

## Supporting Innovation in Transnational Programmes - Does it work?

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### Abstract

*Several years ago, well before the beginning of the current economic crisis, the leaders of the European Union identified improved competitiveness, the need for more and better jobs and sustainable development as the main challenges for the EU. These aims became known as Lisbon and Gothenburg strategies. Member states agreed to follow these aims when drafting and implementing national and European policies. The European cohesion policy, and the European Regional Development Fund (ERDF) in particular, is a crucial vehicle especially for countries and regions currently catching-up, in supporting these aims.*

*The European programmes for transnational cooperation (INTERREG IV B) since 2007 are part of the mainstream cohesion policy. Whilst “innovation support” up till then in these programmes was understood as a cross-cutting exercise mainly influencing the ways and processes how (public) services were delivered, the understanding has since developed to encompass the “capability to innovate” and improving the framework conditions for innovation as goals in itself. Doing this is nothing new: a multitude of initiatives and programmes exist on national and European level aiming at improving innovation capacity of individuals and businesses.*

*INTERREG IV B-stakeholders had to identify the particular “niche” where these programmes can make a difference and actually add value to other activities. This discussion is still ongoing.*

*The paper illustrates how far the programmes have progressed until now and analyses the ways transnational innovation support has developed in a number of cooperation programmes including the CENTRAL EUROPE Programme. The main argument is that there is a particular “niche” for transnational cooperation in innovation support especially in improving framework conditions, e.g. by supporting joint foresight processes in neighbouring regions and by helping to identify and strengthen transnational clusters.*

**Key words:** transnational cooperation; innovation support; cohesion policy; European Union;

**JEL Classification:** O31, R58

### Introduction

Several years ago, well before the beginning of the current economic crisis, the leaders of the European Union identified improved competitiveness, the need for more and better jobs and sustainable development as the main challenges for the EU. These aims became known as Lisbon and Gothenburg strategies. Member states agreed to follow these aims when drafting and implementing national and European policies. The European cohesion policy, and the European Regional Development Fund (ERDF) in particular, is a crucial vehicle especially for countries and regions currently catching-up, to support these aims.

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processes how (public) services were delivered, the understanding has since developed to encompass the “capability to innovate” and improving the framework conditions for innovation as goals in itself.

Of course, INTERREG is not alone in this field. On the contrary: the European Union supports regions since the early 1990s in strengthening and making better use of their innovation potentials. Starting with the research framework programmes, this issue became later also a topic for the structural funds. Knowledge exchange among cities and regions became more and more important. Accordingly, there is a multitude of support programmes available in this field. On European level alone, one could think of the Regional Innovation and Technology Transfer Strategies and Infrastructure (RITTS), the Regional Innovation Strategies (RIS/RIS+), the Innovative Actions programme (all part of cohesion policy), the Regions of Knowledge initiative within the 7<sup>th</sup> Framework Programme or, finally, of the Competitiveness and Innovation Programme (CIP). This list is not exhaustive, but gives already an idea, how intensively the INTERREG stakeholders discussed about the potential value that their programmes could add. A particular niche had to be identified and filled with projects. The following chapters illustrate the progress so far and give some statistical background and project examples.

### **The early years – innovative approaches**

In the early stages of concerted transnational cooperation in European macro-regions, between ca. 1997 and 2001, projects concentrated on networking, exchange of experience and knowledge transfer. Between 2001 and 2006, cooperation intensified and results got more concrete especially with regard to economic development. Concepts and plans, feasibility studies for investments, pilot investments and new standards and labels were jointly developed and implemented. Innovation understood as a cross-cutting exercise became a prominent feature in more projects. In total more than 300 or two thirds of all 490 projects can be considered as developing innovative approaches and relating at least partly to innovation.[1]

Innovation in a narrow sense, such as supporting cluster development in commerce and industry, applying innovative tools in the private and public sectors or supporting transnational education and training measures, featured in 74 projects or 15% of the total (cf. table 1). This figure does not include innovative approaches in urban and regional development, tourism, environmental protection, logistics or economic development support. For programmes focusing on integrated territorial development this can be considered as a success. The two programmes with participation of new member states and neighbouring countries, Baltic Sea Region and CADSES, interestingly, had a slightly higher share of innovation projects than those without new member states.

Getting back to projects with innovative approaches, it becomes obvious that the main focus lay in knowledge transfer, the use of information and communication technologies and education and training. Support of SME, business cooperation in general, cluster support and technology transfer in general didn't play the role they have in the current programmes. In the Baltic Sea Region, the share of education and training measures was relatively higher. In North West Europe, business cooperation played a bigger role, as did knowledge transfer in the North Sea Region and business cooperation and SME support in CADSES.

**Table 1: Innovation Support in Transnational Cooperation Programmes (INTERREG IIIB 2000 - 2006)**

	Alpine Space	CADSES	North Sea Region	North West Europe	Baltic Sea Region	Total
	no of projects					
<b>Innovation projects</b>	<b>6</b>	<b>21</b>	<b>10</b>	<b>14</b>	<b>23</b>	<b>74</b>
<i>NB: all projects</i>	58	134	70	99	129	490
<i>Share of all projects</i>	10,3%	15,7%	14,3%	14,1%	17,8%	15,1%
<b>Innovative approaches</b>	<b>49</b>	<b>90</b>	<b>34</b>	<b>59</b>	<b>95</b>	<b>327</b>
<i>NB: all projects</i>	58	134	70	99	129	490
<i>Share of all projects</i>	84,5%	67,2%	48,6%	59,6%	73,6%	66,7%
thereof:	no of projects (multiple entries possible)					
1 Research and development	7	2	2	9	15	35
2. E-learning	3	10	-	4	11	28
3 Information and communication technologies	24	38	10	20	31	123
4 Knowledge transfer / Competence centre	35	41	22	29	52	179
5 Technology transfer	4	15	6	5	5	35
6 Small and medium sized enterprises	6	14	4	8	16	48
7 Business cooperation	5	20	6	15	20	66
8 Support of start ups / clusters	2	5	-	7	15	29
9 Education and training	13	19	7	5	37	81
<b>Total 1 - 9</b>	<b>99</b>	<b>164</b>	<b>57</b>	<b>102</b>	<b>202</b>	<b>624</b>

### The current funding period – direct support to innovation

After the Lisbon meeting of the EU's head of states in 2000, the discussion about innovation capacity and competitiveness of European regions became more prominent. It is no wonder that this discussion soon reached the EU's main instrument of regional economic support, the Structural Funds. Most programmes for the funding period 2000 till 2006 however were already written and well under way. Programme administrators and project developers tried to refocus their approaches as much as possible (see above), but the real shift came with the establishment of the new programmes in 2007.

INTERREG IVB, or European Territorial Cooperation, as it is now called, was part of that development. In all programmes, stakeholders discussed whether innovation support should be seen as a cross-cutting exercise, i.e. supporting the development and implementation of new approaches, processes, regulations to existing problems, or whether it should concentrate on supporting innovation in a narrow sense, i.e. by increasing the capability of businesses to innovate or by improving the framework conditions in order to allow for a better commercialisation of new inventions. The approach selected in most programmes, however, was not clear cut – they followed both models by requesting all projects to try innovative approaches and by introducing a separate “priority” [2] on innovation.

Concentrating on the latter, there are three distinctive forms of innovation support in the current INTERREG IVB programmes:

**Supporting cluster development and increased cooperation between business, research and administration as sources of innovation.** Main goal is better cooperation among small and medium sized businesses in the respective cooperation area (macro region). Mutual learning among all stakeholders in the participating regions should be facilitated in order to make better use of the most advanced regional innovation systems in terms of finance, organisation, regulation and infrastructure.

*“The innovation system is essential for economic competitiveness. An important precondition is the organisational, financial, legal and administrative framework. Transnational cooperation should contribute to improving the innovation governance understood as the organisational capacity to recognise, to foster and manage innovation and to cooperate for it, in both the private and the public sector. The aim is to enhance the generation and application of knowledge by mutual learning and facilitating know-how transfer and capacity building – with a special view towards territorial implications of the innovation policies”*  
[3]

**Facilitating knowledge transfer into the private sector.** One particular important aspect for INTERREG is the exchange and transfer across administrative borders. Different education and support systems in different countries can slow down the spread of innovation. Transnational cooperation can reduce these obstacles by improving and harmonising the structural, legal and organisational conditions for knowledge and technology transfer. A second aspect is the development and testing of new products and services. Main focus here is not so much the individual business – more relevant are innovations appealing to a broader set of players in business and administration, e.g. in environmental protection and the more efficient use of natural resources (energy, water, soil). Innovation in this sense is needed to tackle spatial development issues and to improve regional strengths.

*“The access to innovation is determined by different factors: depending on the location and the size of enterprises, access is more or less difficult. Access is particularly difficult for small and medium-sized enterprises, which are located in areas with development problems and peripheral regions. Fewer barriers will foster a more even and broader access to R&TD results and the innovation system. This will enable a better use of existing knowledge and will lead to a higher exploitation of research results. A more application- and service-oriented research should also contribute to a citizen’s easier access to information society and also foster social and spatial integration. Furthermore, this Area of Intervention will also regard the diffusion of technologies and research activities. The aim is to remove bottlenecks for the diffusion of innovation and to intensify technology transfer and improve the cooperation among key players.”*

**Creating an environment that facilitates innovative behaviour.** The capability of organisations, both private and public, to innovate depend on the capability of the people involved. Therefore the focus of this area of intervention in INTERREG is to increase the possibilities of individuals, independently from their social background, to learn.

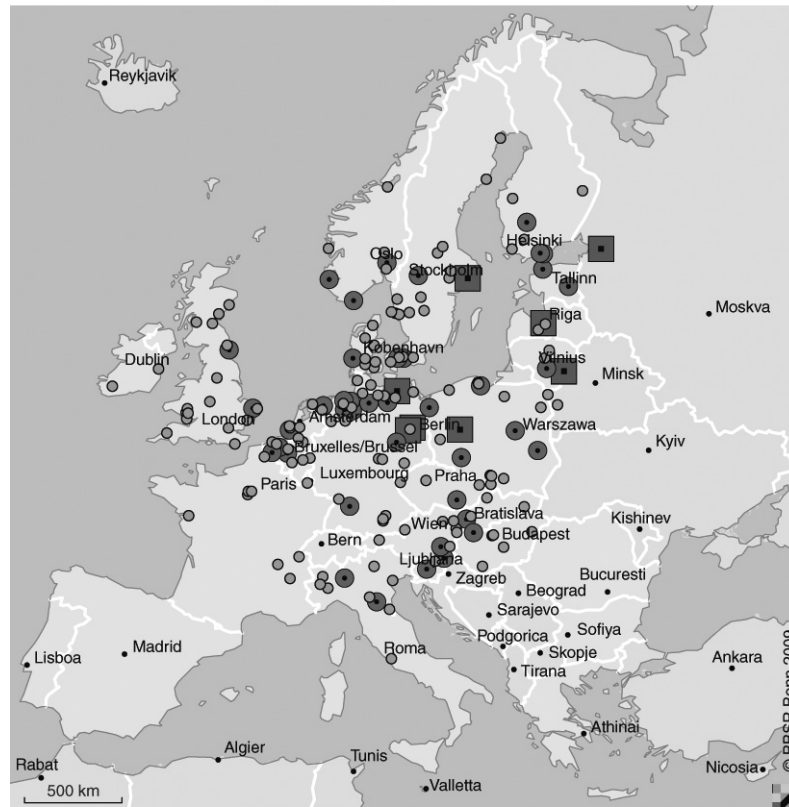
Qualification in the public sector in particular, educational structures and life-long learning are key aspects here.

*“The Central Europe Countries follow the principles of a knowledge-based society. The involvement of the educational, training, and research institutions as well as the cooperation with the business sector in transnational networks is an important precondition for the production of knowledge and know-how. Based on Central Europe’s high level of education, the combination of complementary knowledge from different actors will improve the innovation system and ensure the connection to the leading edge of technology and business practices. A better use of the potentials of an increasingly diverse and aging society provides new challenges to ensure knowledge development for economic competitiveness, strengthening the links between the business sector, training facilities, decision makers and further regional actors.”*

With about a third of total funds in the INTERREG programmes allocated by March 2009, it can be stated that more than half of the projects approved so far refer to the objectives of the Lisbon Strategy. About a quarter of them (29 out of 120) directly concentrate on innovation support. Knowledge and technology transfer are most important e.g. by establishing or supporting centres of excellence. More than a quarter of all projects pay special attention to further education and training. This means more than merely the exchange of experience. These projects include offers such as training courses and curricula that are being specifically developed and delivered to a larger target group. What is also remarkable is the number of projects actively supporting small and medium-sized enterprises (SME), although these are not the main target group of the programmes and only in exceptional cases involved as direct beneficiaries. Figure 3 illustrates the spatial distribution of projects. A certain concentration can be observed along the North Sea coast from Northern France to Denmark and along the Western Baltic. Compared to the experience during the predecessor programmes, it seems this time the stronger regions are more active. This observation however is provisional and can still change during the remaining years of programme implementation.

The variety of „new“ projects in the field of innovation can best be illustrated by concrete project examples [4]: in the energy sector, the project ALPENERGY deals with planning and installing “virtual power plants”, combining several renewable energy sources in order to guarantee constant supply of power. The activities include new technologies as well as new cooperation and business models. POWER CLUSTER develops an offshore wind power cluster in the North Sea Region, where participating regions and towns try to complement each other's skills. LONGLIFE combines piloting an energy efficient building with improving the related technologies, standards and organisational, legal and tendering procedures. Process innovation is at the core of the SMART CITIES project that builds up a network of municipalities for electronic tendering. The JOSEFIN project works on improving SME access to innovation through coaching and a transnational guarantee fund. ACT CLEAN networks 200 institutions involved in cleaner production and addresses directly 2,500 SME by means of a tool box and best practice transfer across borders. FASILIS opens up public and private research infrastructure in the areas of biotech, pharmaceuticals and medical technology to enable SME better possibilities to commercialise innovations.

### Räumliche Verteilung der Projekte „Innovationscluster“



#### Anzahl der Projekte pro Ort

- 1
- 2 bis 4
- mehr als 5

Datenbasis:  
Interreg IV B Datenbank, BBR.  
Stand der Genehmigungen: November 2008  
Geometrische Grundlage:  
GFK MACON, Regionen NUTS 2

**Map 1: Spatial distribution of innovation projects**

BaltFood develops a business plan for a transbaltic R&D network in the food sector, develops food trend studies and a „Baltic Food Trend Radar“. It also tries to create a strong brand for Baltic food. CHEMLOG is a chemical logistics initia in Central Europe. It is part of the European Chemical Regions Network and will complete, among other things, several feasibility studies on pipelines, intermodal transport, railway and waterway transport to prepare the implementation of investments in selected infrastructure projects with high priority for the chemical industry.

### Conclusion: the particular "niche" for transnational cooperation programmes

Innovation support within transnational INTERREG IVB programmes focuses on integrated territorial development. Projects on this topic should “make a direct contribution to the balanced economic development of transnational areas.” [5]

The particular “niche” of INTERREG IV B programmes first lies in their support to approaches and results directly affecting regions and cities in more than one member state. This differs from national programmes with their focus on the territory of one member state only, from cross-border programmes with rather limited spatial effects, and from interregional

programmes, which mainly deal with exchange of knowledge and networking. In short, innovation projects under INTERREG IV B show a clear transnational value added.

Second, these programmes aim at integrated approaches to territorial development (and regional economic development in particular), i.e. they do not support narrow sectoral activities. Typical projects include a wider set of players from public and private sectors and from different levels of administrations. This is particularly important for developing innovative approaches and processes and for improving framework conditions or innovation. The culture of cooperation that results from such an approach and that characterises INTERREG B programmes in general can be considered as a precondition for success.

Regional identity in macro-regions is another criterion not to be underestimated. [6] Generally speaking applicants do not care much about the origin of a grant, as long as certain conditions are fulfilled, such as transparency, prospects of success and not more than a reasonable amount of bureaucracy. Geographic cohesion in INTERREG B programmes, however, provides additional factors influencing a project's success: historical and cultural connections that facilitate networking; already existing technical and social infrastructure, such as joint university courses; better global marketability of economically integrated macro-regions; creation of a critical mass by complementing missing players in macro-regional innovation systems.

In order to succeed INTERREG programmes need to continue to address a number of challenges, such as the better involvement of the private sector, which is sometimes hampered by strict state aid rules, or the need for more transnational results such as foresight processes for European macro-regions. Another, rather crucial, issue that can only be dealt with on political level, is the increasing convergence of European and national support activities. There is a clear need to sharpen the profiles of the individual programmes.

## **Acknowledgements**

This paper draws on a recent article I have co-authored with Wilfried Görmar and Verena Hachmann [7] and on the contributions to a forthcoming report on transnational cooperation programmes. [8]

## **References**

[1] The data used in this article is based on the INTERREG B-database of BBSR. It contains data of all projects implemented in the five INTERREG B-programmes with German participation and includes 490 projects implemented from 2002 - 2006 in INTERREG III B and 120 projects approved between December 2007 and May 2009 in INTERREG IV B. The five programmes are Alpine Space, Baltic Sea Region, Central Europe (CADSES), North Sea Region and North West Europe. The database is continuously updated with newly approved projects.

[2] "Priority" in the Structural Funds terminology means a thematical support strand. A typical operational programme contains 3 to 4 priorities (innovation, transport and accessibility, environment and risk management, urban development).

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[3] The following three excerpts illustrate how innovation is defined in the Operational Programme Central Europe. European Territorial Cooperation 2007 – 2013. Approved by the European Commission on 3 December 2007, p.61ff.

[4] Basic information about these projects is provided in the BBSR project database at [www.interreg.de](http://www.interreg.de). Detailed information can be found on the websites of the respective INTERREG IVB programmes.

[5] Cf. Art. 6 para 2 a) of Regulation (EC) No 10/802006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund

[6] Cf. also European Commission (2009): *Assessing Community innovation policies in the period 2005-2009*, Commission Staff Working Document. SEC(2009) 1194 final. Brussels. 9.9.2009

[7] Görmar, W., Hachmann, V. and Kurnol, J. (2009): „Innovationsförderung durch europäische Zusammenarbeit“, *Informationen zur Raumentwicklung*, Heft 5.2009.

[8] Federal Institute for Research on Building, Urban Affairs and Spatial Development (2009): *Transnational cooperation in Europe – the German INTERREG B experience - TransCoop 2009*. Bonn (forthcoming).