Building open regional innovation strategies:
New opportunities provided by Smart Specialisation Strategies

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Key Benefits and Challenges from Smart Specialisation Strategies

Key **benefits** of S3:
1. Reducing fragmentation in RDTI investments
2. From introspection to “extrospection”: an open view to regional policies
3. From administrative to strategic management of policy

Main **challenge** in implementation of S3:
- Translate broad strategies into efficient and integrated policy mixes

Main **bottlenecks** to effective implementation of S3:
- Policy-makers resistance to:
  - Long-term investments (returns beyond 4-year legislature…)
  - Genuine prioritisation (selection and de-selection!) – coping with lobbies…
  - Cross-domains, cross-level and cross-border policies
- Little evidence to identify “white spaces” between sectors, clusters, poles,…
- Need for more robust, systematic and systemic policy evaluations
Problem N°1. Fragmentation of public investments for innovation

Policy response: concentrate on key areas of regional strength to ensure leverage; target regional transformation

Five criteria for PRIORITIZATION:

- New markets - future potential (cross-sectors)
- Distinctive economic potential in region
- Distinctive education and research potential and/or linkages to external knowledge sources
- Innovation ecosystem – structural linkages & synergies
- Regional challenges: securing political endorsement
Beyond prioritization: Implementing RIS3

- Overcoming path dependency and inertia:
  - adapting old institutions to new policy models
  - developing unlearning capability in policy circles
  - bringing coherence in “historical” policy mix

- From «silo»-driven to «outcome»-driven policies:
  - starting from desired outcomes rather than from instruments machinery
  - from incremental improvements in existing portfolios to radical restructuring
  - Developing systems for policy accountability focusing on effectiveness rather than efficiency

- Allowing policy experimentation (innovation!) in policy
Results from 2013 OECD enquiry:

- No clear link between priorities and policy mixes
- A strategic view on public « innovation » budget is missing
- Key policy instruments:
  - Dedicated institutes, competence centres
  - Thematic R&D funding programmes
  - Cluster policies (regional level)
- A-typical policy instruments:
  - Innovation-driven public procurement
  - Bonus system in generic funding programmes
- Monitoring and evaluation systems hardly tuned to priorities

OECD (2013) Smart Specialisation in global value chains: designing and assessing smart specialization strategies
Problem No. 2. Missed opportunities in cross-border innovation (policies)

- **Why?** Areas of strength are likely to cross over administrative borders: exploit potential in proximate diversity in innovation assets (borders as opportunities)

- **Where?** Check potential for innovation-based functional regions and tailor policies to «right» spatial scale(s)

- **What?** Wide spectrum: Information - experimentation – alignment - joint policies - joint strategies

- **How?** Performance-driven policies; with private sector as a driving force and key actor (a problem in Interreg!)
<table>
<thead>
<tr>
<th>Typical challenges for regional innovation systems</th>
<th>Expected benefits from cross-border cooperation in innovation</th>
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<tbody>
<tr>
<td><strong>Fragmentation</strong>: lack of synergies and various mismatches</td>
<td><strong>Diversity</strong>: Wider pool of actors enhancing the chances to build relevant synergies for innovation</td>
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<td><strong>Lock in</strong>: inertia in industrial and knowledge specialisations</td>
<td><strong>Direction</strong>: Identification of new diversification paths for economy</td>
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<tr>
<td><strong>Lack of external attractiveness, skills and capital shortages</strong></td>
<td><strong>Density</strong>: Higher regional attractiveness thanks to “knowledge hub” branding &amp; critical mass</td>
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</table>
Why cross-border regional innovation policies?

- Innovation-relevant region ≠ administrative region

**Cooperation without borders**

- Capitalizing on Proximate Diversity: critical mass and synergies

**Borders as opportunities**

- Cross-border openness = First step towards broader openness

**Borders as bridges**

- Only when cost-benefit ratio is positive!!

**Checking value-added:** Density, Direction, Diversity
Where to apply cross-border regional innovation policies?

<table>
<thead>
<tr>
<th>► Functional region for innovation</th>
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<td>Centre of gravity for innovation interactions</td>
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<th>► Functional region ≠ a new border</th>
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<td>Variable geometry game</td>
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<table>
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<tr>
<th>► Cross-border and international interactions ≠ mutually exclusive</th>
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<td>Complementary geographic layers</td>
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<th>► Only when the right conditions are present!</th>
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<tr>
<td>Check-list of ten criteria including: balanced potential, proximate diversity and private drive</td>
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OECD (2013), Regions and Innovation: Collaborating Across Borders
# How to design efficient cross-border regional innovation policies?

<table>
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<th>Define a high-order purpose</th>
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<td>“Identity” of the cross-border area</td>
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<th>Governance without government: top down or bottom-up?</th>
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<td><strong>Both</strong>: joint Quadruple helix and multi-level policy</td>
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<th>Ensure joint commitment</th>
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<td>Mutual benefit and positive sum game</td>
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<th>Deploy fully-fledged strategy</th>
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<td>Targets – Action Plan – Budgets – Monitoring and evaluation</td>
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<th>Demonstrate value-added – Policy learning</th>
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<td><strong>Outcome-oriented policies</strong></td>
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</table>
What content for cross-border regional innovation policies?

| ►Voluntary coordination/alignment of policies |
| Cross-border policy mix |
| ►Networking and “platform” fatigue? |
| Focus on joint value-creation |
| ►Cross-border funding sources |
| Mainstreaming and Sustainability |
| ►Policy support instruments |
| Cross-border policy intelligence |

OECD (2013), Regions and Innovation: Collaborating Across Borders
Problem N°3. Weak strategic approaches

**Response:** S3 as experimental policies need to be coupled with policy learning mechanisms and policy intelligence tools:

- Robust, ongoing, independent analysis of investment priorities, articulated with stakeholders’ inputs
- Integrated & effective policy mixes (broad view across policy domains, requiring policy coordination)
- Strategically managed policies and agencies, with exit strategies
- Impact-oriented monitoring practices
- Evaluation – integrated in policy cycle, addressing S3 relevance and effectiveness
- Capacity/innovation in public sector! A key issue in less-favoured regions
S3 Smart Policy cycle

- Vision
- Priorities
- Analysis
- Stakeholders engaged
- Policy mix & pilots & targets
- Communication
- Policy intelligence pool
- Integration
- Iteration
- Review & Update
- Monitor & Evaluate

Intelligence
S3 “smart” implementation

✓ Coherence, Coordination, Communication

- Tailoring policy goals and priorities to regional situation
- Tailoring policy mixes to policy goals: Macro balances in policy mixes
- Micro synergies within policy mixes
- Think and act cross-domains, cross-actors, cross-levels, cross-borders

✓ Use of Strategic Policy Intelligence Tools

- Monitoring and evaluation targets, indicators, analyses
- Outcome-oriented and evidence-based policy implementation