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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

## Gap Policy formulation – Policy implementation

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



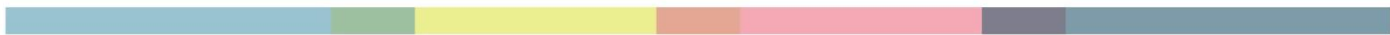
## Problem N°2. Missed opportunities in cross-border innovation (policies)

- **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!)





<b>Typical challenges for regional innovation systems</b>	<b>Expected benefits from cross-border cooperation in innovation</b>
<b>Fragmentation:</b> lack of synergies and various mismatches	<b>Diversity:</b> Wider pool of actors enhancing the chances to build relevant synergies for innovation
<b>Lock in:</b> inertia in industrial and knowledge specialisations	<b>Direction:</b> Identification of new diversification paths for economy
<b>Lack of external attractiveness, skills and capital shortages</b>	<b>Density:</b> Higher regional attractiveness thanks to “knowledge hub” branding & critical mass



# Why cross-border regional innovation policies?

- ▶ Innovation-relevant region  $\neq$  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?

- ▶ Functional region for innovation

**Centre of gravity for innovation interactions**

- ▶ Functional region  $\neq$  a new border

**Variable geometry game**

- ▶ Cross-border and international interactions  $\neq$  mutually exclusive

**Complementary geographic layers**

- ▶ Only when the right conditions are present!

**Check-list of ten criteria including:  
balanced potential, proximate diversity and private drive**



# How to design efficient cross-border regional innovation policies?

- ▶ Define a high-order purpose

**“Identity” of the cross-border area**

- ▶ Governance without government: top down or bottom-up?

**Both: joint Quadruple helix and multi-level policy**

- ▶ Ensure joint commitment

**Mutual benefit and positive sum game**

- ▶ Deploy fully-fledged strategy

**Targets – Action Plan – Budgets – Monitoring and evaluation**

- ▶ Demonstrate value-added – Policy learning

**Outcome-oriented policies**



# 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**



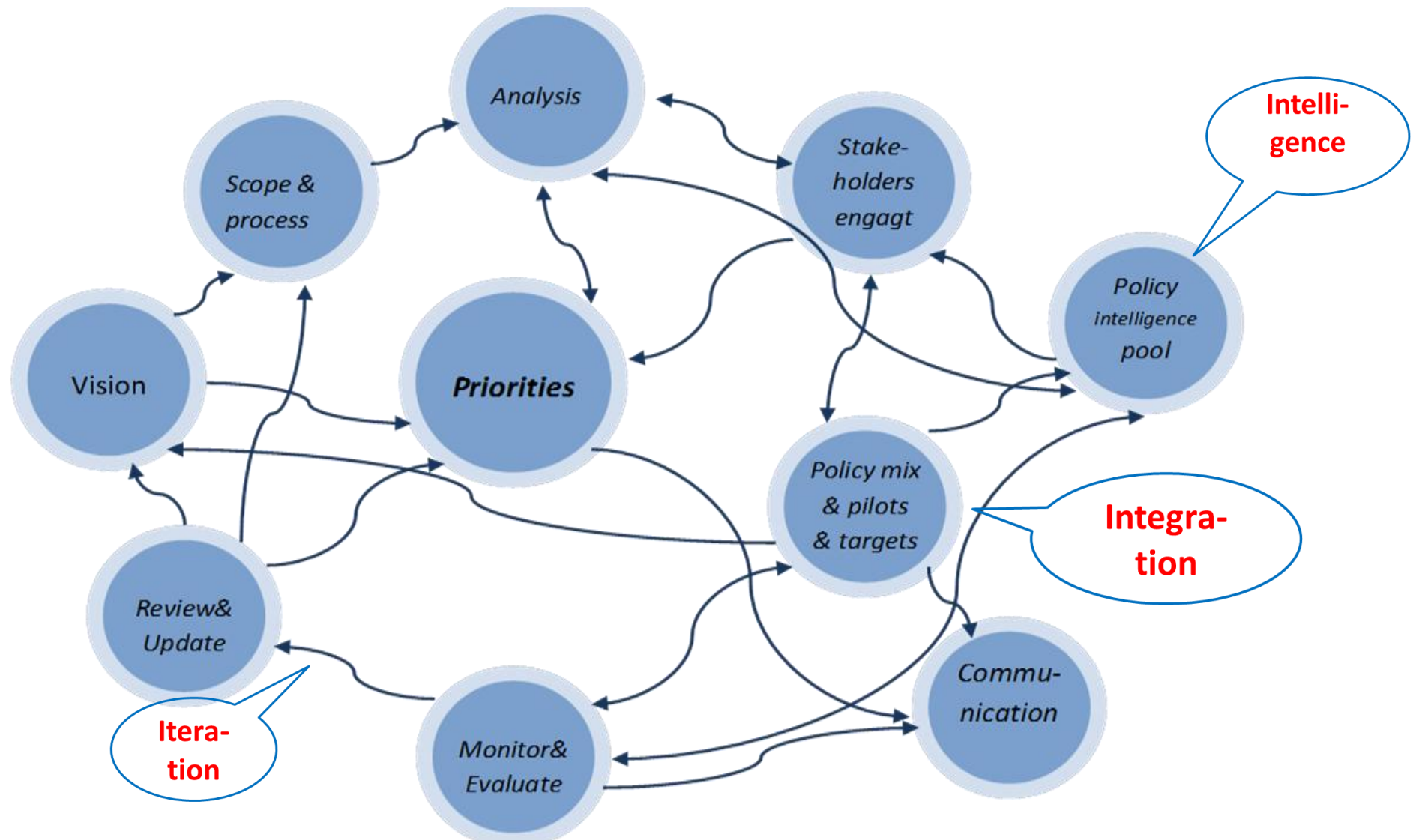
## Problem N°3. Weak strategic approaches

**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



# 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