

Centre d'Analyse Stratégique

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The challenges for Innovation policy in regions

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Why worry about innovation and regions?

- **Innovation** has received increased priority to address not only productivity gaps, but also societal challenges in the move towards smart, sustainable and inclusive societies
- **Regions** are called as innovation mobilisers in their countries. Two moves: attention to territories in national innovation policies; more stress on innovation in regional development policies
- The adoption of a **broader concept of innovation** gives a chance to regions that are not at the technology frontier
 - How to organise **complementarity/synergies** between policies at various levels of government?
 - How **effective** are innovation policies by, for, in regions??



OECD Survey of the multi-level governance of science, technology and innovation 2010

Survey content

- Roles, budgets and challenges at different levels
- Multi-level governance coordination
- Instruments used at different levels
- Regional dimension of national S&T and innovation policies
- Future trends expected



Some typical responses to the OECD survey

- **Information sharing** across levels of government to inform each other's policy is difficult
- **Capacity problems** at sub-national level to formulate and deliver policy
- **Financial resources** are insufficient for certain regions/localities to actively participate and implement strategic plans
- **Administrative boundaries** at regional and city/local level are an impediment to policy efforts
- **Policy silos** at supranational/national level undermine efforts to coordinate at the sub-national level
- **Inefficiencies** are high given the proliferation of programmes emanating from different levels
- **Gaps** in the allocation of responsibilities result in policy areas unmet at any level of government

Regional innovation policies

Looking for “the best” policy model??

Three arguments for more effective innovation policies in regions:

1. **Variety** in innovation policy models
2. **Openness** (content, space) of policies
3. **Policy learning** and experimentation



Diverse regions, diverse policy responses

- S&T–driven innovation /application , adaptation of knowledge
- Specialisation of productive fabric
- Potential niches for smart specialisation
- Innovation driven by large incumbents/New firms
- Density of local linkages, regional cohesion, social capital
- Orientation and strength of global linkages
- Specific RIS bottlenecks: human capital, finance, etc.
- Institutional competences of the region in innovation
- Formal powers versus effective powers and budgetary means
- Intensity and quality of public commitment to innovation
- Development choices, strategic priorities, future visions...



Diverse regions, diverse policy responses

Regional innovation policy portfolios reflect diversity of regions along **three dimensions**:

1. **Institutional** power of the region in country context
2. **Economic** specialization, **innovation** profile
3. **Strategic development** choices



Tendency to overlook one or two dimensions!

Identifying Policy Models

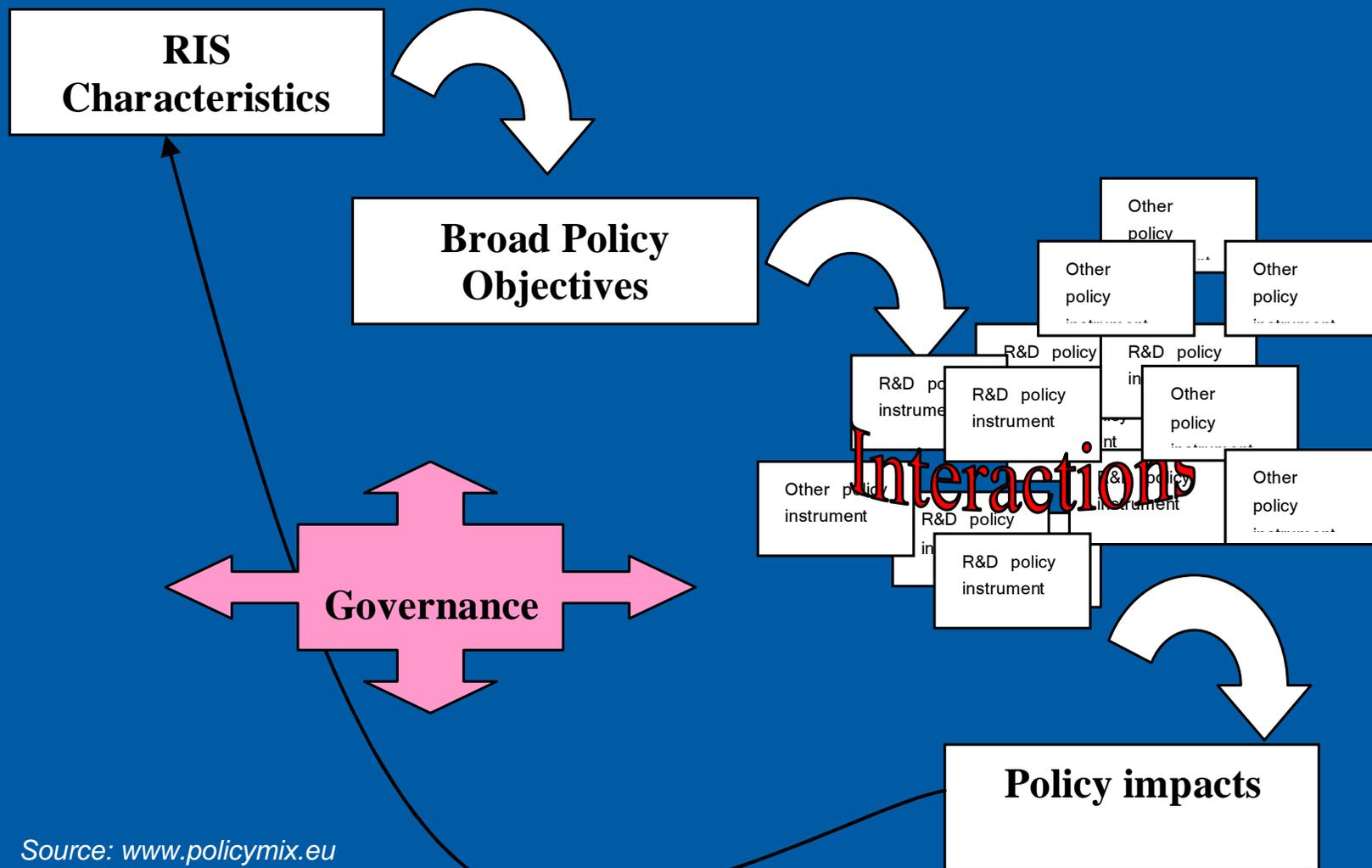
- The policy question: how to **prioritise** between various possible regional policy objectives ?
- An answer: identifying typical **policy models** - and associated policy instruments portfolios (traditional, emerging, controversial) – away from the “supply-matching-demand” model, balance between knowledge creation-absorption-diffusion :
 - “Entrepreneurial” model
 - “Node in global hub” model
 - “Absorptive capacity” model
 - “Innovation ecosystem” model
 - “S&T co-generation” model
 - ...

Towards “borderless” innovation policies for regions

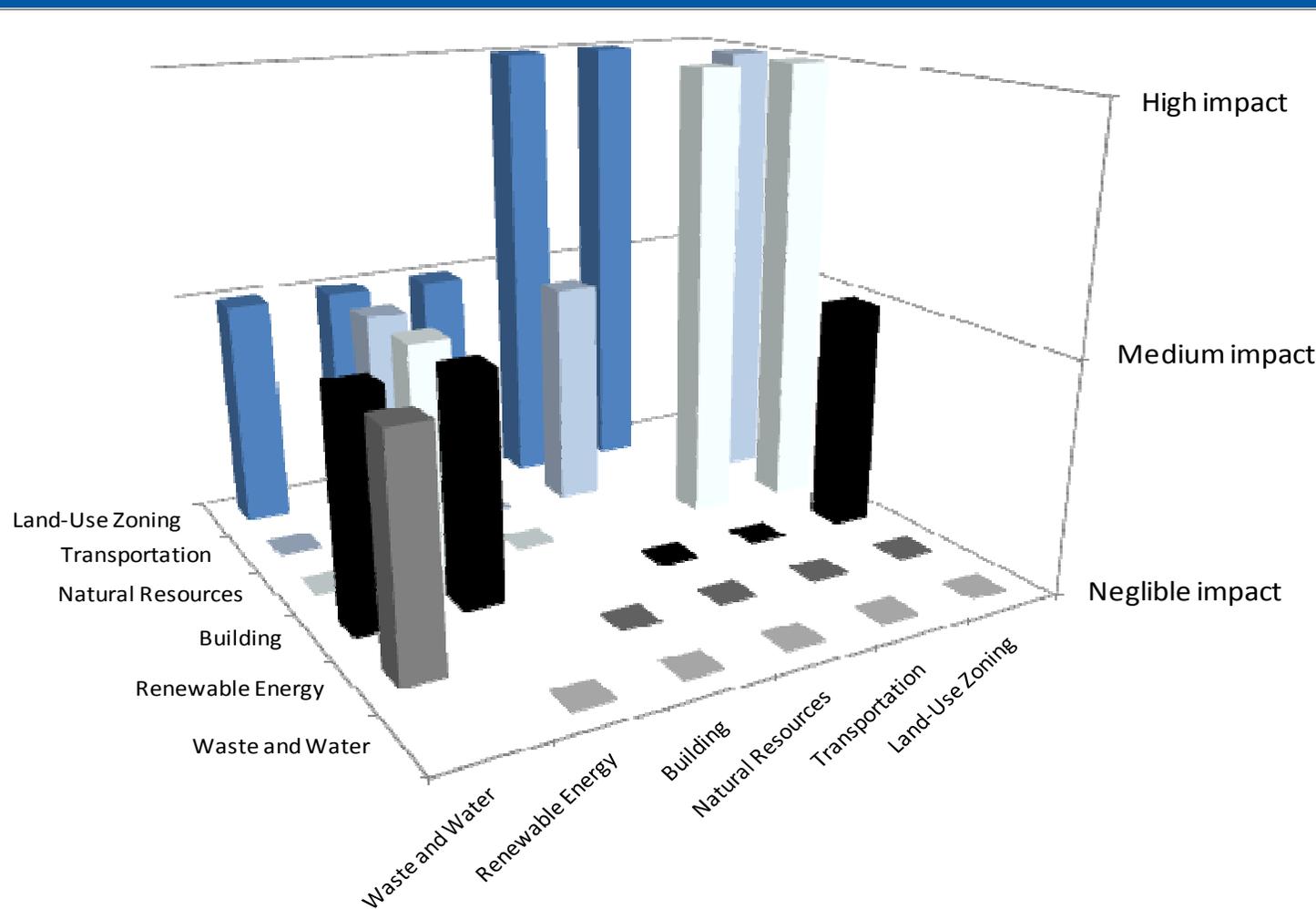
1. The need for **borderless content** of innovation policies
 - “Hidden” forms of innovation, beyond R&D-driven innovation, should be stimulated through mixes of instruments from various policy areas: education, S&T, environment, infrastructure, etc.

2. The need for **borderless territory** for innovation policies
 - Innovation does not stop at administrative borders: cross-border collaborations in policies are called for to target functional areas
 - RIS are not “small NIS”: complementarities need to be ensured between policies and instruments at various levels

Policies versus policy mix



Seeking policy complementarities



Climate change policy packages

Source: OECD (2009), "Cities and climate change" Working Paper

Horizontal coordination at regional level: example of agencies

| | Old Paradigm | New Paradigm |
|---------------------------------------|------------------------------|---|
| Place of agency | Outside of the system | Actor in the system |
| Role | Top-down resource provider | Facilitator, node in the system |
| Rationale for intervention | Market failures | Systems failures, learning failures |
| Mission | Redistributing funds | Identifying and reinforcing strengths in the system: a change agent |
| Instruments | Isolated | Policy mix |
| Accountability and control mechanisms | Administrative and financial | Strategic, goal-oriented, additionality |
| Autonomy | Restricted to execution | Expanded to strategic decisions |

Source: OECD (2009) *Governance of Regional Innovation Policy: Variety, Role and Impact of Regional Agencies Addressing Innovation (RIAs)*, unpublished.

Given different country contexts and shared responsibilities ...

| Policy area | Federal Countries | C. with Autonomous regions | Centralised countries | Single-region countries |
|---|-------------------|----------------------------|-----------------------|-------------------------|
| Improving governance capacities for innovation and knowledge policies | ↓ | ↓ | ↔ | ↔ |
| Innovation friendly environment | ↔ | ↑ | ↑ | ↑ |
| Knowledge transfer and technology diffusion to enterprises | ↓ | ↓ | ↓ | ↔ |
| Innovation poles and clusters | ↓ | ↓ | ↔ | ↔ |
| Support to creation and growth of innovative enterprises | ↓ | ↔ | ↔ | ↑ |
| Boosting applied research and product development | ↓ | ↔ | ↑ | ↑ |

↑ Essentially or exclusively a national competence

↔ Shared between national and regional (local) authorities

↓ Essentially or exclusively a regional competence



Evaluation still highly under-developed, but key to getting the strategies right

- Traditional **performance** indicator benchmarking
 - Regional Innovation Scoreboard type indicators
 - Need to develop metrics for broad innovation
- Lack of **policy** indicators (intensity , direction)
- Evaluations of individual programmes necessary...
- ... but the evaluation of the **policy mix** is rarely performed
- Evaluations of the **actors** promoting innovation
 - Innovation agencies , intermediaries and others
- Need for more **Strategic policy intelligence and improved capacities** (in-house, outside)

Policies for regional innovation systems

1. From stocks to **flows** as main focus of policy (of knowledge, human resources, finance,...)
2. From supply-driven to **user** and **society-driven** innovation
3. From raising resources to promoting **change** and **resilience**: fostering **learning** capacity of agents in system
4. From best practice to **system-specific** policies: **Variety**
5. From standard policy-making towards **policy intelligence** and room for **policy experimentation**
6. From regions to « **functional regions** »: **cross-border** policies
7. From “one problem-one response” to **policy synergies**: search for effectiveness of **policy mixes** (multi-level, multi-domain)

VERTICAL and HORIZONTAL COORDINATION CHALLENGES