

WESTERN BALKANS

REGIONAL R&D STRATEGY FOR INNOVATION

TECHNICAL ASSISTANCE PROJECT

GROWTH THROUGH RESEARCH AND INNOVATION: THE MOMENT FOR ACTION

With job creation stagnant and economic growth stalled, the Western Balkans region faces an intensifying need to create knowledge-based economies that can generate higher-value-added jobs and stronger growth. Hoping to foster synergies among their similar interventions and build on a growing collaboration, governments from the seven economies in the Western Balkans developed a regional strategy for research and innovation. In line with the countries' European integration processes and the goals of the European Union's growth strategy "Europe 2020," the overarching objective was to increase the impact of research and innovation on economic growth and employment opportunities. The Strategy identifies priorities, recommend policy and institutional reforms and is accompanied by an Action Plan detailing initiatives to be implemented at the supra-national level. The Strategy was presented in October 2013, at the Ministerial Meeting held in Zagreb, Croatia, and serves as a framework for a collective effort to promote the Western Balkans' most urgent priority: increasing innovation, growth and prosperity.

Research, Innovation and Firm Performance in the Western Balkans

Innovative firms grow 15 percent faster in sales and 8 percent faster in labor productivity than non-innovative firms.

Firm R&D expenditures significantly contribute to sales (by 14 percent) and labor productivity growth (by 7 percent).

When "firm R&D", training and infrastructure services are compared, R&D is shown to have the highest correlation to sales growth.

Source: Seker (2012). Background paper for the technical assistance project.

The countries share a common set of problems, such as brain drain, low business expenditures on R&D and outdated research infrastructure. Yet to restore the competitiveness of their economies and accelerate growth, more and better investments in research and innovation are critically important for the Western Balkans.

During the development of the Strategy, policy notes and studies have been commissioned, country profiles for each beneficiary country were developed, study tours to two regional "networks of excellence" were organized, and four consensus-building exercises — in the format of interactive roundtables — have taken place. Throughout the process, close collaboration with similar regional initiatives has been promoted. On the basis of this work a Strategy outline has been developed. The second half of the project involved further discussions with stakeholders regarding the Strategy and Action Plan. The results of the consultation process were incorporated into the draft of the Strategy. The Strategy currently has the support of the leading universities, research institutes, private sector executives, and ministries of the science and education in the region.

The Joint Statement of the Ministerial Conference — held in Sarajevo 2009 — expressed the interest of the region in developing a joint strategy on research and innovation.

In September 2011, the World Bank and the European Commission signed an agreement to support the development of the strategy. The technical assistance (TA) is financed with EUR 1,5 million through a Multi-Beneficiary Instrument of Pre-Accession Assistance (IPA).

Beneficiary entities are Albania, Bosnia Herzegovina, Croatia, Kosovo*, FYR Macedonia, Montenegro and Serbia.

() This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence*

A Steering Committee composed of the beneficiary entities, the European Commission and the Regional Cooperation Council oversaw the project implementation.

An Advisory Body composed of stakeholders of the national innovation systems and *ad hoc* experts guided the development of the Strategy.

As part of a broader consensus-building effort, between January and September 2013, the World Bank team visited all participant entities.



WISE INVESTING: AN OPPORTUNITY FOR RESULTS

The strategy envisions a “two-pronged” approach with a focus on results. It combines the advocacy of policy reforms at national level and joint investments in selected regional initiatives.

Continued policy reforms are needed to strengthen the impact of research and innovation on economic growth and job creation. To reach this broader objective, reforms should emphasize measures directly contributing to the three main intermediate outcomes: **fostering research excellence and productivity; promoting research commercialization and industry-science collaboration; and enabling research and innovation in the business sector.** Governments will also need to improve the governance of their national innovation systems (e.g. management of public research organizations).

Regional cooperation at the policy level will create positive peer pressure and serve as credible commitment for implementing reforms at the national level. Reform progress, however, will follow the institutional dynamics of each country. The impact of policy advocacy and international commitments, therefore, are expected to occur in the medium to the long run.

In the meantime, joint investments will finance regional programs and institutions, pooling regional resources to create a critical mass for promoting *smart specialization* in the Western Balkans. By avoiding the fragmentation and providing a predictable source of funding on a merit basis, the region will be able to start harvesting the economic dividends of investments in research and innovation within four years.

After a first assessment of existing regional initiatives, the joint investments currently under consideration are:

- ▶ a **research excellence fund program** to promote collaboration with the scientific Diaspora and support young researchers increasing the attractiveness of the region,
- ▶ a program for the development of regional **networks of excellence**,
- ▶ a regional **technology transfer program**, that will support and provide technical assistance to technology transfer offices at national level,
- ▶ an **early-stage start-up program**, complementing the support to be provided by the Western Balkan Enterprise Development and Innovation Facility (EDIF), and
- ▶ a not-for-profit organization to manage the four programs and continue the advocacy of reforms in the region — **the Western Balkans Innovation Strategy Exercise** — (WISE).

Conceived as a small and agile not-for-profit organization with an emphasis on results-orientation and rigorous evaluation, WISE will support systematic learning and policy improvement in the region. WISE will also provide a platform for the coordination, monitoring and evaluation of donors' support to research and innovation in the region. By coordinating different donors' activities and helping prioritize key existing bottlenecks, WISE will contribute to improve the impact of public investments in research and innovation in the Western Balkans.

A *smart specialization* approach would take into account the region's scientific potential (e.g. in the areas of biological sciences and chemistry) and its latent comparative advantages (as in the cases of renewable energy and marine biology). Also, the application of general purpose technologies — for example ICT, nanotechnology and biotechnology — to specific fields of economic activity, such as agriculture, health and tourism industries is being studied.



Expected results

- ▶ Larger number of scientific publications in high impact journals.
- ▶ Enhanced collaboration between scientific Diaspora and local researchers.
- ▶ Improved success rate of regional applicants in EU-funded programs.
- ▶ Increased number and value of patents licensed to the business sector.
- ▶ Stronger industry-science linkages.
- ▶ More research-based start-up companies.
- ▶ Higher growth.
- ▶ Better job opportunities.



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