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Macro-Regional Innovation Week

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Smart Specialization: How can RIS3 realize its potential?

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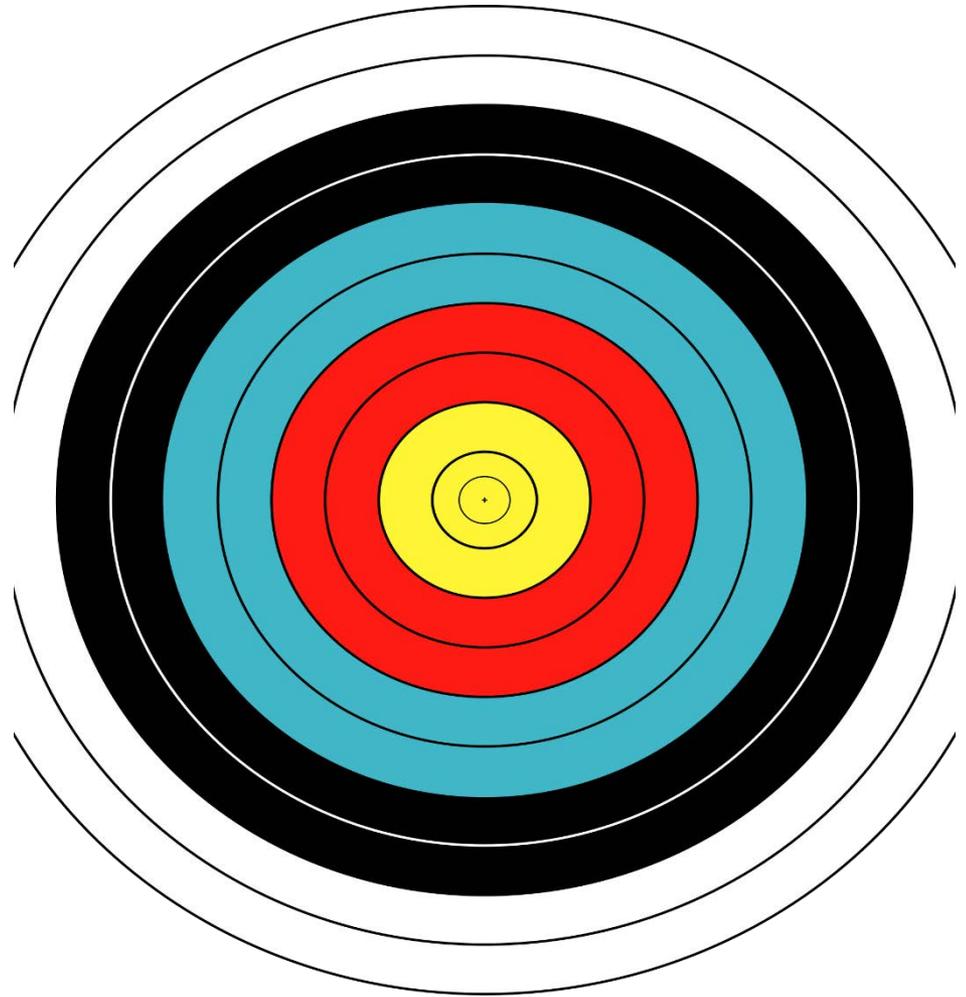Innovation Specialist

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Presentation Outline

I.   Context and Rationale

II. Main Concerns

III. The Challenge of

     Implementation

IV. Project Experiences

V.   Main Takeaways

I. Context and Rationale for RIS3

To improve the effectiveness of research and innovation policies:

- Better alignment of R&D spending with local economic activity in different sectors

➤ *How to better spend the money?*

To spur regional development and economic transformation:

- Generate multiple clusters of firms with spillover effects to transform a region from 'periphery' to a 'center/pole'. Nevertheless, externalities and spillover effects (*agglomeration*) can create core-periphery patterns *(Ottaviano and Thisse, 2004; Puga, 1999; Krugman, 1991)*

➤ *Which industries, economic activities, firms to prioritize?*

To be designed bottom up:

- Bottom up approach through the entrep. self-discovery process

➤ *How to maximize information ex ante?*

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II. Main Concerns

Incumbent capture and information asymmetry: lack of market-generated information - *what do we do?*

- Sectors/incumbents possess more information
- Sectors/incumbents have more incentives to lobby
- New firms are not in the market yet

**False universality**: inherited core bias – *a 'universal RIS3 approach' for all types of regions?*

- Regions with apparent comparative advantage
- Regions with latent or unknown comparative advantage

(Correa & Guceri, 2016)

II. Main Concerns: RIS3 Typology

(Correa & Guceri, 2016)
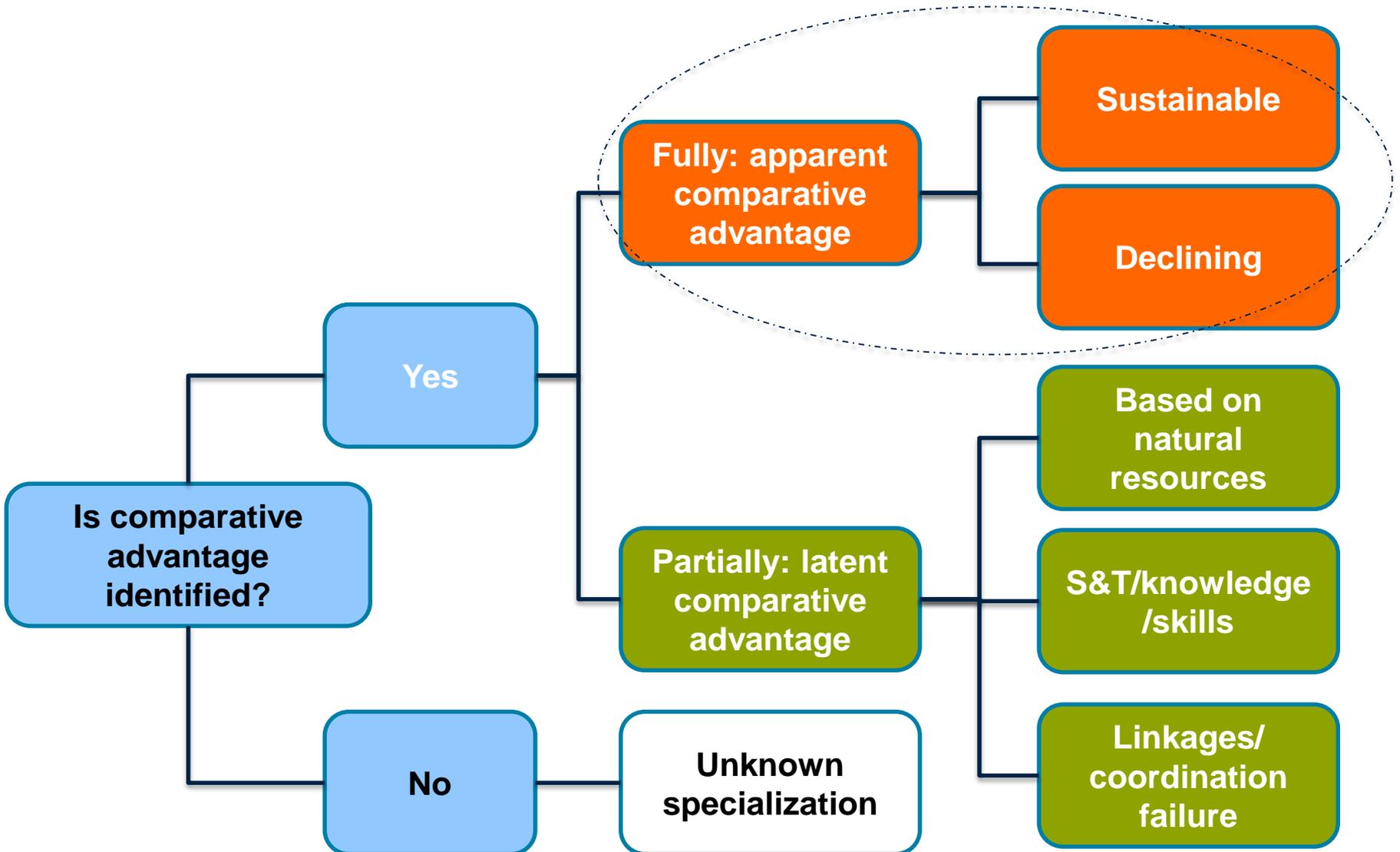
II. Main Concerns: The Leverage of Information

Access to information, risk level and policy making

(Correa & Guceri, 2016)
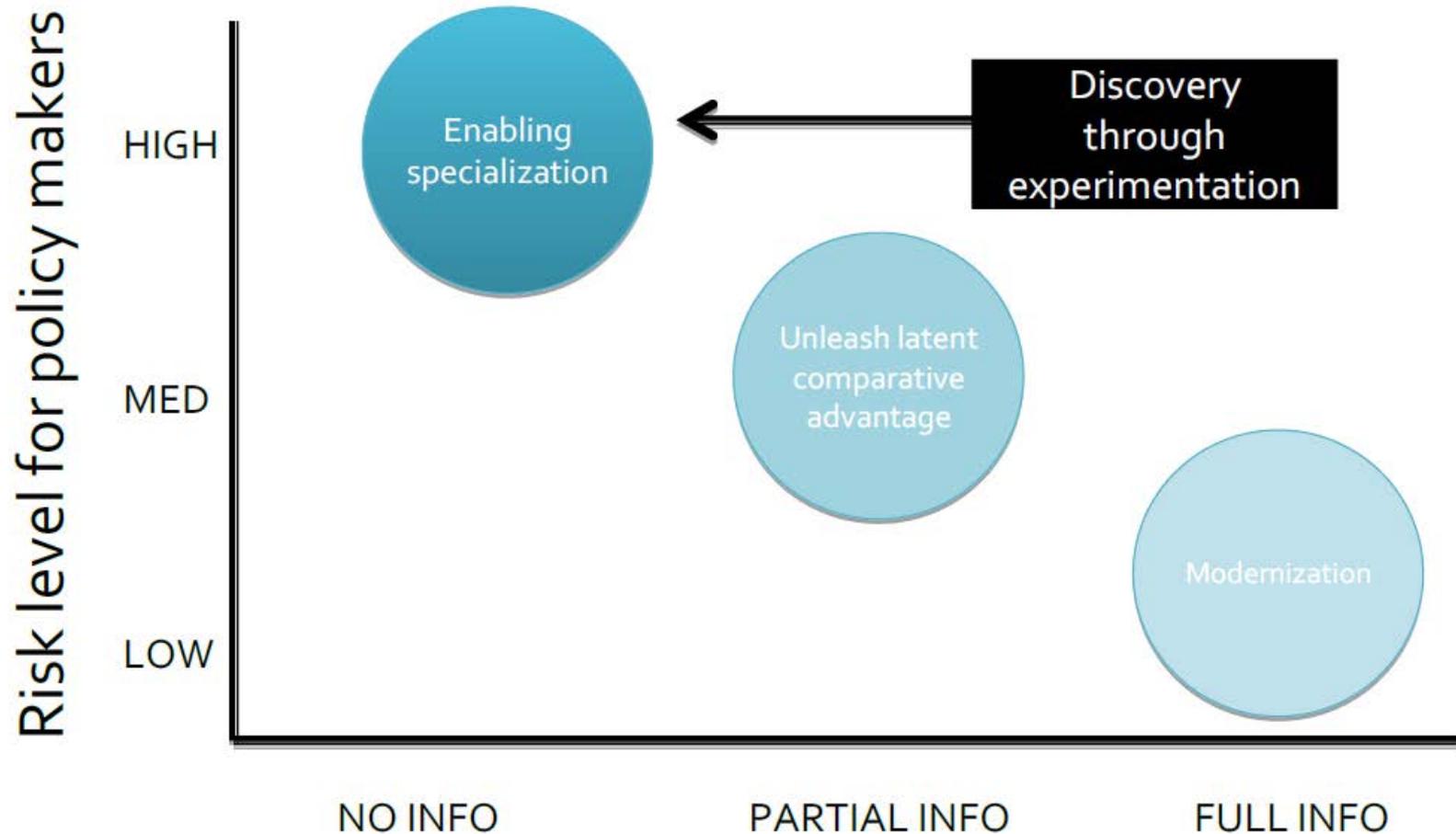
III. The Challenge of Implementation

Flexibility and adaptability

- Avoid linear approach (analysis to action): install feedback loops and adaptability

- De-emphasize ex-ante sectoral definitions: experimentation and ex-post results-based allocation

Full integration of monitoring and evaluation: *in design & implementation*

- Identify intermediate goals: bottlenecks, interventions, results/indicators

- Learning by doing: monitor signs of difficulty to identify sources of problem – facilitate solving by actor

Strategic piloting with sound governance: *maximize information*

- Build (*sector/economic activity*) *project* portfolio: sunset unyielding projects and reallocate resources

(Kuznetsov & Sable, 2016; Correa & Guceri, 2016)

IV. Project Experiences (1) Romania (2013)

➤ Competitiveness assessment as analytical tool to improve information

Primary Objective	Methodology

i. Develop a competitiveness assessment of services and goods sectors
 	
ii. Identify policy measures and interventions that can help enhance regional growth potential
	i. **Competitiveness assessment** – strengths and challenges of West Region economy
	ii. **Sector Case Studies** – based on available info 6 sectors classified (niches/challenges):
	  • Apparent comparative advantage: Automotive, Textiles, ICT
	  • Latent comparative advantage: Agro, Tourism
	  • Unclear comparative advantage: construction
	iii. **Main policy areas–interventions**
	  • Horizontal
	  • Vertical: sector-specific
	iv. **S3**: thematic objective, investment priorities, potential pilot initiatives

	Lessons
	- Successful implementation depends on improving institutional framework supporting innovation (cooperation between national and regional) - Balance support between existing industries and emerging knowledge intensive ones - Bridge gap between business and research, venture finance, entry

IV. Project Experiences (2) Croatia (2013-14)

➢ Analytical Approach in the context of latent comparative advantages

Primary Objective	Methodology
i. Design a strategy for a more diversified export structure, productivity growth, and job creation ii. Assess trends in Croatia's performance in trade, productivity, and innovation to identify priorities	**i. Trade Competitiveness assessment** **ii. Economic Geography assessment** **iii. Firm productivity assessment** **iv. Research and Innovation assessment** **Case studies of potential areas for research and innovation specialization:** • Identify trends, challenges, and niche areas in Clean energy, oysters, Slavonski kulen, and biotech and pharma
	Lessons
	- **Market environment and dynamics**: simplify regulatory environment, ease entry and exit, support SME R&D investment, and strengthen governance - **Innovation policy**: Reforms rather than additional money (early-stage financing, industry-science collaboration). Better spending, better impact.

IV. Project Experiences (3) Poland (2015)

➢ Maximizing information through **Entrepreneurial Discovery Process** (EDP)

Primary Objective	Methodology
i. Engage the private sector in creating innovation policy	i. **Smart Interviews** – 500 firm-level interviews, the "qualitative enterprise survey" (*available in interactive Tableau Dashboard*). Identify innovation drivers & constraints, quality of public support for enterprises and SMEs
ii. Select new priorities for public support based on a bottom up approach to identifying, selecting, modifying and eliminating S2	ii. **Smart Labs** – business-science-gov. focus groups
	iii. **Innovation Maps** – using grant applications to NCBR
	iv. **Crowdsourcing** – online survey targeting SMEs
	v. **Training and workshops** – with BSIs
iii. Assess the innovation needs of enterprises and adjusting public support instruments	**Lessons**
➢ Build capacity of public administration and business support institutions (BSIs) to continue EDP	- Treat EDP as lego (to reducing cost) - Expand use of Business and Technology Roadmaps (BTRs) - Value in the process, not only outcomes (capacity enhancement) - Helps identify enterprise needs, champions, new tech trends, guide business investments through BTRs, build public sector capacity

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V. Main Takeaways

- **Reduce risk by maximizing and leveraging information:**

  ➢ Analytical work and EDP to maximize information and reduce risk

  ➢ Reduce risk by co-investing with the private sector

  ➢ When in doubt about 'selection', resort to improving enabling conditions

- **Adaptability, experimentation, and piloting to avoid expensive mistakes:**

  ➢ M&E integration into the interventions with focus on policy learning; Strategic Piloting in economic activities; Feedback mechanisms

- **Focus on Governance and on the Process**:

  ➢ Enforce sound management over public investments; transparency and broad public consultations

  ➢ Journey is as important as the destination, especially in building public institutions' capacity and establishing networks

Thank you!

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