

## **Navarre: “Regional branding” through European policies**

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### **Resumen**

En la última década, organizaciones públicas y privadas han llevado a la práctica de la política institucional la investigación en torno a la sociedad de la información. En la presente investigación, me centro en las políticas para la innovación de la Unión Europea actualmente denominadas “Smart Specialization Strategies for the European Regions”.

Diez años después de la Agenda de Lisboa, el 3 de marzo del 2010, la Comisión Europea presentó un Nuevo intento por ajustar a los Estados miembros a la sociedad de la información con Europe 2020, "Una estrategia para un crecimiento inteligente, sostenible e integrador". El grupo Conocimiento para el Crecimiento (K4G) Grupo Especializado opera como un organo asesor independiente y ha publicado una serie de informes y notas o sinopsis sobre políticas; su documento titulado “The Concept”, introdujo el concepto de “Especialización inteligente” que, a su vez, conduce a la idea de “Políticas europeas que contribuyen al crecimiento inteligente en Europa 2020”.

“The Concept” alienta a las regiones a invertir en programas que complementaran otros activos productivos, de este modo, crearán futuro capacidad interna y ventaja interregional. Así mismo, estos programas se evalúan a través de los logros conseguidos por las regiones que los han implementado. Es de rigor mencionar los métodos de análisis utilizados como el Informe del Grupo de Trabajo CEPS y la Encuesta sobre Innovación

## **Del verbo al bit**

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Comunitaria. Ya que los valores de medición que utilizan estas plataformas construyen innovación y los fondos europeos se designan siguiendo sus directrices. Por lo tanto, estos métodos de análisis se erigen en los principales impulsores de las marcas regionales europeas.

Del mismo modo que la Unión Europea diseñó la Estrategia Europa 2020 y España desarrolló la Estrategia E21, el Gobierno de Navarra impulsó el Plan Estratégico Moderna (2010-2030) desde el 2008. Siete años después, el 4 de noviembre de 2015, el nuevo Gobierno de Navarra, suspendió este plan estratégico regional por su dudosa gestión.

#### **Abstract**

In the last decade, public and private organizations have conducted considerable research on the implementation of studies on informational society into institutional policies. I focus on the European Union innovation strategies influencing Navarre.

The new European policies for innovation, currently called Smart Specialization Strategies for the European Regions, try to incorporate both systems, bureaucracy and open networks.

Ten years after the Lisbon Agenda, on March 3, 2010, the European Commission presented a new effort to help adjust member states to the informational society with EUROPE 2020, a strategy for smart, sustainable and inclusive growth.

The group the Knowledge for Growth (K4G) Expert Group operates as an independent advisory body and it has published a number of reports and policy briefs; their document titled, "The Concept," introduced the concept of "Smart Specialization" which led to the idea of "Regional Policy contributing to smart growth in Europe 2020."

"The Concept" encourages regions to invest in programs that will complement other productive assets, creating in this way future domestic competency and interregional advantage. Accordingly, these programs are appraised through the achievements acquired by the regions that have implemented them. Methods of analysis used such as CEPS' Task Force Report and The Community

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## Universidad de La Laguna, 2016

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Innovation Survey must be mentioned. After all, these measurement values build innovation and European funds will be designed based on these values. Therefore, these methods of analysis are erected in the main drivers of European regional brands.

Just as the European Union designed Europe 2020 Strategy, and Spain developed the Strategy E21, the government of Navarre initiated and promoted the Moderna Plan (2010-2030) in 2008. In November 4, 2015 Moderna Plan was suspended for its dubious management.

**Key-words:** Navarre branding, competitive identity, regional branding, brand management, reputation, public policy.

**Palabras-clave:** marca Navarra; identidad competitiva; “regional branding”; gestión de marca; reputación; política pública.

### 1. Introduction

The main aim of this article is to examine the influence of both the Innovation Union Scoreboard and the Regional Innovation Scoreboard’s evaluation, regarding Navarre’s regional branding. The entire preface of the dissertation “Ethnography of #Nasf: An Innovation Community of Practice of Self-Branded Entrepreneurs in Navarre,” upon which this article is based, can be read on PqdtOpen.Proquest.com.

In response to the information society’s requirements and immersion in a kaleidoscopic institutional framework, the European governance architecture is expressed as a complicated labyrinth of agencies, institutions, commissions, offices, networks, agreements, policies, funds, and forms.

“Many policy domains are marked by a patchwork of international institutions that are different in their character (organizations, regimes, and implicit norms), their constituencies (public and private), their spatial scope (from bilateral to global), and their subject matter (from specific policy fields to universal concerns.)” (Biermann Frank et al., 2009: 16)

## **Del verbo al bit**

### **Universidad de La Laguna, 2016**

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This confirms global governance's main characteristic: its high degree of fragmentation. Paradoxically, this happens in the network society's changing environment where "successful organizations are those able to generate knowledge and process information efficiently; to adapt to the variable geometry of the global economy; to be flexible enough to change their means as rapidly as goals change" (Castells, 2002:188). According to some authors, "the self-produced, self-developed, and self-managed network becomes a widespread cultural ideal, providing not only an effective model of political organizing but also a model for reorganizing society as a whole." (Juris, 2008:15). In the meantime, the new European policies for innovation, currently called Smart Specialization Strategies for the European Regions, try to incorporate both systems, bureaucracy and open networks. Namely, theoretically openly designed smart specialization strategies attempt to bring together citizens and institutions.

Just as the European Union designed Europe 2020 Strategy, and Spain developed the Strategy E21, the government of Navarre initiated and promoted the Moderna Plan in 2008. This was a long-term (2010-2030) economic development strategy for Navarre constructed from an agreement between the most powerful political parties of Navarre, the Union del Pueblo Navarro (UPN) and the Partido Socialista de Navarra (PSN) with the help of the minority party, Convergencia Democrática de Navarra (CDN.) They came to an agreement apart from the Navarrese parliament as early as December 2007 (Moderna Navarra 2008:18). Intense discussion about Navarre's economic future took place. In October, Carlos Solchaga, Navarrese economist and former minister of Economy in Spain who now works as a consultant for the ACE Automotives, gave a talk to the members of the Foundation for Diversification about the new challenges of being competitive in a globalized world. Afterwards, the Government of Navarre called him to participate as one of the 32 experts for Plan Moderna. In autumn 2007, the economist Cernín Martínez Yoldi was called by the councilor of the Government of Navarre to lead the General Direction of Politics and Economic Promotion of the government. His task was to analyze Navarre's economic situation and propose measures to confront the new

challenges, in other words, to accomplish Moderna Plan, which was the first plan of its kind in Spain. (Navarra.es, 2011.) I must note that, along with the general director of Politics and Economic Promotion, the Navarrese Agency for Innovation and Technology (ANAIN, Agencia Navarra de Innovación y tecnología S.A.) and the Navarre Foundation for Diversification (FND, Fundación Navarra para la Diversificación) were the agents responsible for Plan Moderna's planning and execution. They were supported by Monitor-Deloitte (Michael Porter consultant's company in Spain) and AFI (International Financial Analyst,) hired by the government of Navarre. "These two consultancies won in a tender launched in March 2008 to develop this new model" (Navarra Moderna, 2008:6;) although, as I will explain below, this was not the initial idea of Smart Specialization Strategies for the European Regions.

## **2. From "The Concept" to the implementation of its guidelines in Navarre**

EU Commissioner Janez Potočnik, in an attempt to reinvigorate the Lisbon Strategy, established in 2005 a group of economists called the Knowledge for Growth (K4G) Expert Group (European Commission, 2008-2010.) This group operates as an independent advisory body and it has published a number of reports and policy briefs. The one titled, "The Concept," (Foray; David; and Hall, 2009.) introduced the concept of "Smart Specialization" which led to the idea of "Regional Policy contributing to smart growth in Europe 2020." The K4G group agreed that for regions and countries that are not leaders in any of the major science or technology domains, the issue of specialization in research, development and, innovation remains crucial. That is why the document encourages regions to invest in programs that will complement other productive assets, creating in this way future domestic competency and interregional advantage. This should not be, the K4G claims, a top-down industrial policy and neither a "foresight exercise, ordered from a consulting firm." (Foray; David; and Hall, 2009:2.) Quite the contrary, they suggest an entrepreneurial process of discovery in which entrepreneurial actors will be indispensable in discovering

## **Del verbo al bit**

### **Universidad de La Laguna, 2016**

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areas of future specialization. Local actors are the ones who know their own environment best and it is easier for them to build social capital assets. Thus,

“policy makers should accept that their role in ‘selecting the right areas for specialization’ may be a more modest one than is usually envisaged when support for infant industries and support for technology start-ups are under discussion.” (Foray; David; and Hall, 2009:2)

However, Moderna Plan proposed a roadmap to maintain and increase Navarre’s sustainability and wealth. The executive summary of Moderna Plan set the agenda for different areas as education, talent and human capital, public administration, R&D+I, infrastructures, entrepreneurship, and internationalization. Two years after the design, structuring and diagnosis of Moderna Plan, on October 1, 2010, the Parliament of Navarre approved<sup>53</sup> the Moderna Plan Regional Strategic Plan. Only the Basque Nationalist party Nafarroa-Bai (Yes to Navarre,) voted against it. In the days that followed, Navarrese politicians brought Moderna Plan to Brussels, exactly at the “8th European Week of Regions and Cities 2010 Open Days.” Yet they waited five months for the second public presentation of it in Navarre. On this occasion, besides Moderna Plan, the president of Navarre also presented the Moderna Foundation, which managed Moderna Plan. The object and purpose of this Foundation was the promotion of regional economic development strategy contained in Moderna Plan, through the implementation, monitoring, evaluation, adaptation and updating of its strategy, and action plan. According to the statutes of the foundation, this organ had full capacity to act and develop economic activities of all kinds, to make their ends or resources for that purpose; it also could acquire and dispose of all the assets and rights for any reason, and celebrate all types of events, business, and contracts. Also, it can exercise any action in accordance with its statutes and laws. (Plan Moderna, "Fundación Moderna Estatutos," 2011:3-5.) Nevertheless, Moderna Foundation was created as a private entity.

## **Del verbo al bit**

### **Universidad de La Laguna, 2016**

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Since the implementation of the Moderna Plan, Navarrese governmental departments were transformed. Thus, from 2011 on, governmental departments' programs were connected to a Moderna Plan's objectives Government of Navarre, and the Economy and Finances Department's programs are a good example of it (Memoria Y Descripción De Programas De Los Presupuestos Generales De Navarra Del Año 2011, 2011.)

The Moderna Plan has not been without its critics. Thus, in September 2012, the Board of Spokespersons in the Parliament of Navarre, in accordance with the request made by the Basque parliamentarian Group Bildu-Nafarroa, agreed to ask the Chamber of Comptos of Navarre for an audit report about Plan Moderna's activities, organization, and management. Chamber of Comptos is the oldest Chamber of Accounting in Spain, which was created in 1365 by Carlos II of Navarre. Since then until 1836 when abolished, exercised control over the responsible for collecting taxes for the kingdom's treasury administered the kingdom's assets and advised the crown on financial matters. In the year 1980 it was re[established and entrusted with the supervision of spending, budget management and advises Parliament on financial issues. Although it has become the first autonomous institution with jurisdiction over the public sector's finances, the Chamber of Comptos is not a completely sovereign entity; its president is elected by the Parliament of Navarre, theoretically, it does not represent any political parties' interests. It comprises a general secretary, lawyers, and auditors with their personal auditing teams, financial advisers and office personnel.

Anyway, following the analysis of the public organ mentioned above, the first recommendation this institution presented in its report was to change the private nature of Moderna's Foundation into a public one. After all, it adds, Moderna Foundation's main objective typically belongs to the public sector; it is mostly formed by public organizations; its board's members are chosen by these same entities; and it is mainly funded with public money. In this regard, some specific information illustrates Chamber of Comptos's recommendation such as the fact that since 2008 Navarre's public budget expenses in developing and



## **Del verbo al bit**

### **Universidad de La Laguna, 2016**

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managing Plan Moderna exceeded 3,2 million euros. Moderna Foundation's initial budget, in 2012, and not the whole Plan Moderna, amounted to 1,1 million euros, one million of which came from the Government of Navarre. As a result of the crisis the budget was reduced to 906,000 euros. At the end of this fiscal year, Moderna Foundation has spent 637,000 euros, most of which has come from the public purse of Navarre. In this regard, expenditures for staff, i.e., for the eight people who work at the foundation, amounts 383,000 euros. Another major criticism that the Chamber of Comptos presented is related to the BEI-Moderna Credit Line. In the year 2011 the Navarrese executive, through the public company SODENA, underwrote an agreement with the European Investment Bank. The Bank lent SODENA 250 million euros to facilitate new business financing. Comptos recommended following financed projects' evolution. This audit institution also wondered if, in the current negative economic situation, Moderna Plan should offer other kinds of services in order to palliate, for instance, unemployment. It also proposed to include Moderna Foundation in the long-term public budget and asked private entities to commit to financial support. Finally, Comptos realized that for the new projects to obtain BEI-Moderna credit line it was not enough to acquire the Moderna Label since they also needed the other financing entities' support. This is why Comptos recommended studying other financing alternatives in order to have an impact on the financial market. In September 2013, the Parliament of Navarre voted to ask SODENA to change the agreements between this public company and the financial entities. At the end of 2012 only 20 from the 250 million were lent, while the Navarrese public purse has continued paying the interest on the total asked. This is why almost the entire membership of the Parliament of Navarre, except UPN and Bildu, agreed it was necessary to change the method of financing.

Finally, a critique outside Navarre policy is the one made by Raquel Ortega-Argilés. In her comparative study of economic transformation strategies in eleven European regions through their smart specialization case studies, Ortega-Argilés adds that Navarre's Moderna "is committed to the on-going strengthening of the socially-oriented free market economy that Navarra shares



with the rest of Europe.”<sup>83</sup> However, Ortega-Argilés points out an interesting conflict in the expected outcomes of this regional plan. Taking into account that the new economic model for Navarre must be more productive and sustainable, work output in traditional sectors must be improved, and also clusters with the greatest productivity must be selected. Then,

“The economic impact of the boost to production can be summarised by annual growth in employment of 1% once the recession is over, a mean annual growth in productivity of 1.5% (which entails a mean annual growth of 2.5% in regional wealth up to 2030) and achieving more than 32,000 million Euros GDP. From a demographic point of view, it is important to point out that, if Navarra maintains the current overall employment rates (taking into account the entire population and population growth rates), the resulting 77,000 new jobs will require an increase in the population of approximately 155,000 people. This means that almost 124,000 people from other regions or countries need to be attracted to Navarra.” (Ortega Argilés, 2012:19)

Therefore, concludes Ortega-Argilés, although this prediction depends on the regional employment rate, this plan would urgently need to attract qualified talent from outside Navarre, as well as to develop birth promotion policies, and work-family reconciliation measures.

### **3. European Union mechanisms and methods of analysis that condition regional branding**

The European Union uses two basic mechanisms in the field of innovation to stimulate and support research, technological development, and thus fulfill the objectives mentioned above. These objectives are the Seventh Framework Program for Research and Technological Development (FP7,) and the Structural Funds. The FP7 has two main strategic objectives: One is to strengthen the scientific and technological base of European industry. The other one is to encourage its international competitiveness while promoting research

## **Del verbo al bit**

### **Universidad de La Laguna, 2016**

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that supports EU policies. The Structural Funds seek to promote a balanced development of the European Union through orientation research and innovation. This boost of R & D policies is carried out through the European Social Fund (ESF) and European Regional Development Fund (ERDF). In Spain, the Ministry of Finance and Public Administration, through the General Direction of Community Funds, is the organ of the General Administration of the State responsible for examining, evaluating and coordinating management structural funds.

Methods of analysis used by, for instance, the proponents of Lisbon 2000 and Europe 2020, such as CEPS' Task Force Report, must be mentioned. After all, these measurement values build innovation and European funds will be designed based on these values. Since 1996 the Organization for Economic Cooperation and Development Statistical Office of the European Communities has published three editions of the Oslo Manual. This is a guideline for collecting and interpreting innovation data since as they say in their foreword "it has been long understood that the generation, exploitation and diffusion of knowledge are fundamental to economic growth, development and the well being of nations. Central to this is the need for better measures of innovation." (Eurostat and OECD, Oslo Manual, 2005:3.) Despite Oslo Manual's framework acceptance, innovation surveys follow different models across countries. According to the member of the OECD Vladimir López Bassols, there has been a major effort to harmonize different methodologies in Europe: The Community Innovation Survey (CIS). Both the Innovation Union Scoreboard and the Regional Innovation Scoreboard use CIS methodology for their analysis (López Bassols, 2011: 3.)

The Innovation Union Scoreboard, an instrument of the European Commission to revise and build Europe 2020 Strategy, "provides a comparative assessment of the research and innovation performance of the EU27 Member States and the relative strengths and weaknesses of their research and innovation systems." (European Commission, "Innovation Union Scoreboard Index," 2016) The Regional Innovation Scoreboard does the same with the regions of the European Union. The fact of classifying countries by these new hierarchical

values is an extensive and complicated issue. An insightful comment on these hierarchies observes that “in some cases individual countries or regions may be able to change their position in the hierarchy, but the point is that, regardless of who fills which position, the hierarchy remains the determining factor.” (Hardt; Negri, 2000:283)

At the Union Innovation Scoreboard, the Member States fall into four performance groups: Innovation leaders, innovation followers, moderate innovators and modest innovators. In the year 2013, Spain showed a performance “below the EU27 (i.e. between 50 percent and 90 percent of the performance of the E27,)” (European Commission, "Innovation Union Scoreboard 2013) and was considered a moderate innovator. However, as confirmed at the Regional Innovation Scoreboard 2014 (European Commission, 2014) Navarre’s innovation performance was superior to the Spanish one. Accordingly, Navarre was included in the innovation followers group, showing a manner of functioning closer to that of the EU27 (i.e. less than 20 percent above but more than 10 percent below that of the EU27.) On the contrary, according to the Regional Innovation Scoreboard 2016, European Commission, 2016) Navarre, together with 11 more regions, has moved to a lower performance group, being now a moderate innovator. It remains to know if this change is a consequence of the crisis that Navarre has been suffering in the last years or if it is due to other circumstance. In further research, I will delve deeper into this change.

#### **4. Conclusions**

European policy and, more exactly, the Smart Specialization with its evaluations and scoreboards determine European region’s branding, in at least three aspects of the same scope: domestic branding for the political parties that leader the regional government; the regional branding within the state and the regional branding within the European Union. As it happened in the Navarrese case, managing for almost twenty years the European funds made possible for the political party (UPN) to have an excellent return for its own. However, regarding the flaws Moderna Plan shown, this strategy cannot be counted as a

## **Del verbo al bit**

### Universidad de La Laguna, 2016

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successful strategic plan regarding Spain and Europe. Nevertheless, after a year and a half of this plan suspension, it is shocking to see that Navarre innovation performance appears to be worse than before.

\* The entire preface of the dissertation "Ethnography of #Nasf: An Innovation Community of Practice of Self-Branded Entrepreneurs in Navarre," upon which this article is based, can be read on PqdtOpen.Proquest.com.

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