

SESSION II

UNLOCKING REGIONAL GROWTH: INNOVATION AND PUBLIC GOODS

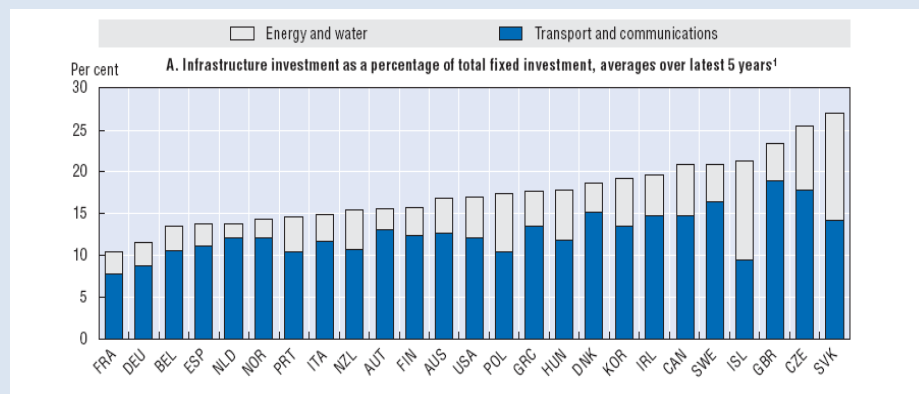
Key issues

What is the policy experience in fostering regional innovation? What tools are the most effective?

Patents per million inhabitants	As % of all regions	Of which, % of the regions that are rural regions	Average expenditure on R&D as % of GDP	Average employment in high technology sectors
Very few (<10)	33	46	0.6	23
Low	15	44	1.6	28
Medium	25	41	1.6	38
High (>250)	25	18	2.4	43

- ⌘ Economic recovery packages that target long-term growth should prioritise innovation by focusing investment on research, new technologies and skills.
- ⌘ Research- and technology-driven innovation is highly concentrated. Many innovations that shape our daily lives were produced in a small number of leading regions such as Silicon Valley. But an innovation-led strategy and decisive policy action have helped other regions (for example, Helsinki, Catalonia, Piedmont and Ontario) to become high-technology hubs.
- ⌘ Policy also needs to address regions that are not S&T leaders but that can be innovative in other ways. In such regions, over 50% of innovative firms typically carry out no R&D: they need a different kind of innovation policy, one that emphasises absorption capacity and innovation by adoption.

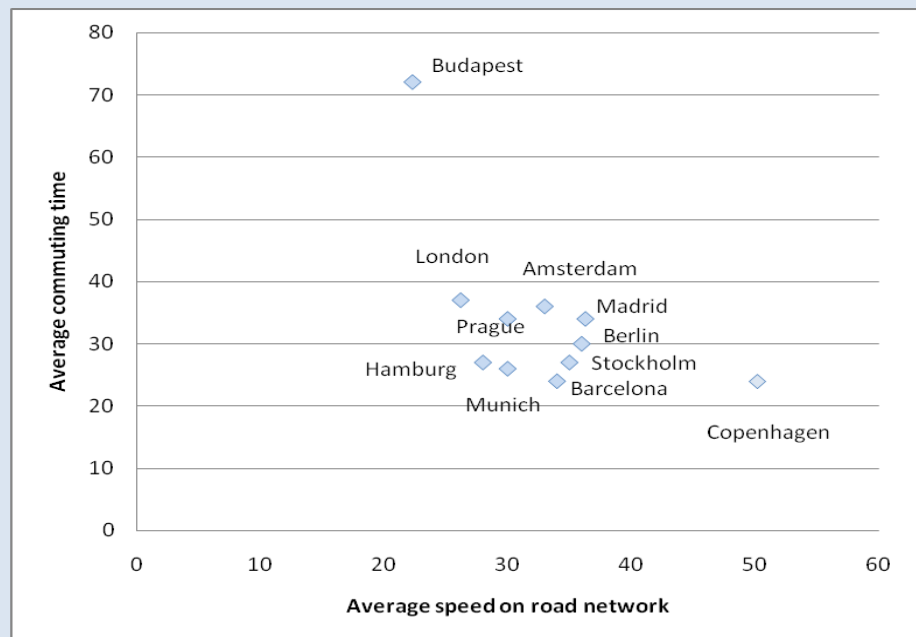
What public goods and services are essential to help regions grow? How can we ensure that the private sector plays a useful role in provision?



- ⌘ The current crisis makes it even more crucial to target public investment where it will have an impact on long-term productivity growth. Regional policies can help identify these key policy targets.
- ⌘ Regional policy has often focused too much on physical infrastructure, particularly transport. But infrastructure is a necessary but not sufficient condition for growth. Its impact increases where investments in human capital and innovation are present, hence the need for integrated policies.
- ⌘ The number of public private partnerships has risen. But just three countries – Korea, Spain and the UK – account for more than half of them. Other OECD countries have been slower to work with the private sector to provide goods and services.

Does an attractive environment help growth? What are policymakers' experiences with using environmental policies to generate economic growth and jobs?

Congestion in selected OECD metropolitan areas (2005)



Note: The figure indicates the average speed per hour (km/h) on the urban road network and the average commuting time in minutes.

Source: TNO (2007), Randstad Monitor 2007, Delft

- ☞ The regional environment plays an important role in influencing economic performance. Public goods and services to improve the business environment and quality of life, and to reduce problems such as congestion, have a direct influence on firm creation and growth, on retention of skilled workers and on attraction of investment.
- ☞ Governments are focusing on how to make cities and regions more attractive places to live, work and innovate as an integral part of economic development strategies.
- ☞ Public policies should be based on approaches to spatial planning that limit sprawl and enhance green space, wider use of sustainable building techniques, and efforts to harness better cultural and historical amenities.