

# Baltic Innovation Policy Memorandum

## Memorandum of Understanding on the Development of Innovation Activities in Non-metropolitan Areas in the Baltic Sea Region

### 1. PURPOSE

The partner regions of the BSR InnoReg project have agreed on key issues for the development of innovation activities in the non-metropolitan areas in the Baltic Sea region. The Baltic Innovation Policy Memorandum is the outcome of the BSR InnoReg project co-financed by the EU Baltic Sea Region Programme 2007–2013. The signatories of the Memorandum represent all six countries of the project consortium:

- Brandenburg, Germany
- Havelland-Fläming, Germany
- Kaunas Region, Lithuania
- Latvia (Latgale planning region, Kurzeme planning region, Riga planning region, Vidzeme planning region, Zemgale planning region)
- Panevezys, Lithuania
- Podlaskie Voivodeship, Poland
- Rostock Region, Germany
- South Ostrobothnia, Finland
- Tampere Region, Finland
- Tartu, Estonia

The Memorandum presents guidelines for decision makers at regional, national and EU level regarding the promotion of innovation and international collaboration.

Innovation and international cooperation are crucial in meeting the impact of the grand challenges and the rapid change of the global business environment. As a result, there is a need to develop a specific framework for innovation support activities and inter-regional cooperation in the non-metropolitan regions of the Baltic Sea region. Regional decision makers play a crucial role in supporting the development and competitiveness of their regions. Hence, the primary objective of the Memorandum is to raise awareness of regional

decision makers and other stakeholders on the importance of regional innovation policy for non-metropolitan areas.

The Memorandum provides decision makers with recommendations and guidelines for regional innovation policy and innovation support in their respective regions as well as in all non-metropolitan areas in the Baltic Sea region. The Memorandum will guide international cooperation and innovation support activities and give recommendations on efficient innovation promotion.

## 2. BACKGROUND

The Baltic Sea region (BSR) is an increasingly integrated macro-region and a substantial market with approximately 100 million people. The fundamental drivers of the BSR macro-regional cooperation are common history, culture, common grand challenges and megatrends, as well as the potential on environment, natural resources and energy. Strong average levels of intra-regional trade and Foreign Direct Investment (FDI) integration illustrate the image of the BSR as a functional macro-region, and as an extended home market for the BSR companies.

According to Europe 2020 indicators and World Economic Forum's Global Competitiveness Index, the BSR portrays itself as a globally competitive macro-region. With its solid talent base and numerous innovative SMEs, the region has a strong innovation capacity and potential. With increased interaction and collaboration, the BSR has a potential for even stronger global competitiveness by utilising the whole resource base of the region.

Innovation and knowledge-based cooperation has been one of the key themes of the BSR cooperation since the early 2000s. Although projects and networks have been built around themes such as transnational cluster development, regional innovation systems and innovation education, there still is a need to continue the development of innovation policy and innovation support.

Challenges posed by globalisation require macro-regional innovation and economic cooperation. Transnational and interregional networking within the BSR is now even more topical and relevant than in the early 2000s.

The aim of the BSR InnoReg project has been to improve the strategic know-how of the local and regional governments and the regional business development organisations

operating outside metropolitan areas. The project helps business development organisations to develop their business and innovation support services for small and medium-sized enterprises.

BSR InnoReg has brought together local and regional decision-makers to discuss global economic challenges and agree on the areas of activities that need to be strengthened through cooperation. The activities based on these discussions are presented in this Memorandum with the focus on guiding innovation support activities especially in regions outside the metropolitan areas.

### 3. RECOMMENDATIONS

The partner regions have agreed on the shared challenges and opportunities and see the need for further collaboration and sustainable contribution to innovation promotion in the BSR. By signing the Baltic Innovation Policy Memorandum we agree on the importance to promote the following issues:

1. *Developing an innovation policy framework that takes into account the needs of the non-metropolitan regions.* In national policies, the roles of the metropolises on one hand and peripheral regions on the other hand have been emphasised. Other non-metropolitan regions, often with a strong industry base, need to have their role strengthened and BSR cooperation provides a good platform for this.
2. *A long-term commitment to secure a consistent and efficient innovation policy implementation.* In many areas within the BSR, there is a need for more consistent long-term innovation policy strategies in the regions. At the same time, the tools and resources to implement these strategies suffer from short-term funding and changing politics.
3. *Strengthening the regional dimension of innovation policy to cater for the region specific assets and opportunities.* There are many differences between regions in their industrial structure, R&D and technology provision, policy initiatives, business service provision, governance structures and the institutional framework. Many of these features frame the policy opportunities but also provide unique assets that can be capitalised on.

4. *Securing the future human capital – young people as professionals and entrepreneurs.* Many non-metropolitan regions suffer from demographic change and outmigration. Especially the ‘brain-drain’ of young talented people poses a challenge for future knowledge based growth in these regions. Through cooperation in the field of innovation policy, non-metropolitan regions should aim to develop new measures to support young people and their involvement in innovation activities.
5. *Better support for new modes of innovation in the non-metropolitan regions.* Innovation takes place in many ways. New modes of innovation, such as open innovation, user and demand driven innovation, organisational innovation and social innovation have become increasingly important and they need new and enhanced regional innovation policy measures.
6. *Developing a more diverse funding model for innovation policy in the non-metropolitan regions.* Public resource constraints and changes in the funding instruments pose challenges in financing innovation policy activities in the non-metropolitan regions in the future. A joint activity is needed to find new and develop existing funding models.
7. *Targeting innovation in the traditionally strong sectors.* Most innovation strategies target fast growing high-tech sectors. However, not all non-metropolitan regions have strong capabilities in these sectors. At the same, time there are many growth opportunities by better supporting innovation in the traditionally strong sectors in manufacturing and services. BSR cooperation provides a good platform to develop and test policy measures that target these areas.
8. *Focus on innovation in the public and non-governmental sectors.* Within the service sector, public services are a particularly huge area of economic activity in many regions. Fast growth, low innovation intensity and fiscal challenges provide not only opportunities but also a need to develop public services in becoming both more efficient and user-friendly. A specific emphasis should be put on the development of e-government initiatives and e-services, where BSR co-operation provides good opportunities to develop and test new innovations.
9. *Increased long-term commitment to interregional innovation policy cooperation in the BSR.* BSR cooperation in innovation policy has proven to be useful for metropolitan and non-metropolitan regions alike. However, there are still many opportunities and advantages provided by cooperation, which have not yet been fully exploited. A long-term commitment by regional governments is needed to exploit these opportunities.