

Regions and innovation policy

The emergence of regions in innovation policy

The increasing importance of regions in innovation policy is explained by the following two concurrent phenomena (OECD, 2011 section 1.1):

- National innovation policies recognize the importance of regional innovation to contribute to overall national innovation performance. Regional experimentation with a target on social and environmental sustainability are typical efforts where the regional level can influence innovation at national level.
- Regional development policies have gone through a recent paradigm shift evolving from redistribution from rich to poor regions towards supporting endogenous development and the business environment, building on regional potential and capabilities and aiming to foster innovation-oriented initiatives (OECD, 2010 section 1.1). This paradigm shift brings innovation at the core of the regional policy agenda.

The change in paradigm for regional development policies implies a shift of policies from being top-down, aid-based, investment-oriented and targeted towards designated problem regions, towards program-based policies emphasizing specific regional endowments and capacities and covering all regions in a country. With these policies, new ways of stimulating growth are explored, through proactive and forward-looking approaches (OECD, 2010 section 1.2). This gives a prominent role to innovation policies deployed at regional level.

This role of regions is also acknowledged at the supra-national level, with the adoption at EU level of “place-based development policies”, defined by Barca as:

“long-term development strategies aimed at promoting growth and social inclusion of specific places, by means of integrated bundles of public goods and services and institutional changes, produced by endogenous projects based on the extraction and aggregation of people’s knowledge and preferences. Such a policy is promoted through a system of grants which are conditional on the selection of verifiable targets in terms of people’s well-being, and the commitment to tailor-made institutional changes, based on some agreed principles” (Barca, 2009).

The deployment of “smart specialisation strategies” in regions fits with such a view.

Regions can act as agents of change: by identifying new opportunities for change, they can act as mobilizers for identification of new frontiers in knowledge-based economies. This search for new regional advantages needs to be nested in a broader national strategy which requires wider stakeholders involvement, that is, inputs and collaboration from the regional community outside public institutional networks, and policy capacity and intelligence (Koschatzky, 2008). Regions can transform themselves by “constructing their regional advantages” (Asheim et al., 2007), based on a sound awareness of their existing asset base and combining them with the attraction of new talents, businesses, into innovative activities. Implementing this role of change agents requires regions to do the following (OECD, 2011 section 4.2):

- develop a vision and a strategic framework to encourage innovation;

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- design and implement appropriate policy mixes to implement the vision;
 - establish multi-level, open and networked governance structures;
 - foster a learning-based and experimentation-driven policy environment; and
 - evolve towards outcome-driven policies supported by better metrics and evaluation practices.

Different roles in innovation policy for different regions

The roles taken by the public sector in different regions and the range of policy tools vary according to the nature of the region and the profile of the private sector activity and innovation support provision. The scope and depth of innovation policies designed and/or implemented in a region vary according to the following three dimensions (OECD, 2011 section 2.1):

- The institutional dimension, i.e. the margin of manoeuvre for regional institutions as defined by the national governance framework and the degree of devolution of power to the region: this will have an important influence of the direction of policies deployed at the regional level and on the nature of multi-level governance arrangements between the various levels of authority.
- The regional innovation system, which has regional strengths and weaknesses for innovative activities and system relationships shaping policy action. The diversity in regional innovation potential has to be appreciated both on quantitative and qualitative grounds, and must take into account dimensions that are not well captured by traditional, S&T-driven indicators.
- The strategic choices made by regions for supporting the transition towards an innovation-driven and knowledge-driven path (OECD, 2011 section 2.2). The devolution of competences to support regional development creates an institutional space for setting priorities and mobilizing actors in support of innovation. The devolution of competences is necessary but not sufficient for empowering regions to define and implement their strategies, which must take into account the quality of policy process, the availability of evidence to inform the choice of priorities, and the nature of stakeholders' involvement—all key issues influencing the effective capacity of elaborating and implementing policies for knowledge-based regional development.

Figure 1: Innovation strategies for different region types

Main strategy	
Type of region	
Building on current advantages (science push/technology led or a mix)	Supporting socio-economic transformation
Knowledge hubs	

Knowledge and technology hubs

◆ ◆ ◆

Knowledge intensive city/capital district

□ ◆ ◆ ◆

Industrial production zones

S&T-intensive production regions

□ ◆ ◆ ◆

Skill intensive regions

□ ◆ ◆ ◆

Medium-tech manufacturing and service providers □ ◆ ◆

Traditional manufacturing regions

□ ◆

Non S&T-driven regional systems

Service-led and natural-resources-based regions □ ◆ ◆

Regions with structural inertia or de-industrialising regions ◆ ◆ □

Primary-sector-intensive regions



Legend: ♦♦♦ main priority □♦♦ strategic choice □♦ low priority

Multi-level governance of innovation policy

As regions develop their roadmaps and smart policy mixes for innovation based on their own assets and strategic choices, they need to take into account their position in multi-level governance frameworks (Perry and May, 2007) (OECD, 2011 Chapter 3).

Regions may be active in some or all of the following policy functions:

- setting the overall strategy and framework,
- developing policy,
- financing policy,
- implementing programmes and instruments, and
- assessing and evaluating strategies, programmes and instruments.

National governments have more responsibilities than regions in most OECD countries in the majority of these policy activities, with exceptions in federal countries. Regions may have less formal responsibilities than national authorities in strategy setting and financing, but nevertheless may play a key role in implementing policy. The relative importance of regions in multi-level governance frameworks can also be influenced by supra-national authorities: this is the case for EU countries which are large recipients of Structural Funds. The local level is also active in certain instruments, which is particularly true for large cities (metropolitan areas) that have the scale, resources and sophistication to implement them. While the formal roles of regions generally take a uniform status for all regions in a country, asymmetric decentralisation for STI policy can occur. And even if regions have similar formal powers, there may be de facto asymmetric decentralisation due to differences in regional capacity, financial or otherwise (OECD, 2011 Chapter 3).

There is no clearcut division of labour in terms of policy instruments used at regional or national levels: many regional and national authorities are using the same policy instruments (OECD, 2011 section 3.1). However some instruments are more common at the regional level (clusters and excellence hubs, incubators, and science and technology parks), while the reverse is true for some others (scholarships for post-graduate studies; public subsidies to private R&D; tax credits for private R&D; promotion of scientific cooperation; and financing via public development banks, public venture capital funds and guarantees). A practice of co-financing or co-management of instruments by national and regional levels is typical in many OECD countries. And the same generic instrument operating at both levels may differ in terms of configuration, target group or operating approach.

Promoting policy complementarity across levels of government raises a number of challenges, as follows (OECD, 2011 section 3.2):

- The acknowledgement and integration of regional STI priorities or assets in national policy approaches,
- The achievement of synergies between financing sources from several origins to serve a coherent regional strategy, and
- Solving the problem of visibility and efficiency created by the proliferation of policy streams and levels of government, notably through the creation of regional innovation agencies.

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