

Regional and innovation policies and practices in Central and Eastern Europe

Sebastian Schulz (University of Tartu)

Bradley Loewen (MEPCO | Prague University of Economics)

Martin Graffenberger (IfL Leipzig)

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Innovation policy in Estonia: Trends and challenges

Sebastian Schulz

RegPol², www.regpol2.eu

University of Tartu, www.ut.ee



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Context

- Integration into European and global markets was led 'from the outside' by influential economic, political and financial institutions (EU, OECD, World Bank, IMF) which national political elites in CEE willingly accepted (KATTEL & PRIMI 2010).
- **Power imbalance** in formulating policy **between the central government and the sub-national levels**: setting agendas and deciding on what strategies are seen as appropriate.
- **Logic of intervention in EE innovation policy stayed consistent**, despite changing government. coalitions. In the preparation of EE's innovation strategies, only ministries, business support bodies and other actors from the national level were involved. **Local and regional level organisations** are weak and **have been unable to markedly influence policy formulation**.
- Policymaking context is **highly fragmented**: actors such as universities, companies or governmental institutions are weakly aligned. Same goes for the horizontal coordination and alignment of different policy areas (e.g. among education and industry policy). This '**double fragmentation**' leads to **severe coordination failures in policy design, implementation and evaluation**

Evolution of innovation policy rationales

Until 2006

“Knowledge-based Estonia 2002-2006”: building an “**knowledge-based society**” as the main goal. Competitiveness through focusing on human capital, effective education + innovation systems that support research and development and through integration into international networks of research and economic cooperation

Estonia’s strategical approach **anticipated** the EU’s development priorities and policy orientations concerning R&D and innovation.

2007-2013

“Knowledge-based Estonia 2007-2013” strongly in line with the previous version of the strategy. While in the previous period the logic of intervention was characterised by a linear understanding of innovation, the rationale shifts towards a systemic approach, advocating public-private partnerships and the cooperation between agents of the national innovation system.

The priority lies on improving the international competitiveness of R&D activities in Tallinn and Tartu, where the majority of R&D potential is concentrated

From 2014

“Knowledge-based Estonia 2014-2020”: general orientation has shifted once more. ‘**Smart specialisation**’ has assumed the role as the key policy rationale towards supporting innovation, thereby merging ‘Knowledge-based Estonia’ with the ‘Smart specialisation’ approach.

Closer alignment with regional policy, as innovation agenda has been mainstreamed into EU Cohesion Policy. One key element is ‘potential’, which remains ‘untapped’ in many regions.

Structural indicators are put forward to assert an image of spatial order which strongly emphasises Tallinn (and Tartu)

Indicators e.g. ‘number of high-level research articles per million residents’ → EU Cohesion Policy.

Challenges for innovation policy

- Being a very open economy, foreign direct investment (FDI) has a major impact on spatial development. Investments concentrate on Tallinn region, where returns are likely to be higher → negative effect on spatial cohesion.
- Main share of investments comes from FDI + foreign-owned banks. Transnational companies (TNCs) tend to import major technological and organisational innovations and know-how from abroad. TNCs are not prone to develop a close R&D cooperation with local suppliers and universities.
- Structural Funds are main source of financing innovation and R&D support. Implementation has been most effective in Tallinn and Tartu → having the highest absorption capacity for ERDF (Applica, Ismeri & Wiiw 2006).
- Mismatch between R&D + education system outcomes and industry needs. Innovation policy in EE, like in most other CEE countries, tends to focus on high technology, e.g. the commercialisation of R&D results, incubators and technology parks.
- The majority of economic activities have a very low demand for R&D → detachment between innovation and the industrial structure.
- Overall, regional disparities in Estonia are unlikely to decrease through the logic of intervention adopted in current innovation policy.



Path dependence of regional policy in Central and Eastern Europe

Bradley Loewen

RegPol², www.regpol2.eu

MEPCO, s.r.o., www.mepco.cz

University of Economics, Prague, kie.vse.cz



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Introduction

Background - CEE affected by increasing regional inequalities, Europeanization of spatial planning, ambiguity of EU concepts and goals + policy and institutional transformations since transition period

Research Aims

- Follow RP institutional evolution in CEE countries (CZ, EE, HU)
- Describe and compare path dependent processes in institutional development and identify path divergences, policy innovations and institutional factors leading to policy 'successes'

Research Questions

- How has RP been transferred and transformed to national contexts in CEE?
- How has RP addressed the EU concept of territorial cohesion and regional disparities in national contexts?
- What factors of RP are particularly effective for reducing regional disparities in CEE?

Approaches and Concepts

Qualitative-comparative methods

Comparative Politics

Historical Institutionalism

Policy Review

National-EU RP by programming period – Variation of national strategies w.r.t. competitiveness and growth agenda within EU streamlining process

Programming Period	Czech Republic	Estonia	Hungary
2004-2006	<ul style="list-style-type: none"> • Economic competitiveness through productivity and low cost strategy 	<ul style="list-style-type: none"> • Economic competitiveness through technology and skills development 	<ul style="list-style-type: none"> • Socio-economic development through increased employment and social inclusion
2007-2013	<ul style="list-style-type: none"> • Economic competitiveness through upgrading skills and knowledge; • Transition from low-cost strategy; • Promotion of growth pole producing spill-over effects; • Removal of barriers to economic development 	<ul style="list-style-type: none"> • Benefit from global economic integration; • Knowledge and entrepreneurialism through communication and mobility; • Transition from low-cost to knowledge-based economy; • Global attractiveness and place competition (e.g. clean environment) • Promotion of polycentric urban structure 	<ul style="list-style-type: none"> • Increased employment through skills development; • Social stability and efficient delivery of social services; • Increased territorial cohesion through development of regional growth poles; • Improved accessibility through transport infrastructure
2014-2020	<ul style="list-style-type: none"> • Improved functioning of labour market; • High quality business environment; • Support to SMEs; • Transition to non-price competitiveness; • Social inclusion including employment services 	<ul style="list-style-type: none"> • Increased productivity replacing employment; • R&D capitalisation, venture capital, foreign direct investment; • Efficient use of resources; • Transition to low carbon economy; • Global connectivity 	<ul style="list-style-type: none"> • Fiscal stability and structural reforms incl. social services; • Necessity of economic growth from all investments

Institutional Development

Preliminary Findings: EE & HU

- Hungary and Estonia exhibit Path dependences stemming from different institutional legacies, imperial bureaucracy, convergence (or not) under socialism, and different paths of extrication, therefore indicating different mechanisms

Ex. Transition	Ex. Pre-accession	Ex. Accession
<ul style="list-style-type: none"> • HU – early experimentation with liberalizing reforms; institutional layering and incremental change (Thelen, 2003) • EE – rejection of Soviet structures and development of new institutions from scratch; event sequencing (Mahoney, 2003) and backlashes (Pierson, 2000b) • Empowerment of local governments unfolded differently for RP <ul style="list-style-type: none"> • HU – RP targeted regional polarization leading to decentralization • EE – abolition of the intermediary level and policy of non-intervention led to virtually no RP 	<ul style="list-style-type: none"> • Attention was directed towards building up institutional capacity, while programs (e.g. Phare) were spatially targeted and considered in both countries to be effective • Different approaches to regionalization, i.e. establishing NUTS-II regions <ul style="list-style-type: none"> • HU – regions lacked political legitimacy • EE – one country as one NUTS-II regions, therefore no change 	<ul style="list-style-type: none"> • Harmonization or policy convergence to implement Ch. 22 of the <i>acquis communautaire</i> contradicted previous RP transformations, interrupting the (new) path trajectories of institutions <ul style="list-style-type: none"> • HU – failure of regional level • EE – from spatially targeted to spatially blind interventions • Overall centralizing effect of RP contradicted ideologies of decentralization and regionalization dominating the transition and pre-accession period



Exploring business innovation in 'peripheralised' areas in Estonia

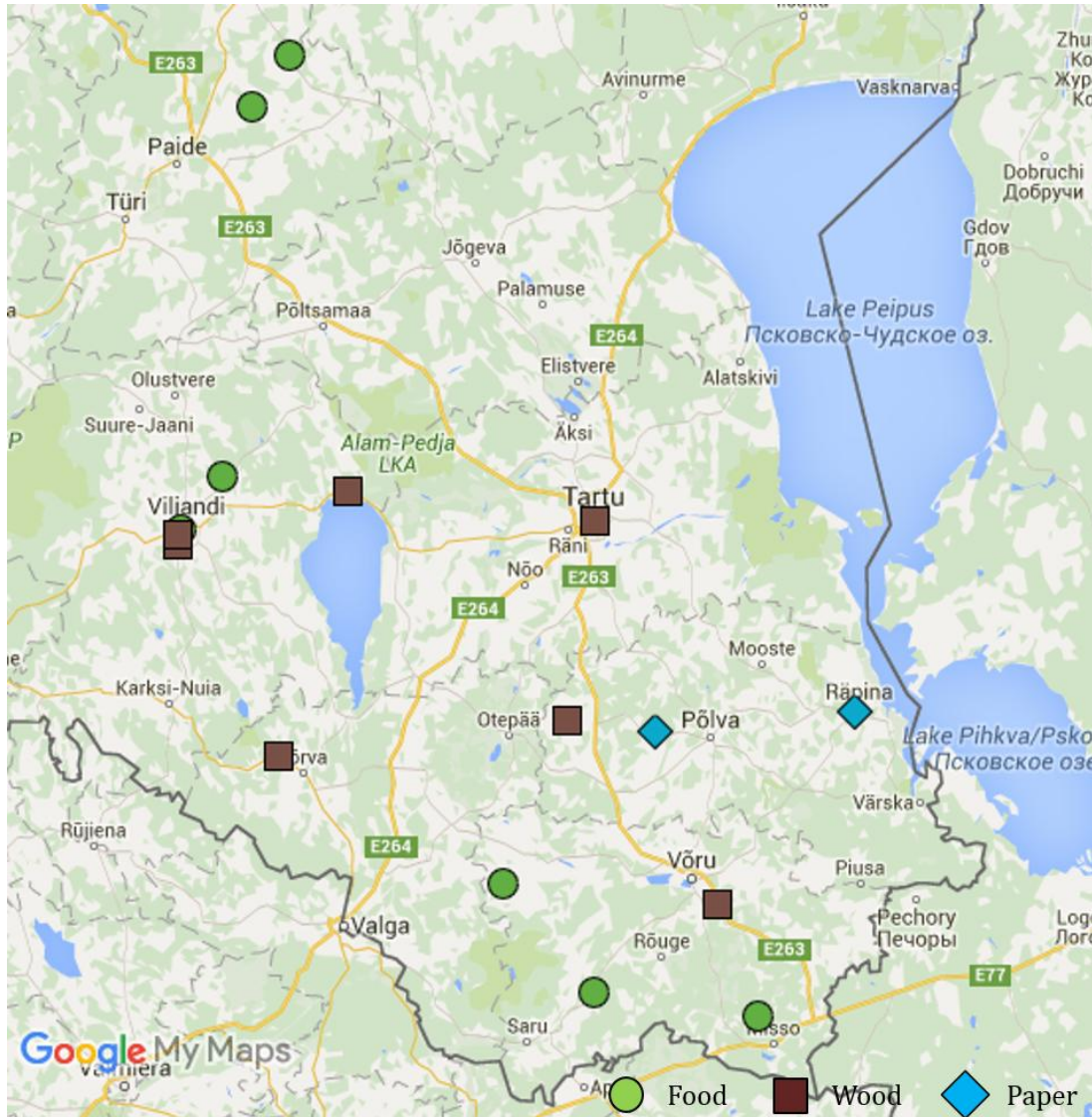
Martin Graffenberger

RegPol², www.regpol2.eu

Leibniz Institute for Regional Geography, www.ifl-leipzig.de



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Approach:

- Focus on practices and strategies businesses adopt for innovation activities;
- Study is based on narrative interviews with businesses & collaboration partners; focus on concrete development projects;

Research aim:

- Add to the understanding on mechanisms and factors that support the emergence of innovation in 'peripheralised' areas;

Research foci:

- Spatial focus: 'peripheralised' areas;
- Sectoral focus: LMT sectors;

Position of research, preliminary observations

Position of study:

- Addressing spatial/sectoral biases in innovation related research;
- Outside the realm of how the 'knowledge based economy' is conventionally interpreted, e.g. within the policy sphere;

Some observations from start-up companies:

Start-ups in LMT vs. the overall image of start-ups in Estonia (e.g. 'Startup Estonia')

Function and role of LMT start-ups in regional contexts:

- Creation of jobs and value added
- Stabilisation potential for local communities

Mechanisms and factors:

- Place attachment: 'entrepreneurial mission' to support communities;
- Aspect of 'mobility': participation in markets and trade fairs as drivers of start-up development through creating visibility and through establishing new contacts (e.g. market and expertise related);