CHALLENGES IN GOVERNANCE OF SMART SPECIALISATION IN SOUTH EAST EUROPE

NIKOLA RADOVANOVIC AND ELISA GERUSSI

- S3-based innovation policies highlight the relevant role of both governance – including its structures and mechanisms – and stakeholders' engagement among the enabling factors of well-functioning R&I ecosystems [1]. In particular, the principle of carrying out a thorough stakeholders' dialogue on "new domains of technological and market opportunities" for decision-making processes demonstrates the importance of the bottom-up method as at the basis of S3 [2].

- When it comes to the analysis of S3 in SEE, the effects of the recent years of economic transformation and lock-in situations encourage analysis of the way non-flexible institutional infrastructures can significantly harm local innovation capacity development. This creates a context where networking becomes largely uneven and the communication between different players hampers further progress.

- Whereas Bulgaria and Croatia are already implementing their S3 strategies, Serbia is about to start the implementation phase in 2020. Given their centralized management of the S3 strategies, the cases are particularly suitable for a comparative analysis on governance.

- We observe that some of the main challenges for S3 governance in SEE in the upcoming period are: enhancing the political commitment of national authorities as well as the collective awareness of S3; implementing an efficient policy mix that integrates S3 with other national policies on innovation; attracting relevant stakeholders to participate in the decision-making process; and boosting the role of cooperation and competitiveness at the macro-regional level.

1. What this report is about

This policy brief investigates how the governance of the S3 process has been broken down in SEE, in particular in Bulgaria, Croatia and Serbia. We selected these countries because of the context similarities and the centralized management of S3 process on one side, as well as due to their differences in approaching the S3 design and implementation phase on the other. This approach allows comparing main challenges, enabling conditions and efforts in terms of policy instruments and strategies that SEE is facing when adopting the S3 framework. The study started from a stocktaking analysis of each regional situation and has been complemented by interviews with national experts, national authorities and relevant stakeholders involved in the build-up of the S3 system in the selected countries.

2. Policy context

S3 provides a framework for investing into the most promising sectors through an evidence-based approach with strong involvement of a wide range of regional and/or national stakeholders [1,2]. For this purpose, governance of the S3 should aim at facilitating the establishment of both vertical and horizontal linkages between institutional and non-institutional development players. It is important that all the resulting layers intersect within a common framework of tasks and activities and promote the support to the continuous stakeholder dialogue within the Entrepreneurial Discovery Process (EDP), which paves the way to identify local priorities and growth strategies [3].

The top-down approach that has been characterising innovation policies in SEE so far needs a deep shift in both design and implementation phases, in order to make the most of the S3 concept. This also means identifying links between all relevant strategic documents and, complementary instruments, as well as aligning objectives and measures and finding the place for the S3 in the mosaic of all existing strategic innovation and competitiveness policies [4]. This effort has already started in the region as S3 implementation significantly changed the perception

of innovation policies as such, and revolutionised the modus operandi of stakeholders' engagement while raising the importance of identifying ambassadors of innovation within the quadruple helix framework.

Furthermore, research and innovation ecosystems have to deal with different levels of systemic distortions deriving from the period of economic transition when both structural and institutional reforms substantively influenced the development paths of economic growth on the one side, and innovation capacity on the other side [5]. A further element of complexity is given by the fact that S3 policies in SEE are mostly centralized and managed at a national level with a regional NUTS2 perspective, as regions were generated recently for statistical purposes rather than being proper administrative and political entities. For this reason, deploying appropriate tools and setting up mechanisms in line with the S3 approach may also help these countries to reach and maintain good governance levels and in turn better functioning R&I ecosystems.

3. Main insights

Governance model in Bulgaria

The S3 of Bulgaria could be seen as the first comprehensive national innovation strategy in the country, beyond previous less comprehensive policies. In regard to its governance, the main challenges arose with the necessity to include the bottom-up perspective. This has been seen as a new and complex feature due to the general disentanglement of the innovation systems and its components, as well as the internal territorial disparity in terms of capacity and resource availability. However, stakeholders' dialogue has been promoted since the beginning by national authorities and, finally, it played a relevant role during both the design and implementation phase, although much effort has yet to be done in terms of continuous EDP. Besides the enhancement of the quadruple helix's role, a major challenge was the need to further empower the S3 leadership structure as well as the functioning of the technical body, by defining specific roles and a coordinated activity among institutional bodies. Furthermore, the place-based aspect, as one of the most important features of S3, has been insufficiently enhanced, thus leading to an unbalanced development between regions, mainly in relation to local governance capacity of managing the implementation of the strategy and related processes (i.e. EDP) and access to funds. In general, S3 enabled

the access to new funds, which, however, implied new difficulties in reaching decisions on the allocation of funds on both regional and national levels.

Governance model in Croatia

The S3 governance model in Croatia includes a strategic level run by the National Innovation Council, based on a rotational presidency, comprising representatives from different ministries and business organisations. At the implementation level, its activity is supported by an inter-ministerial group and a technical secretariat, as well as by five thematic innovation councils in regard to the EDP. This setup reflects basic requirements of the S3 concept by focusing on better communication between different governmental bodies involved, as well as on stronger participation of relevant stakeholders from public administration, business and research sectors through a continuous dialogue. The overall attention to stakeholders has increased over time, which was supported by the efforts of the technical secretariat. However, the authorities stress that EDP should be further sustained also by improving the evidence-based reporting activity. Likewise, although the rotational presidency mechanisms actively endorse dialogue and inclusiveness, they also pose an additional barrier in decision-making due to the time constraints taken to reach a decision.

Governance model in Serbia

Being a non-EU country, Serbia had to a follow different path towards a Smart Specialisation strategy set by the EC S3 Framework for the EU Enlargement and Neighbourhood Countries [3]. In accordance with this framework, the country needed to establish a proper governance model for the strategy design, which enabled it to identify crucial stakeholders for the process at the beginning. The process has been led by an inter-ministerial working group that further coordinated the work of two teams: (a) an analytical team in charge of carrying out work on relevant research and analyses, and (b) an operational team that oversaw the process in organisational and administrative terms. During the evidence-based analysis and in preparation of the stakeholder dialogue, the inter-ministerial working group nominated ambassadors of identified S3 priority areas, in order to better facilitate the discussion in the EDP. At that stage, the visibility of the S3 process and its link to the development of the country's industrial policy raised the importance of Smart Specialisation in the country, which effectively

became governed by the Office of the Prime Minister of Serbia. As a non-EU member, Serbia could not rely on EU structural funds for S3 implementation when designing its S3 strategy and, therefore, had to think on how to create an appropriate funding scheme for S3 implementation. This ultimately influenced the establishment of the Science Fund and led to revision of the possibilities of using existing national funding options (e.g. Innovation Fund). It is planned that the implementation of the strategy will be governed by the Smart Specialisation Coordination Body that will consist of the representatives of the Ministry of Education, Science and Technological Development, Public Policy Secretariat, Ministry of Economy, Serbian Chamber of Commerce and the external expert team.

Reflection on the key elements of S3 process

In terms of the governance of the entire S3 process and the importance of diverse elements to it, the analysed countries showed multiple similarities. As expected, political commitment has been increasing since the beginning of the S3 process in all three countries. It is likely that the S3 visibility increased after its initiation due to its overlap or interconnection with existing or upcoming innovation policies of high relevance in the government agenda. It should be noted that in the case of Serbia the importance of S3 was reinforced due to the role of S3 in country's negotiations for EU accession linked to the development of both innovation and industrial policies. However, the analysis showed that the full integration of S3 with other relevant policies in the domain of innovation capacity enhancement is yet to be achieved and this calls for a better policy mix implementation. It implies that the innovation apparatus should be further improved, as the countries need to better understand the necessity of positioning smart specialisation within the innovation system for increasing its efficiency.

The collective vision seems to be evolving during S3 implementation, due to the evidence that the overarching idea of S3 can benefit the whole region or country. However, there is a need to strengthen the place-based component, especially through continuous EDP. In fact, the level of local authorities' participation in the S3 decision-making on both national and local level is still low. Potential reasons are related to the lack of capacities and funding possibilities at the local level. At the macro-regional level (SEE), the aspect of value chains seems to be neglected or it do not seem to be considered enough in the S3 approach. Countries keep focusing too much

on S3 potential within their own borders without paying much attention to the value added from being part of the wider region and to potential benefits to competitiveness stemming from a stronger collaboration. The lack of regional perspectives of the process and incapacity of the countries to focus on joining forces for producing value added and increasing exports possibilities are among the identified reasons for that.

Importance of the EDP was recognised as high in all three governance models. All three countries stated that the involvement and motivation of stakeholders in the governance of the S3 process has significantly increased during the design phase. Nonetheless, the EDP phase seems to be moderately affecting the S3 decision-making process. This could be a result of the rigidity of governmental institutions, lack of trust from the side of businesses, no direct visible channels for their participation in decision-making, lack of time for participation, among others. Likewise, it was not easy to secure the continuity of the stakeholder dialogue within the EDP after the completion of the design phase. This hinders the efficient execution of the bottom-up approach and emphasises the necessity of having a specialised technical body to coordinate meetings and discussions of relevant stakeholders for the entire S3 process. The role of such technical body for coordinating the work on the operational level is essential and can be considered as a regional innovation itself

4. Final remarks

The The goal of achieving continuity of the stakeholder dialogue within the EDP is gaining a high position on the agenda in SEE. It comprises an essential part of the S3 implementation phase. However, additional efforts need to be put into maintaining the bottom-up perspective of the process. Relevant stakeholders, especially the ones from the business sector, should be more involved in the decision-making to be sure that their needs are constantly in focus. The S3 structure should be aligned in such a way as to streamline the communication from the stakeholder level to the main governance body while avoiding information stickiness and noise.

Involvement of stakeholders in a continuous EDP depends on the levels of political commitment. As this seems to vary throughout the S3 design and implementation stages, it is important to create a

management structure that can efficiently govern S3 implementation, where governmental bodies involved and scientific/academic and business institutions can work together and align their goals. With such system in place, stakeholders would have a strong-enough incentive to participate in the process.

In terms of the scope, a stronger focus should be put on both addressing the local needs and a wider regional perspective in S3, especially in relation to value chains and collaboration opportunities. S3 needs to be better applied locally and address local needs, which have been identified during the EDP. Likewise, local stakeholders should be able to communicate their needs to the governing S3 body. Also, as countries in SEE are economically lagging behind the countries from Western or Central Europe, they should apply a more holistic approach in developing competitiveness with the view to enhancing strengths of their region by identifying its potentials in the global value chains.

Read more

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Contact information

Nikola Radovanovic (JRC – Enlargement and Integration Actions (A3)) and Elisa Gerussi (JRC – Territorial Development Unit (B3))
JRC-B3-S3P@ec.europa.eu