made a benchmark analysis, comparing the region with other European regions, and held a conference entitled „The Stuttgart Region in an international comparison.” Representatives from top European regions, such as Barcelona, the east of England, Helsinki and Upper Austria, had the opportunity to get to know the Stuttgart Region during a two-day visit prior to the event. At the event itself, they reported on their own experiences of developing an economic policy strategy and gave their predictions for the Stuttgart Region. The results of the benchmark as well as a SWOT analysis, discussions with regional stakeholders and events provided the basis for developing strategic areas for action and determining core issues to address. The resulting strategy paper „Wirtschaftspolitische Handlungsfelder für die Region Stuttgart bis zum Jahr 2022” (“Areas of action for economic policy in the Stuttgart Region up until 2022”) presents the areas for action of a regional innovation strategy focused on the future. These areas include: developing networks and clusters; business development and encouraging company start-ups; training and development of specialist staff; and marketing of the region and investor services.

Vision without action is a daydream, action without vision is a nightmare!
Making the benchmark and the SWOT analyses were only the first steps in envisioning and developing a clear plan. With the analysis ready, WRS could develop a concept to implement action for economic policy. The concept presents the core issues and short- to medium-term implementation steps in the above mentioned areas of the WRS strategy. The initiatives and projects in the field of networks and clusters follow through on a very early decision by WRS in 1998 to focus on networks and clusters as a means of fostering regional economic development. Clusters are local groupings of businesses and other stakeholders whose activity is connected, either horizontally or vertically. WRS understands the importance of providing a more extensive network for economic, scientific and political partners in the region, as a means of raising the competitiveness of the companies, and thus, the entire region. The heavy involvement of the region’s companies, scientific associations and political institutions in cluster initiatives, networks and joint projects indicates the success of this focus.

Key industries for initiatives and projects in 2007 and 2008 include clean tech, manufacturing technology/engineering, automotive, aerospace, the health sector and industrial design. Initial results from the activities already undertaken include a training needs analysis at companies, a newly founded institutionalised network (so-called competence centre) for packaging technology, the Cluster Initiative Automotive Region Stuttgart (CARS) and the CleanTech Initiative, which builds on the particular strengths in the fields of energy and environmental technology.

The World is our Lab
WRS’s Open Innovation Initiative is another key element in implementing the regional economic strategy. It plays a significant role that transcends industry boundaries: The initiative encourages the opening up of companies’ research and innovation processes, so that these processes can be used by anyone else who is interested. Initially, the parties interested in a company’s research include customers, suppliers and research partners, but this group can also include competitors.

Experts attribute the trend in favour of including surrounding businesses in the innovation process to the increased pace of economic development, the related reduction in innovation cycles and the growing innovative pressure on companies. There are two possible solutions for the companies: first, increasing their own innovation potential; and second, making better use of available innovation results. In many companies, especially those with a traditional approach, innovation is often only seen as valid when it is completely „homemade”. Firms are often reluctant to use new ideas that they didn’t invent themselves. This traditional view of innovation completely disregards the growth market of demand-driven innovation.

However, more and more companies are successfully using the Open Innovation model as inspiration for new products and services.

Many of the challenges that companies solve with innovation, often through painstaking processes spanning several years, have already been solved somewhere in the globe. This kind of duplication is not confined to problems and solutions, it also involves a huge range of different ideas developed in Europe and beyond, and particularly in the region. At the same time, numerous developments and patents are lying around unused, particularly in such development-intensive regions as Stuttgart and, because they do not relate to a company’s current core business or because the inventions are not mutually exclusive each other. Companies do not have the time to wait for several months for their projects to be approved. Having these challenges in mind, the Stuttgart Region is looking forward to a next generation of meaningful inter-regional projects. We think the community of the member states and the European Commission for the framework, which we consider to be well-elaborated. Complementing the innovation programmes under FP7 with down-to-earth cooperation, INTERREG could provide good support for the further development of a European Innovation Area.
Silesia Voivodship, (Województwo Śląskie in Polish), a region that was once shaped by mining and metallurgy, is now a centre of technology and innovation. A transformation to automotive and high-tech industries has helped Silesia become one of the most economically vital regions of Poland. While private enterprises have been a big force behind the advances in Silesia, where there are approximately 450,000 firms in operation, regional authorities and other stakeholders are also helping to further progress by developing and implementing a regional innovation strategy. To ensure that the strategy is used as an instrument for regional management, the Regional Board decided to devote resources from within the Regional Operational Programme of Silesia Voivodship, to help realise the strategy and encourage innovation. Silesia’s Regional Innovation Strategy focuses on the mobility and transport equipment. Major automotive factories operating in the region include Fiat in Tychy and Opel in Gliwice, both of which mainly produce for export. There are many other automotive firms in Silesia, and they contribute to the creation of an automotive industry cluster, attracting plenty of subcontractors. Silesia is also a leader in Poland with respect to the number of high-tech industrial companies. A substantial number of micro-businesses produce medical and surgery equipment, orthopaedic appliances, television and radio transmitters, devices for telecommunications and telegraphy, instruments for measuring, control, examination and navigation, and other instruments and devices.

**Silesia: Imagination creates reality**

This Polish region has reinvented itself to become a center of technology and innovation. Now officials have developed a strategy that they hope will keep the area on the right track.

**Regional profile**

At 12,294 square kilometres, Silesia covers only 3.9 percent of the area of Poland, but its 4.7 million inhabitants account for 13 percent of the country’s population. It is the most densely populated region in the country, and it therefore offers a huge potential market for consumer goods. At the same time, Silesia is also a place where the country’s most modern and innovative businesses are located. The region occupies the second position in Poland with respect to GDP (13.8 percent) and sales of industrial products (16.8 percent). The region also has had as much as 14 percent of the country’s direct foreign investments – more than USD 1 million – in recent years, which gives it second position in Poland for foreign investment, after the Mazowieckie Voivodship. Silesia Voivodship has excellent connections with the European transport network.

Main trans-European routes intersect here, including Corridor VE: Gdańsk–Katowice–Zyliena. And this is also the western-most junction of standard gauge and broad gauge railway systems, which means this is the westernmost point for connecting railway transport of cargo between Europe and Asia. A modern logistics centre is now being constructed at the terminal where the two types of track meet.

**Silesia Voivodship**

Main trans-European routes intersect here, including Corridor III: Berlin-Wrocław-Katowice-Kraków-Lvov and Corridor IV: Warsaw-Berlin-Budapest, which calls for improvement of competitiveness of the Silesia Voivodship in Europe. A variety of activities spelled out in the Regional Innovation Strategy are already under implementation, with the financial support of European Union Structural Funds, state budget funds, private capital and other sources. The need to support innovation was acknowledged in the 2007–2013 Regional Operational Programme of Silesia Voivodship. One priority of the programme is devoted exclusively to research and development, innovation and entrepreneurship. The programme makes about €296 million available for this purpose. Innovative activities will be especially supported within the framework of measure 1.2.3, “Innovation in SMEs”, and within measure 1.3, “Transfer of technology and innovation”. Beyond the region, innovation will also be supported within the national Operational Programmes on Innovative Economy and Human Capital. These programmes will provide €8.2 billion and €9.7 billion, respectively, to support innovation nationwide. Based on the lessons learned from the previous programming period, we can expect a considerable amount of national programme resources to be set aside for Silesia’s innovative projects. Thus, even though innovation may seem to be a new concern in Poland, there are some regions in the country, like Silesia, which are successfully coping with this challenge while taking advantage of the knowledge and experience already gathered in other parts of Europe.

“Silesia, a region that was once shaped by mining and metallurgy, is now a centre of technology and innovation.”

Małgorzata Stań
Director of the Department of Regional Development in the Marshall’s Office of Śląskie Voivodship.
Vienna, which has been the home of great scientific achievements, has a long history as a centre for innovation. The Austrian capital now finds itself as a vital part of the new, more vibrant and more internationally focused Central Europe. The city is working to build its own performance in the area of innovation by elaborating a strategy that calls for a wide range of actions, from building human capacity to providing better resources for researchers and scientists. A big part of Vienna’s efforts to encourage innovation involves the larger transnational region, which includes the Czech Republic, Hungary and Slovakia. Vienna has already begun working with the neighboring countries, and the city’s promotion of innovation, which is described below, should have a positive impact on the entire region.

Vienna: A traditional metropolis of culture and knowledge

Vienna is not only a city of culture but also a metropolis of science and research. The city draws upon a long and rich tradition of creative thought, a spirit of scientific inquiry and entrepreneurial innovation. The recognised Vienna schools, for example, have won world-wide acclaim due to the achievements of the top scientists they have produced. These include: the Vienna school of medicine (Ignaz Semmelweis and Nobel Prize winners Karl Landsteiner and Konrad Lorenz); the Vienna school of psychoanalysis (Sigmund Freud, Alfred Adler and Viktor Frankl); and the Vienna school of national economics (Carl Menger and Nobel Prize winner Friedrich von Hayek). Vienna’s university is one of Europe’s oldest and the second largest in the German-speaking countries. Science and research hold a prominent position to this day. Numerous universities, academies and colleges provide education for more than 130,000 students. More than 1,000 research facilities, including more than 400 enterprises, serve to complete Vienna’s regional knowledge network.

With the development of Central Europe, this city on the Danube is no longer alone in achieving excellence in innovation. By reaching out to its neighbours, Vienna is helping to foster the kind of cooperation that will build a healthy knowledge economy throughout the greater transnational area.

Vienna: Building a transnational region

Christian Wurm is a member of the Department of EU-strategy and economic development of the City of Vienna. He is responsible for clusters, technology and research, and he helped elaborate Vienna’s research, technology and innovation strategy.

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A new situation in a new century: CENTROPE

A few years after the political systems changed in the neigh-
bouring countries, Vienna found itself in a totally new situation: At the beginning of the 21st century, the borders to all neighbours are not only open but economic ties are increasing. Within a short time, the existing borders between Austria, Slovakia, the Czech Republic and Hungary are expected to become merely administrative limits, separating very closely related regions. Particularly because of the proximity of Bratislava (SK), Brno (CZ) and Györ (HU), Vienna is now a major urban centre in a transnational region that includes other dynamic economic centres nearby. This is why a new vision has emerged: the vision of a Central European Region, bridging the borders of four countries (Austria, the Czech Republic, Hungary and Slovakia). Since a first meeting of political decision makers representing regions and cities from the south of Moravia, the western parts of Slovakia and Hungary, and the east of Austria, this border quadrangle is called “CENTROPE”, a densely populated area, home to some 6.5 million inhabitants. Like the City of Vienna itself, the larger region of CENTROPE has a tradition of innovation on which to build. If CENTROPE, and the cities within this region, are to develop, they must encourage further innovation and greater development of knowledge economies. Through transnational efforts like the CENTRAL EUROPE Programme, some of this work with neighbouring countries to encourage innovation around the CENTROPE region. Meanwhile, the city has developed its own strategy to address the issue. Other regions in Central Europe can benefit by imitating, and also joining in, some of Vienna’s efforts to encourage innovation. Its joint candidature with Bratislava for the seat of the EIT (European Technology Institute) sets an important sign for Vienna’s cross-border efforts and for the Europeanisation of its science location.

**Development of a Strategy for Research, Technology and Innovation**

Vienna’s efforts to encourage a dynamic regional environment are described in its new Strategy for Research, Technology and Innovation (“Forschungs-, Technologie- und Innovationsstrategie Wien”). This strategy, which extends until 2015, was elaborated after a year of discussion. Those promoting the effort included city councillors from relevant departments, business representatives, universities, research organisations and the media. In order to learn from the best examples, the City of Vienna also invited some 100 relevant stakeholders and experts from Europe and abroad to discuss innovation strategies. Under the strategy, a small number of fast track projects beginning in 2008 will already provide first impact by 2009. For more information, please go to http://www.wiendenktzukunft.at.

Major objectives (between now and 2015) of research, technology development and innovation (RTDI) policies, based on this strategy, are:

- to increase research and development (R&D) expenditures in Vienna from the current 3.13 percent to more than 4 percent;
- to increase the percentage of employees with academic degrees from 16.4 percent to 20 percent;
- to increase the number of researchers by 25 percent;
- to double the number of enterprises engaged in R&D;
- to exceed the target number of 200 companies participating in FP 7 projects.

**Fields of action**

In the years ahead, the City of Vienna will focus its RTDI policies on several areas including several locally focused efforts:

- making better use of the city’s human resource potential and improving the situation for young scientists;
- focusing on Vienna’s major fields of research and innovation, including: life sciences/medicine; information and communication technology (ICT); creative industries/multimedia;
- engaging in dialogue with the citizens;
- encouraging communities of researchers by creating local networks that provide the necessary infrastructure.

At the same time, Vienna will seek to strengthen its position as an international network-based location of research and innovation through transnational cooperation. In this process, priority will be given to Vienna’s integration into the dynamically growing European region CENTROPE at the juncture of Austria, the Czech Republic, Hungary and Slovakia.

**CENTRAL EUROPE Programme offers a boost for CENTROPE**

The new CENTRAL EUROPE Programme for transnational cooperation offers great opportunities for Vienna, and also the CENTROPE Region. This is especially true because the main activity fields of the program – facilitating innovation, improving accessibility, showing environmental responsibility, and enhancing competitiveness and attractiveness of cities and regions – fits perfectly with Vienna’s strategic orientation, which is spelled out in the Vienna Strategy on Research, Technology and Innovation. Vienna and the CENTROPE region have already begun work in these areas.

To facilitate innovation in the region, activities to foster cooperation of enterprises have proven to be an appropriate instrument. Since 2002, the production of the automotive industry has doubled in the Central European region. CENTROPE is becoming a big player in the automotive and logistics sector by international standards. To live up to the objective of making CENTROPE the “European Detroit”, appropriate measures have to be taken. The Automotive Cluster Vienna Region ACVR, together with the Slovak and the Hungarian clusters, is an important stakeholder that can help ease innovation processes in the future.

Improving accessibility in the CENTROPE Region touches, for example, co-operation in public transport facilities. The volume of cross-border traffic between the CENTROPE partner regions is continuously rising. It is a challenge to use the potential for improving mutual access in the field of public transport.

Increasing regional competitiveness through exchange of experiences in innovation policy is one of the essential conditions for a growing consciousness of the meaning of the CENTROPE region. To compare, to discuss and to adopt existing innovation technologies and methods by establishing a process of permanent exchange among regional self-governments and R&D support agencies in the CENTROPE region seems to be an important step in the development of the innovation system.

For more information, visit

http://www.wien.gv.at and
http://www.wiendenktzukunft.at.

Parts of this article were taken from the final report of proact-network: case study Vienna. The report can be downloaded from

While the pace of innovation is lagging in much of Slovakia, the Bratislava region, around the capital, is one bright spot. The region is a leader in high-tech business and development within the country and all of Central Europe. Transnational cooperation with neighbouring regions in Austria and Hungary offer a promise to further increase innovation in Bratislava.

**Bratislava region in the lead**

With a per-capita GDP of 129.3 percent of the EU average Bratislava is the most important and economically advanced region in Slovakia. The region has more than 600,000 inhabitants, who make up 11.4 percent of the Slovak population. The portion of economically active people among its population is more than 64 percent, the highest percentage of Slovak regions. The Bratislava region contributes more than 25 percent to the country’s economic performance. The most dynamically growing sector is the automotive sector, attracting major car producers like Volkswagen and its subcontractors, important SMEs and technology users. The activities of Bratislava’s technology-oriented SMEs range from manufacturing and distribution of sophisticated spare parts for cars to development of control and quality systems.

**Competition and cooperation**

Located on the border of Austria and Hungary, Bratislava offers favourable preconditions for transnational cooperation. Already in 1993, a study supported by the EU Commission ranked the Slovak capital as a fertile ground for SME’s and praised the geographic triangle of Bratislava–Vienna–Györ (Centrope region) as the most convenient location for investments in Europe. A more recent survey by the Financial Times (Top 50 cities of the future), however, that employed over 75 different indicators of locations’ attractiveness and economic potential, rates Bratislava only on place 50, well after the other Central European capitals Berlin, Vienna, Prague and Budapest.

While cities in the transnational Centrope region may be competing for Foreign Direct Investment and to attract individual companies to their region, cooperation across borders can help them to make better use of their potential. A five-year old study by the Organisation for Economic Co-operation and Development (Territorial Review on metropolitan Region Vienna/Bratislava) notes precisely the lack of such linkages in the area around Bratislava, which gives reason to support an intensive focus on transnational cooperation.

**Striving for high-tech**

Within Slovakia, Bratislava is the only region that has a sound performance in the innovation index, ranking 27th among all regions in the EU in the 2006 European Trend Chart on Innovation. This ranking means the Bratislava region is very successful compared to other regions from the New Member States. In fact, Bratislava was one of only three regions from the New Member States making it into the ranks of the best 50 EU regions.

Bratislava’s regional innovation strategy of 2004 lays out the general objectives with regard to the support of R&D and innovation infrastructures. It also focuses on support of technologically-oriented SMEs with innovation potential and innovative start-ups. More recently the region signed a Memorandum of Understanding to create a strategic platform for the development of an innovative, knowledge-based region together with the capital city and its two universities. One of the next steps will also be to establish a Regional innovation centre bringing together the triple helix actors (self-government, universities and industry). It is also planned to participate more actively in CENTROPE, particularly as concerns projects and initiatives to benefit the electronics, automotive, biotechnologies, and ICT sector. These initiatives are designed to help achieve the region’s ambition to become the future high-tech region of Central Europe.

Viera Čeplíková works for the Department for Regional Development at the Office of the Self Governing Region of Bratislava. Her responsibilities include the promotion of innovation. She has a background as a scientist and researcher in molecular biology. Previously she worked for the Slovak national parliament and was a local council member for many years. "While the pace of innovation is lagging in much of Slovakia, the Bratislava region, around the capital, is one bright spot."
The Moravian-Silesian Region of the Czech Republic has been transitioning from a region dominated by heavy industry to one that’s banking on innovation and knowledge-based industries. Encouraging this transition has involved cooperation among the various actors in the field, including businesses, universities, the government, etc. To foster this cooperation, the region has relied on business clusters and a variety of new initiatives, including an innovation strategy and InOva, a scheme to create partnerships that encourage innovation. The Moravian-Silesian Region is also benefiting from cooperation with its Central European neighbours.

The following is a profile of the region, and of its efforts to encourage innovation.

**Mining knowledge**

The Moravian-Silesian Region has been using clusters and transnational cooperation as part of its coordinated effort to transition from mining and heavy metal to knowledge-based industries.

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**Industrial heritage and new horizons**

The Moravian-Silesian Region is situated in the northeastern part of the Czech Republic, bordering on Slovakia in the east and Poland in the north. Its area covers 5,445 square kilometres and population records show more than 1.2 million inhabitants. Its industrial and commercial centre, Ostrava, has more than 300,000 inhabitants and is the third biggest city in the Czech Republic. The region is well known for its long industrial tradition, which had already begun by the second half of 18th century. While coal mining and metalurgy were long the core industry of the region, the 1990s saw a process of economic reform and restructuring, which is still going on, so that the share of “old industries” is decreasing in favour of new industrial fields with higher added value, such as engineering, the automotive industry, electrotechnics, chemicals, the pharmaceutical industry and information and communication technologies (ICT).

This change has been supported by large-scale foreign direct investment during the last five years. A prime example is Hyundai Motors, which has committed more than €1 billion in investment in a new car assembly plant in the region.

**High education and R&D potential**

With its developed industrial, educational and innovation infrastructure, the Moravian-Silesian Region belongs to the most advanced regions in the Czech Republic. The metropolitan city of Ostrava prides itself on its four universities, providing education to more than 40,000 students – or 20 percent of the university student population in seven Czech NUTS2 regions. In 2006, the Moravian-Silesian Region was responsible for 18 percent of the research and development (R&D) expenditures of all Czech regions covered by the convergence objective. This represents growing expenditure since 2001, when that figure was only 7.3 percent. Meanwhile, there has also been impressive growth into R&D by private companies in the region.

**A cradle for clusters**

The Moravian-Silesian economic tradition of coal and steel production proved to be the building blocks for a diverse group of industries. Participants in these industries cooperate with one-another, helping make the Moravian-Silesian Region the cluster initiative leader in the Czech Republic. Large engineering and metallurgical companies work on their competitive positions based on joint research and collaborative innovation projects.

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By Pavla Bruskova

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The cluster concept is one of the essential pillars of the Moravian-Silesian regional industry and innovation strategy.

The cluster concept is one of the essential pillars of the Moravian-Silesian regional industry and innovation strategy. The current cluster organisations have been partly funded from the region’s budget. In 2002, a pilot study on industrial groupings was carried out within the PHARE Programme. The study proved that clustering can help to overcome the region’s industrial restructuring problems.

In 2003, the Moravian-Silesian Engineering Cluster, the first Czech cluster organisation, was established in Ostrava. For its 2004-2006 programming period, the Czech Republic was the first of the European Union New Member States to include a cluster programme in their EU Structural Funds Operation Programme, Enterprise and Industry (OPEI). The OPEI intermediary body, CzechInvest, gave clusters a broad awareness building campaign in 2004.
The goal of the Moravian-Silesian Region, to be among the leading regions of Europe in innovation 10 to 15 years from now, is easier to achieve if the region takes maximum advantage of European innovation programmes.

Innovation focused initiatives

In pursuing its innovation-related goals, the Moravian-Silesian Region follows a pragmatic approach, which is outlined by its regional development strategy document “The Way Forward”. Goals in the strategy include increasing the overall level of education of the regional population and the number of university graduates, motivating graduates to stay in the region, supporting applied research at universities in close relationship with industrial enterprises and creating a regional scholarship programme for excellent students in technical university branches.

Regional innovation initiatives also include InOva, a scheme by the RDA Ostrava to create effective partnerships among various local actors who have an impact on innovation. Among the key organisations involved are VŠB-Technical University, with its Centre for Advanced and Innovative Technologies and Centre for Technology Transfer; other universities’ specialist institutes, including basic research centres; and other groups of organisations, such as the Ostrava Science and Technology Park, Ostrava’s BIC and a number of high-tech business incubators.

The main objective of InOva is to identify, coordinate and prepare key projects focusing on research, development and innovation for 2007–2013 operational programmes. Projects supported by InOva include “Contact Point”, which links companies with universities, and the establishment of the Faculty of Medical Studies and Research at Ostrava University. InOva provides a broad-based foundation for individual projects that develop the culture of innovation, whether through the training and mobility of students, researchers and teachers; increasing public awareness of innovation; promoting clustering; or cooperation on innovation projects. Another regional initiative, ForTech, has been designed as a tool to improve the image of technical branches and to attract young people towards regional employers in machinery, electrical engineering, computer science and construction.

Large-scale projects, such as the Moravian-Silesian Research and Technology Centre and IT Centre of Excellence, have been prepared with the involvement of all universities in the region and with priority support from the regional government. This project is a real turning point in terms of strengthening regional R&D and creating a competitive advantage. The targeted fields are machinery, information technology, new materials and safety engineering.

The goal of the Moravian-Silesian Region, to be among the leading regions of Europe in innovation 12 to 15 years from now, is easier to achieve if the region takes maximum advantage of European innovation programmes. The RDA Ostrava is participating in the NICE (EU FP6) and CLOE (Interreg) projects, and working on the preparation of a new FP7 project within the Regions of Knowledge programme, called CERADA – Central European Research and Development Area. These activities enable the Moravian-Silesian Region to learn, transfer and disseminate the best practices and know-how in innovation through a network of the neighbouring Central European regions.

The importance of EU cooperation for the region

It is one of the highest priorities for the Moravian-Silesian Region to maximise its absorption capacity in terms of accessing EU funds for cooperation projects oriented towards increasing R&D and innovation capacities. Other priority topics are: transport infrastructure, human resources, the environment and tourism. The CENTRAL EUROPE area is naturally the most important source of partners for common solutions to common challenges. The Moravian-Silesian Region builds on partnership agreements with the Slovak Zilina Region and Polish Katowice Region to create a strong economic Central European area.
“We need a fifth freedom in Europe – the free movement of knowledge – to complement the other four freedoms on which the Single Market rests.”

José Manuel Durão Barroso, President of the European Commission
Speech at the Lisbon Council Growth and Jobs Summit, Brussels, 4 March 2008