

The DISTRICT Regional Framework Operation of the INTERREG IIIC Programme: A policy afterthought (DISTRICT Policy Paper)

The DISTRICT Regional Framework Operation - approved for funding in May 2005 by the Interreg IIIC Programme – has been active for three years from July 2005 until June 2008. Its declared aim has been to increase exchange between European regions wishing to share most effective measures in the field of innovation and the knowledge economy. The four partner regions Tuscany, West Midlands, Saxony and Västra Götaland – all featuring a significant experience in interregional cooperation – joined wits to increase the competitiveness of their regional economies and meet the challenge of globalization. While recognizing that “Research, Technology and Innovation” is a strategic theme in economic development they were confident that interregional cooperation could boost innovation-related issues in their local economic systems. Through a participatory process involving R&D and SME-related actors from their territories, 50 public (or public-equivalent) bodies and institutes were mobilised to give birth to 11 distinct interregional networks. These 11 networks worked together over a period of almost two-years by implementing as many subprojects along the three main themes of the Framework Operation: 1) Clusters & Business Networks, 2) Innovative SMEs Projects with Universities and Research Centers, and 3) Innovative Finance, Seed & Venture Capital, Start-ups & Spin-offs.

The focus of the subprojects spanned from innovation in traditional manufacturing to internationalization of industrial clusters, from economic & technological intelligence techniques to foresight analysis and urban strategic planning, from technical textile strategies to new non-food agricultural markets, from a commercial portal for mechanical engineering to commercialization of university research, from support to industrial spin-offs to business training for young graduates and entrepreneurs. This intense experience of cooperation has been positively valued by all who were either touched or involved in it – be it the subproject participants, the regional partners or the local stakeholders.

All in all, DISTRICT has defined, tested and delivered a number of innovative measures providing several hints and lessons to regional policy makers who wish to increase their effectiveness in implementing Lisbon-related measures in their Objective 1 and 2 Regional Programmes. The present document aims to provide highlights on these hints and lessons.

Rationale

After an exploratory approach developed during their earlier phases, the European Union strategies and policies promoting trans-regional forms of collaboration may now benefit from a more mature awareness of the opportunities that international cooperation offers to regional development and regional development policies. In the present scenario, these opportunities may be fruitfully played with the aim of supporting stronger regional capacities of learning and innovation.

Within a context of increasing internationalisation of production chains, often led by large multinationals and often combined with the growth of new industries in emerging or newly industrialized countries, the SMEs clusters and regions localized in Europe are required to implement complex and comprehensive reactions. They basically rely on a combination of the growth of inward capabilities in realizing quality improvement and innovations with the extension of learning and organizational relations beyond the single local area and its cluster, with the help of an increasing interconnection of networks embedded in different localities. Within this scenario, SME clusters and regions need to build and maintain a variety of specific public goods (e.g. channels, routines and competencies) supporting the development of high-quality exchanges of knowledge and competencies with external sources.

The large and growing set of EU policies promoting various kinds of trans-regional networking may support the creation of these goods. However, in order to do so, a reflection on the experiences realized thus far is needed. Despite the emphasis placed on the diffusion of trans-local/trans-regional networks and a more mature awareness of their relevance, little is still known about: i) *how* trans-regional networks should be elicited and arranged in order to foster effectively the regional innovative potential and to sustain the growth of SMEs clusters; ii) *which kind* of trans-local networks may be successful in terms of creation of specific public goods supporting innovation and local development.

Main lessons learned

The experience of the DISTRICT project has contributed to the deeper understanding of policy levers and tools which can be managed in order to promote the growth of trans-regional collaborative relations for innovation and local development. The main lessons learned may be further developed in the perspective of the new Objective 3 of EU Structural Funds and of cooperation initiatives with Neighbouring Countries.

- *From trans-regional/local networks to collaborative strategies*

The DISTRICT project points towards the need for evolving from the “simple” promotion of trans-regional networks to the support of the **implementation of trans-regional strategies** for innovation and growth.

The first stage of the EU trans-local policies and projects – largely based on the support to the exchange of information, knowledge, and best or good practices on regional innovation policies and strategies – has favoured the growth of trans-regional networks of regional policy makers and regional stakeholders. It has provided the ground for the development of a common base of trans-regional understanding on opportunities, tools and levers for the promotion of regional processes of innovation and growth. In the present scenario, these trans-local/regional networks are required to take a step forward and to focus on the identification of specific trans-regional goals and on the levers and tools to promote them. This may imply the design of more or less deliberate institutionally intensive innovative strategies operating on different levels (EU, trans-regional and regional) and on different sub-goals.

➤ *The basic ingredients of the process*

Trans-regional networks based on the development of trans-regional collaborative relations aimed at fostering the regional innovative potential and at sustaining the growth of SMEs clusters may show the following basic characters.

First, we refer to **processes involving key socio-economic players** in different locality of industry which are aimed at creating or promoting the formation of international linkages in order to favour local processes of innovation and growth. The key actors may be enterprises and business or trade associations, (various kinds of) business support services agencies, technology transfer centres, research centres and local or regional governments. The international linkages develop on a basis of shared value system, norms and institutions (e.g. trust and reciprocity) amongst the different clusters and regions involved¹.

Second, these **relational processes are aimed at building trans-local/regional public goods**, that is public goods that are specific to the cognitive, productive and institutional characters of the specific clusters and regions involved. The set of trans-local/regional public goods provide the ground for the further development of trade or productive international relations of the locally embedded SMEs² or for the absorption and the

¹ Bellandi M. and Caloffi A. (2008), District internationalization and trans-local development, Entrepreneurship and Regional Development, forthcoming; Landabaso M. (2003)

² Bellandi M. and Caloffi A. (2008) From best practices' exchange to bases of cross-cluster and trans-local cooperation, paper presented at the Regional Studies Association Annual

exchange of knowledge and competencies³. Finally, they are directed at strengthening and nurturing the local and regional innovative knowledge bases, thus at promoting the regional growth.

Amongst the activities that have been developed within the DISTRCT subprojects, the following examples may be cited: the implementation of trans-regional data bases on cluster-to-cluster knowledge and competencies, the promotion of common channels for marketing and sourcing products and ideas, the promotion of trans-regional communities of practices.

Third, **knowledge and consent of local business communities** are needed for an effective provision of the specific public goods which lie at the heart of this processes, their specific characters being not well understood and cared for from a distance such as those of the regional policy makers. A direct involvement of the local business community is therefore recommended.

Within the DISTRCT subprojects, this has also take the form of an enlargement of the partnership, with the inclusion of private actors as subcontractors.

➤ *The basic characters of the successful trans-regional networks*

Drawing on the experience realized within the DISTRCT project and on previous researches on this field, a list of characters of the potentially "successful" trans-regional networks facilitating the creation of trans-local/regional public goods may be identified as follows.

A certain degree of **general business similarities** both in sectoral terms and in terms of industrial structure amongst the clusters and regions involved may be considered as a structural prerequisite for the creation of successful trans-regional/local collaborative relations. It is quite obvious that the exchange of knowledge and competencies on markets, products or technologies may be more effective when the relation involves a set of localities of industry which are specialized within the same sector or the same technological area.

Within DISTRCT, the different regions and clusters have formed different partnership on the basis of their specific productive and innovative characters. A general base of common understanding on productive, technological and organizational characters has provided the ground for the identification of the common goals and strategies.

Though within a general similarity of the specific sector or technology, the trans-local collaborative relation should involve clusters or regions which show **some degree of dissimilarities in terms of specific resources and**

International Conference – Regions: The Dilemmas of Integration and Competition, Prague, 27-29 May 2008.

³ Maskell P., Bathelt H., Malmberg A., 2006, Building Global Knowledge Pipelines: The Role of Temporary Clusters. In: European Planning Studies, vol. 14, pp. 997-1013.

competence in different but complementary business activities. These complementarities may favour the collaboration by increasing the possibility of managing free rider problems⁴ and by increasing the relevance of the exchange of knowledge and competencies⁵.

Within DISTRICT subprojects, the collaboration amongst different regions sharing some general productive similarities (e.g. specialized in textile sector) has been enriched by the presence of dissimilarities amongst the different clusters involved in terms of specific competencies and knowledge, products and markets.

The **presence of institutional similarity** as the existence of some elements (though differentiated) of locally based governance is also important. Within such a context, it is more likely that both local public and private actors operating within the two parties of the relationships find more or less symmetric counterparts with whom to cooperate in building public goods.

In order to implement the projected strategies, it is also important that the trans-regional/local networks include actors who are capable of translating the main results of the collaboration into new local policies and strategies.

Finally, the development of successful trans-regional/local collaborative relations may be facilitated by the **presence of local "leaders"** which are able to mobilize the local consensus towards the international projects/actions and to collect the specific knowledge of the local business community.

The experience realized within the DISTRICT subprojects shows that this role may be fruitfully played by actors or group of actors having both technical competencies and relational capabilities.

⁴ Sandler T., 1998, Global and Regional Public Goods: A prognosis for Collective Action, Fiscal Studies, vol.19, n.3, pp.221-247.

⁵ As stressed by the literature on collective action, the possibility of managing free riding problems increases when the agents' contributions are neither homogenous nor strictly additive (Sandler, 1998). Taking a different perspective, the literature on related variety show that too much similarity amongst the knowledge bases of the localities involved may limit the relevance of the knowledge transfer, while at the same time too much dissimilarity may hamper learning and knowledge exchange (Asheim B.T., Boschma R.A., Cooke P., 2007, Constructing regional advantage: platform policy based on related variety and differentiated knowledge bases. Utrecht University, Utrecht).