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COMMUNICATION FROM THE COMMISSION

**COMPETITIVE EUROPEAN REGIONS THROUGH RESEARCH AND
INNOVATION**

A contribution to more growth and more and better jobs

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1. INTRODUCTION

Central to the realisation of the renewed Partnership for Growth and Jobs is the effort to promote the knowledge economy, in particular through research, technological development and innovation. At the Community level, the Union possesses three key support instruments: Cohesion policy which is funded under the Structural Funds and Cohesion Fund; the Research Framework Programme; and the Competitiveness and Innovation Framework Programme. This Communication aims to show the synergies of design of the funding instruments of the European research, innovation and cohesion policies. In order to increase the effectiveness of the three instruments, these synergies should now be translated into synergies of action by national and regional authorities as well as regional actors. The Communication takes stock of the current situation and calls on Member States and regions to make more effective use of the EU Research, Innovation and Cohesion policies and instruments.

Research and innovation are crucial to addressing some of the major issues facing the European Union and upholding an EU model based on economic growth, social responsibility and sustainable development. We need to raise productivity, increase employment rates and shift to higher value-added economic activities. Workers need higher-level skills and the capacity to adapt to change. Investing in human capital is therefore of crucial importance in order to increase research and innovation efforts.

Research and innovation also offer solutions to overcome unsustainable use of resources (including energy consumption), to address climate change, and to deal with the challenges of demographic change. In an open global economy, competitiveness lies in the capacity of businesses to create high value-added goods and services. A move towards innovation-based growth is therefore at the heart of the renewed Lisbon agenda which forms the EU response to globalisation.

Innovation is most effectively addressed at regional level, as physical proximity fosters the partnerships between actors in both public and private sectors. The formation of regional clusters is often the key to the successful promotion of research, technological development and innovation. The capacity of regional decision makers and entrepreneurs to turn knowledge, skills and competencies into sustainable competitive advantage is crucial to regions' economic performance. However, European regions vary considerably in their capacity to absorb and develop knowledge and technology. This impedes their growth prospects and is likely to reinforce the considerable disparities in prosperity across the EU which have widened following recent enlargements.

The new challenges facing the EU are of increasing complexity. They call for a more structured and strategic mix of Community, national and regional policies.

The common or complementary policy priorities of the Community's Research, Innovation and Cohesion Policies in the Lisbon context are:

- To build a European Research Area (ERA) by contributing to increased R&D capacity by promoting European excellence, and by reducing structural disparities;
- To improve performance in R&D and innovation, therefore contributing to economic growth and job creation, by stimulating a healthy economic environment, facilitating access to risk capital, underpinning the development of innovating clusters, enhancing human capital, supporting technology transfer activities especially from universities and research centres to SMEs and between SMEs, and helping public R&D and knowledge institutions to connect with the local business community, for example through networking activities;
- To strengthen competitiveness of European businesses and regions, in particular by fostering entrepreneurship and supporting SMES, including through a business support network;
- To strengthen the economic and social cohesion of the enlarged European Union in order to promote the harmonious, balanced and sustainable development of the Community;
- To promote national, regional and interregional innovation strategies;
- To promote innovation and innovative clusters.

2. RESPECTING DIFFERENCES WHILE ACHIEVING SYNERGIES

When looking at possibilities for achieving greater synergies between policies, we must understand the starting points and specific features of each. The EUs' Research Policy, Innovation Policy and Cohesion Policy contribute to the common objective of creating jobs and growth in different ways. While EU research policy focuses on promoting excellence at international level, innovation policy focuses on turning knowledge into business opportunities and new solutions for societal needs, including through process and organisational innovations affecting structures, processes and linkages between organisations. Cohesion policy focuses on promoting regional excellence. In the current programming period it has become a major source of investment in support of the Lisbon Strategy in fields such as RTD and innovation both in the least developed region where capacity for these activities needs to be created, and in the more advanced regions where they need to be reinforced. For Cohesion Policy programmes covering 2007-2013 Member States are required to ' earmark' between 60% and 75% of the resources available for Lisbon-related investment, notably in RTD and innovation.¹ The scope for synergies with research and innovation policies is therefore greater than ever before.

In seeking to increase coordination between the three policies it is necessary to take account of the fact that:

- (1) Each of the policies has a different legal basis in the EU treaty. While the overall goal-jobs and growth - is the same, the objectives need to be defined in accordance with the Treaty.

¹ The 60% target is for the least developed (Convergence) regions while the 75% target is for the other (Competitiveness) regions. The targets are compulsory for EU-15 and voluntary for EU-12. The Commission will report fully on Member States' programmes in a Communication on "Delivering the Lisbon Agenda in the regions – innovation and cohesion policy 2007-2013" in autumn 2007.

- (2) Relating to their different Treaty basis, research and innovation instruments target specific themes, while cohesion policy instruments target specific geographical areas. The first set of instruments results in thematic specialisation, whereas the second seeks to promote an integrated approach.
- (3) There are also differences in implementation methods. The 7th Framework Programme essentially uses competitive calls for proposals at European level. In the evaluation of proposals the Commission is assisted by independent experts and the proposals are selected on the basis of excellence. The Competitiveness and Innovation Framework Programme also uses calls for proposals at European level for the ICT and Intelligent Energy components, while the other financial instruments work with a permanent open call for expression of interest that will be considered by the European Investment Fund (EIF) and the Commission. Cohesion policy programmes are implemented on the basis of shared management between the EU and the Member States in a system of multi-level governance. Whilst they often also use competitive calls for tender, the scope of intervention is generally limited to a region (though some cohesion policy programmes also cover a Member State or a group of regions). Hence the selection process is based primarily on regional partnerships. Due to these differences, the direct beneficiaries can differ as well.

Against this background, the Commission, in drawing up policies for the period 2007-2013, has examined how the three Community policies can best complement one another and how bridges can be built between the five relevant instruments, i.e. the 7th RTD Framework programme (FP7), the Framework programme on Competitiveness and Innovation (CIP) and the instruments of Cohesion Policy: (i.e. the Structural Funds; European Regional Development Fund (ERDF) and European Social Fund (ESF)²), as well as the European Agricultural Fund for Rural Development (EAFRD). The instruments now offer greater potential than before for co-ordinated use, as is described in Annex I. The fact that the five instruments now cover the same time-horizon (2007-2013) will also facilitate their coordinated use.

A number of specific initiatives were introduced in the 7th Framework programme to increase the capacity of operators from regions lagging behind to participate in co-operation projects, but it was not considered appropriate to propose selection criteria to reflect the regional dimension of a project or differentiated aid rates depending on the development stage of a region. Similarly, while Cohesion Policy does not set specific minimum allocations for RTDI, or indeed for any sector, both the Regulations and the Strategic Guidelines on Cohesion give a clear impetus to raise research and innovation capacity in the regions by funding productive investment together with help for initiating strategies for R&D and innovation based on local assets. Indicative figures are that Member States have "earmarked" around €45 billion of cohesion policy funding for investments in research and development and innovation, including investment in human capital. This is more than three times the amount that was invested in these areas in the period 2000-2006.

As the Community Strategic Guidelines indicate, the key to a coherent support strategy for research, technological development and innovation lies with the Member States and the regions. They assess the investment needs and develop the project pipeline. While as a

² As the other instrument of cohesion policy, the Cohesion Fund, is not directly linked to research, technological development and innovation (RTDI), it is not discussed here.

question of sound financial management of public funds, it is not possible to combine funding from two different Community sources for the same set of eligible costs (Council Regulation (EC) No 1083/2006, Article 54(5)), it is possible to use Structural Funds, the EAFRD and other EU funds for different aspects or phases of, for example, a research and innovation project or programme, provided that the aspect or phase concerned meets the relevant funding source's criteria for support.

At the same time, synergy should not be reduced simply to complementary project funding. It is also relevant in the building and development of research and innovation capacity. The exchange of knowledge fostered by the Community instruments is also an important form of synergy. In addition, all relevant Community instruments can support innovations in the social area. All three Community instruments offer extensive opportunities (including foresight activities) for sharing know-how about research and innovation between EU regions. The transfer of good practices through inter-regional partnerships is essential for improving performance on research and innovation throughout the EU. In the case of Cohesion Policy, the Regions for Economic Change initiative and the mainstreaming of innovative actions and transnational programmes in ESF operational programmes will play an important role here, while in the 7th Framework Programme there will be dedicated activities such as 'Regions for Knowledge', 'Unlocking Research Potential' and 'ERA-NET'. Finally, the CIP offers further possibilities for exchange of knowledge and good practice in particular in the field of innovation.

3. TOWARDS MORE SYNERGIES BETWEEN RESEARCH, INNOVATION AND COHESION POLICIES

The need for increased synergies between Research, Competitiveness and Regional policies was repeated during recent meetings of the Competitiveness Council³. A number of advisory groups and other actors have also addressed these issues and called for improved cooperation and coordination at national level between the different players.⁴ These groups have made recommendations covering a variety of issues:

- (a) The value for national and regional authorities of developing a specific strategy for co-ordinated use of the Framework Programme and the Cohesion Policy programmes as part of their RTDI strategy.

³ On 25 June 2007 the Council (Competitiveness) adopted conclusions "on more efficient support to research and innovation: coordinating the use of the research framework programme and the structural funds". Among other things, the conclusions underline the importance of the development of RTDI strategies and the strengthening of governance and the development of RTDI excellence.

⁴ The Scientific and Technical Research Committee of the EU (**CREST**) adopted guidelines on "**How to make better coordinated use of Framework Programme and Structural Funds to support R&D**"; The European Research Advisory Board (**EURAB**) provided advice on "**Energising Europe's Knowledge Triangle of Research, Education and Innovation through the Structural Funds**"; The European Strategy Forum for Research Infrastructures (**ESFRI**) has called for more synergies as regards Research Infrastructures. ESFRI will produce an analysis on *regional aspects* of pan-European Research Infrastructures in early 2008. The ITRE committee of the European Parliament has recently commissioned a study "**Synergies between the EU 7th Research Framework Programme, the Competitiveness and Innovation Framework Programme and the Structural Funds**" which calls for increasing synergies between FP7, CIP and SF, trying to avoid gaps and overlapping.

- (b) The importance of using the opportunities provided by Cohesion Policy and the Framework Programme to strengthen the governance of RTDI strategies through exchange and networking.
- (c) Proposals for effective synergies in key areas: strengthening and developing RTDI capacity, developing excellence, paying due attention to SME dimension, building co-operation at European and international level and strengthening the economic exploitation of R&D results.
- (d) The need for better communication and collaboration between the national and regional actors involved in delivering the FP, the CIP and the Cohesion Policy and the need for improved information for beneficiaries.
- (e) The use of actions supported by the Capacities Specific Programme of the 7th Framework Programme to inform the development or delivery of actions through the relevant Cohesion Policy programme of the participating regions; and the use in turn of Cohesion Policy programmes to lay the foundations for future participation in the Framework Programmes.
- (f) The need for greater synergies between the Cohesion Policy and the FP7 on Research Infrastructures, and the importance of involving the "newer" Member States in the European Roadmap for Research Infrastructures in a meaningful way.

4. CONCLUSIONS

The EU has complementary policies in place to support research, innovation and entrepreneurship in Europe's regions and Member States. Providing the basis of excellent research and innovation in Europe is the precondition for maintaining the EU model of sustainable development. Cohesion policy can help all regions to build up research and innovation capacity, to stimulate and support innovations in the social area, and to exchange good practice through trans-national and inter-regional co-operation. Once regional actors have reached a sufficient level of capacity to compete successfully in European framework programmes, the RTD FP and CIP “develop” this capacity further by continuing the exchange of good practices, stimulating a multi-national approach and connecting players together in concrete problem solving initiatives. In turn, the Structural Funds might support needs previously identified under RTDI FP and CIP instruments.

The Community has ensured that synergies exist between the instruments established to further growth and employment. The synergies of design should now be translated into synergies of action by national and regional authorities and other stakeholders. The responsibility to meet the ambitious targets on improving the EU's research and innovation performance lies with the Member States. In cohesion policy, the Community has a major source of investment for this effort and the progress which Member States are making in using this policy to stimulate research and innovation in the European Union in the 2007-2013 period is encouraging. However, the Commission believes that more can be done at national and regional level in terms of improved information on and use of the instruments.

- (1) The Commission invites Member States to improve the arrangements for co-ordinated preparation and use of Community instruments to support RTD, innovation and cohesion at national and regional level and to include in the reports on the implementation of the National Reform Programmes information on how these arrangements contribute to addressing the countries' key challenges. The opportunities for co-ordinated use should be considered in preparing strategies and operational mechanisms, and for different aspects and phases of research and innovation projects. Systems should also be put in place to raise the awareness of the actors involved in implementing the Framework Programme, Competitiveness and Innovation Programme, and cohesion policy programmes at national and regional level, including national and regional research and innovation ministries, of the opportunities offered by these three Community instruments; to stimulate the use of these instruments; and to exchange information and best practice on exploiting synergies between the instruments and to make available information on the three instruments for potential beneficiaries.
- (2) The Commission will prepare by the end of 2007 a practical guide looking at the funding opportunities through the eyes of a research institution or a company wishing to use EU funding to undertake research and innovation activities. The guide will also examine how to set up mechanisms at national and regional levels to foster co-ordinated access to the different instruments, and explain Article 54(5) of the Council Regulation (EC) No 1083/2006 on the use of funding from two different Community sources for the same set of eligible costs;
- (3) The Commission will report in spring 2009 on the progress made at national and regional level in co-ordinated use of the Community's instruments and on examples of good practice at national and regional level;
- (4) To facilitate complementary funding from Community, national and regional instruments, the Commission will regularly inform national/regional authorities on organisations established in their respective territories which have benefited from FP7 and CIP grants. Such information will be provided via the existing governance structures set out for each of these instruments.

In order to follow up the actions identified in this Communication, the Commission will bring together at regular intervals stakeholders competent in the areas of research, innovation and regional development, as well as all Commission services concerned by the issue of 'Competitive European Regions', to provide support and advice on relevant measures.