Regional Innovation

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Innovation policy – moving beyond traditional boundaries

Three key pressures acting on traditional S&T policy and institutions:

- Proving economic impact of R&D investment
- Solving societal challenges (climate change, clean technologies, alternative energy…)
- China – political attention

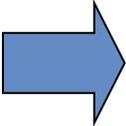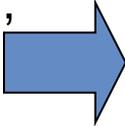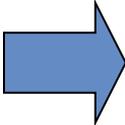**…leading to a review of S&T policies from a new innovation perspective (e.g. OECD Innovation Strategy)**

…but with numerous practical obstacles

- how to develop a vision for innovation that integrates different types of innovation (hidden innovation, service sector innovation… "hard to reach" innovation

- how to reshape divisions of labour between ministries to builds consensus about how innovation is defined and the goals of the policy…strong silos (e.g. in France);

- how to address conflicts between key policy areas (e.g., commercialisation vs. societal goals);

and

- **how to develop a coherent multi-level innovation policy**

So, policy streams converging around regional innovation

Policy	Old	New
Regional	Redistribution from leading to lagging regions	Building competitive regions by bringing together actors and targeting key local assets
Science and Technology	Financing of individual, single sector projects in basic research	Financing of collaborative and multi-sectoral research involving industry and commercial use
Industrial, and Enterprise	Subsidies to firms; national champions	Supporting common needs of firm groups and technology absorption (especially SMEs); Promoting spillovers from MNEs

…but political and substantive trade-offs to manage

Places	Sectors	Actors
✔ Leading	✔ Dynamic	✔ World class universities
✔ Lagging	✔ Exposed	✔ All universities and colleges
✔ Hubs	✔ Strategic importance (growth potential, technology)	✔ Some or all small firms
✔ Cities	✔ Social importance (major employer, environmental)	✔ Large firms
		✔ Foreign firms & investors

National objectives   or   Regional objectives
Dynamic sectors   or   Exposed sectors
Leading regions   or   Lagging regions
All sectors   or   Strategic industries
Small firms   or   Large & foreign firms

Interim Report

A spatial dimension for policy?

Key factor	Spatial variation or strong regional characteristics?	Possibility for regional impact?
Regulatory framework	Usually no spatial dimension	No
Competition regime	Usually no spatial dimension	No
Access to finance	Some regional variation (linked to market size and demand)	Yes, provision of grants and loans; problem is to stimulate local capital markets
Capacity to absorb and exploit knowledge and technology	Strong regional variation (linked to HR and sector)	Yes, needs-driven training, technology transfer and demonstration projects, etc
Sources of new technological knowledge	Some regional variation (linked to quality of HEI and bridging/intermediation institutions)	Yes, knowledge transfer institutions, other bridging mechanisms
Networks, collaboration and social capital	Strongly regional or local	Yes, wide range of actions to support associations/joint projects

In practice: two basic models in OECD

Decentralised/federal

- Regions have tax raising authority

- Regions have experience of policy development across many fields

- But innovation remains a recent policy field, hence centre is still important

- For example, Italy, Spain, Germany, US

Centralised/unitary

- Regions have limited tax authority

- Regions have experience in some policy fields (labour market, housing)

- But innovation a totally new policy field and centre dominates

- For example, France, UK, Korea

But each going in the same direction

Multi-level governance options

Examples of key innovation policy tasks	Option 1 -- centralised	Option 2 -- decentralised approach	Option 3 – joint
Determining the overall S&T strategy	Establish regional agencies that represent and implement national policy.	Devolve responsibility to the regional level.	Devolve responsibility to the regional level but guide strategies and monitor results closely.
Allocating funding	Allocate funding on the basis of projects or field to research institutions and HEI across the country.	Allocate portions of the science budget to region-level authorities and let them allocate according to a locally defined science plan.	Develop a framework by which regions contribute to the elaboration of science policy and allow regions to bid for discretionary funds.
Providing business supports that overcome market failures	Focus on generalised instruments (e.g. R&D tax credits for small firms, R&D vouchers, etc.).	Devolve responsibility for enterprise support to the sub-national level.	Regions implement some national programmes, while ensuring no multiplication of public offer.

RDAs: a variety of forms and functions

By origin...

- Established by central government (line ministry funded)
- Established by central government in co-operation with supranational funding organisation (grant/co-funding)
- Established by region or locality (gaming, aviation tax funded)
- Independent bodies set up through PPP (mix of funding sources)

By activity...

- Strategy/vision/planning
- Cross-sectoral development/policy implementation
- Sector-specific
- Investment attraction
- Lagging region/industrial reconversion objective

The example of the UK

- Set up in 8 regions as a key component of move towards regional governance in the UK (one of the most centralised OECD countries)

- The other pillar was to be regional elected assemblies, but "No" vote in a referendum effectively stopped regional government, leaving the RDAs

- Very ambitious objectives (business efficiency, skills, FDI, regeneration, sustainable development) and significant funding (+/- USD 300-600million/year)

- Directly funded by central government; targets set by centre; closely linked to (limited by) performance indicator systems

What seemed to work…

Visibility

- Building recognition of the RDA as a credible actor
- Marketing the region

Strategic thinking

- Identifying core elements for a regional economic strategy (after significant refocusing; trial & error)

Devolving implementation to lower levels

- Establishing sub-regional partnerships to deliver programmes (functional scale)

Private sector "style" approach

- RDA relatively more tuned in to the private sector than other parts of government)

What hasn't worked so well…

Regional vision

- Ability to define single unified "vision"

Relations with local authorities

- Ability to argue its legitimacy and accountability

- Ability to convince other actors to follow/align their strategies

- Community development (RDA seen as remote from neighbourhood actions)

Relations with the centre

- Ability to inform/influence national spending decisions

- Ability to "simplify" vertical governance

Some lessons…

- Regional governments or organised stakeholders at regional level are crucial for RDAs to function well

- Implementation depends also on lower level mechanisms; but these should feel some "ownership" of regional strategies

- Mechanisms should be credible with respect to (influence on, political support from) the national government, but not overly dependent on or controlled by the centre

- RDAs are good for some types of activity but not all – they can be particularly good for planning, infrastructure

- Impact on regional performance is difficult to measure

OECD role: cross-country analyses and reviews of specific regions
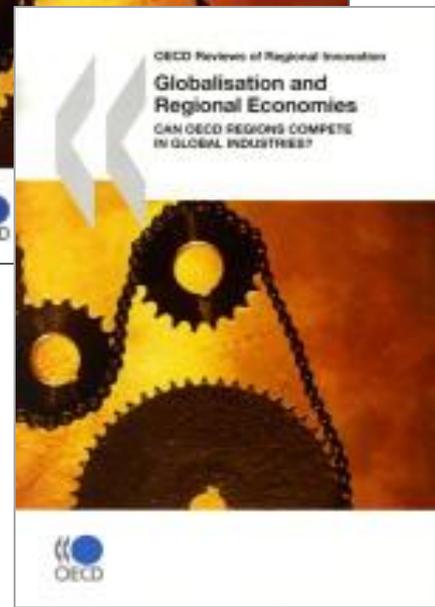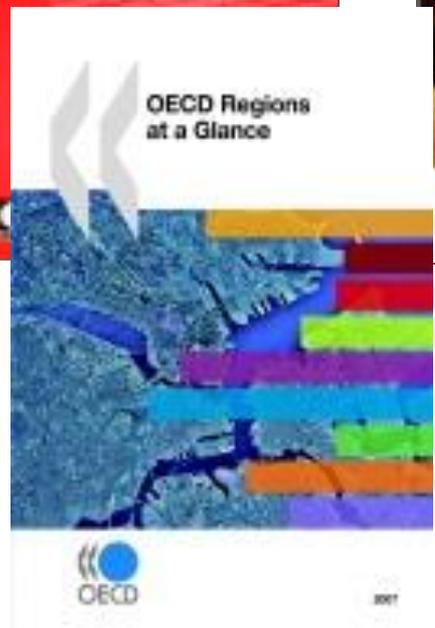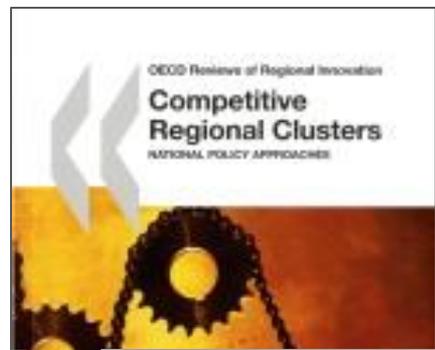
Ongoing work:

•Regional Innovation Reviews (UK, Italy, Mexico…)

•National reviews of regional policy (France, Finland, Chile, Sweden…)

•Reviews of policy and governance for metropolitan regions (Toronto, Copenhagen, Cape Town…)