

# Towards 2020:

## New Horizons for RTD and Innovation in the Western Balkan Region

WBC-INCO.NET Final Conference & Brokerage Event

Tech Gate Vienna / Donau-City-Straße 1 / 1220 Vienna / Austria

### 3rd Panel

## How to unlock the innovation potential in the Western Balkans?

# Situation and Measures to unleash the Innovation Potential in WBC

Ministry of Economic Development  
Trade and Entrepreneurship



# Content of the presentation

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Situation and landscape of Innovation in WBC

WBC Innovation Fundamentals and Challenges

Measures to unlock the Innovation Potential in WBC



# Situation and Landscape of Innovation in WBC

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## Croatia and Serbia

- First group **leading countries** develops a complex innovation system, yet not fully functional in all parts.

## Bosnia& Herzegovina, Macedonia and Montenegro

- Second group develops some component of NIS (R&D), but they are **beginners** in other parts and components especially those related to science-industry cooperation.

## Albania and Kosovo

- Third group respectively in the **beginning** phase or **infancy** phase



# Innovation infrastructure status 2011/2007

Innovation Infrastructure	Albania	Bosnia & Herzegovina	Croatia	Macedonia	Kosovo	Montenegro	Serbia
<b>TICs</b>	2(0)	7 (+5)	9 (+3)	7 (+1)	1 (+1)	2 (+2)	5 (+1)
<b>Clusters</b>	2(-2)	5(+2)	7 (-4)	13 (+13)	1 (-2)	1 (+1)	30 (+13)
<b>Technology &amp; Science Parks</b>							
<b>Business Incubators/Start-up Centres</b>	0 (-)	2 (+2)	5 (+2)	3 (+3)	1 (-)	0	5 (+1)
	2 (-)	17 (+4)	25 (+1)	4 (-6)	5 (+1)	3 (+1)	17 (+14)
<b>Total</b>	<b>6 (-2)</b>	<b>31 (+13)</b>	<b>46 (+2)</b>	<b>27 (+3)</b>	<b>8 (+0)</b>	<b>6 (+4)</b>	<b>57 (+20)</b>

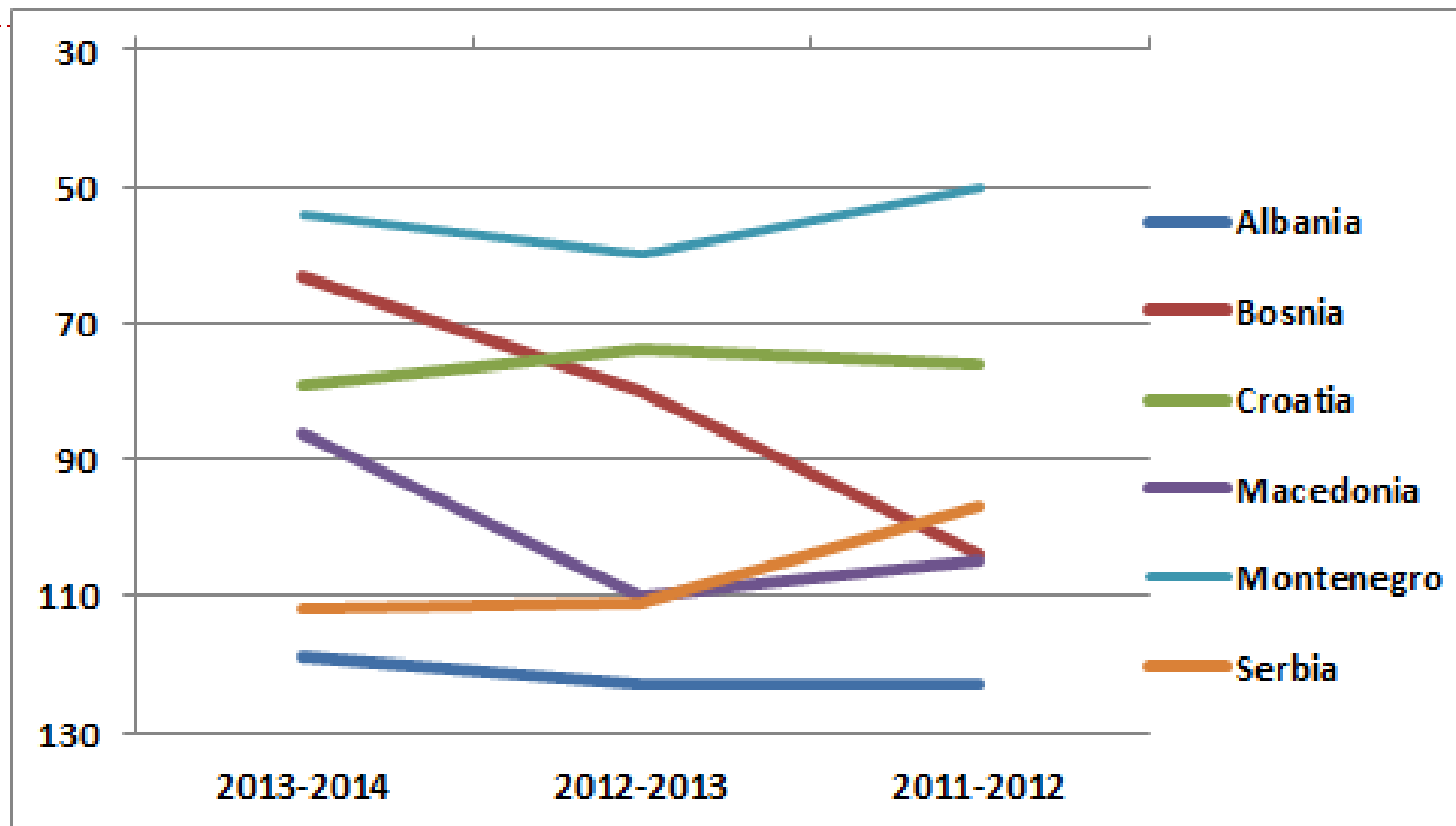
- The innovation infrastructure in the Western Balkan region shows a positive tendency in general.
- Bosnia & Herzegovina and Serbia have the fastest growing innovation landscape in last years
- FYR of Macedonia, Montenegro and Croatia achieved slight amelioration
- Albania and Kosovo (UNSCR 1244) could not enhance their innovation systems with additional infrastructures.

# Innovation infrastructure status 2011/2007

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- WBC differs significantly in overall development related to: innovation capacities, performance of the national innovation systems (NIS) governance abilities to advance innovation competences
- Business incubators are the most spread innovation facilities in WBC, followed by business clusters. The weakest points of the innovation system in WBC are technology and science parks.
- The legal framework in the Western Balkan Region has advanced and became more mature recent years. Croatia is country with relatively mature legal framework for innovation.
- National and international programs aimed to enhance the numbers of different innovation infrastructures have positively affect and encourage the growth of the sectors
- Ministries responsible for innovation are key actors that encourage, through their strategies and various funding models, the development of innovation infrastructures.

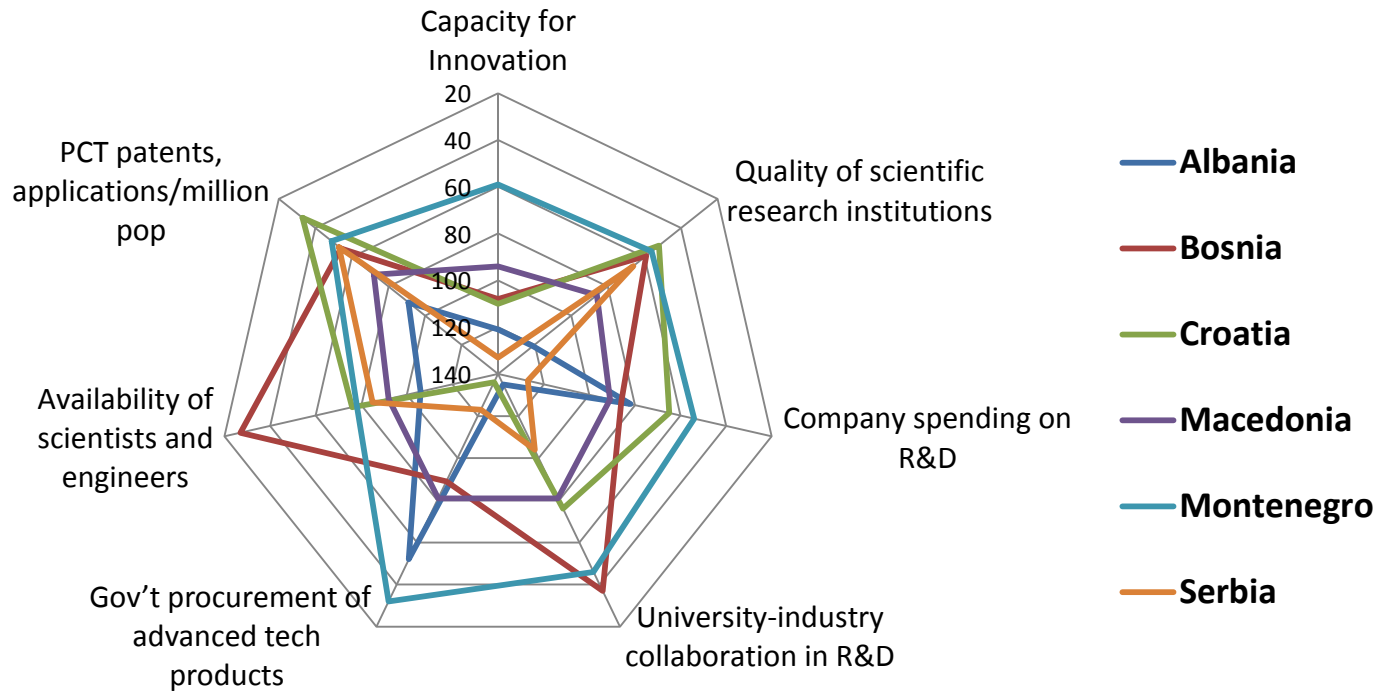
# WBC Innovation ranking in GCI 2011-2013



Best ranking in innovation are Montenegro,  
FYR Macedonia and Croatia



# Innovation components



WBC



# Content of the presentation

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Measures to unlock the Innovation Potential





# Barriers and challenges of innovation in WBC

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- ▶ Fundamentals that are critical for innovation dynamics are not in place in WBC
    - ▶ Growth model based on the expansion of domestic consumption
    - ▶ Low and stagnant productivity
    - ▶ Limited trade integration and import dependency
    - ▶ Export pattern depends on low-skill, labor-intensive, and limited value added
    - ▶ Dependency on foreign capital inflows and knowledge
    - ▶ Insufficient, inadequate or non prioritized public and private investments
  - ▶ Political and institutional instability
  - ▶ Markets in the region perform far from efficient – unfinished reform agenda during the transition to a functioning market economy.
  - ▶ The effects of global financial crisis
    - ▶ Reduction of growth rates and slow recovery
    - ▶ High unemployment level, especially among youth
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- ▶ 9 ▶ Increasing public debts and narrowing of fiscal space

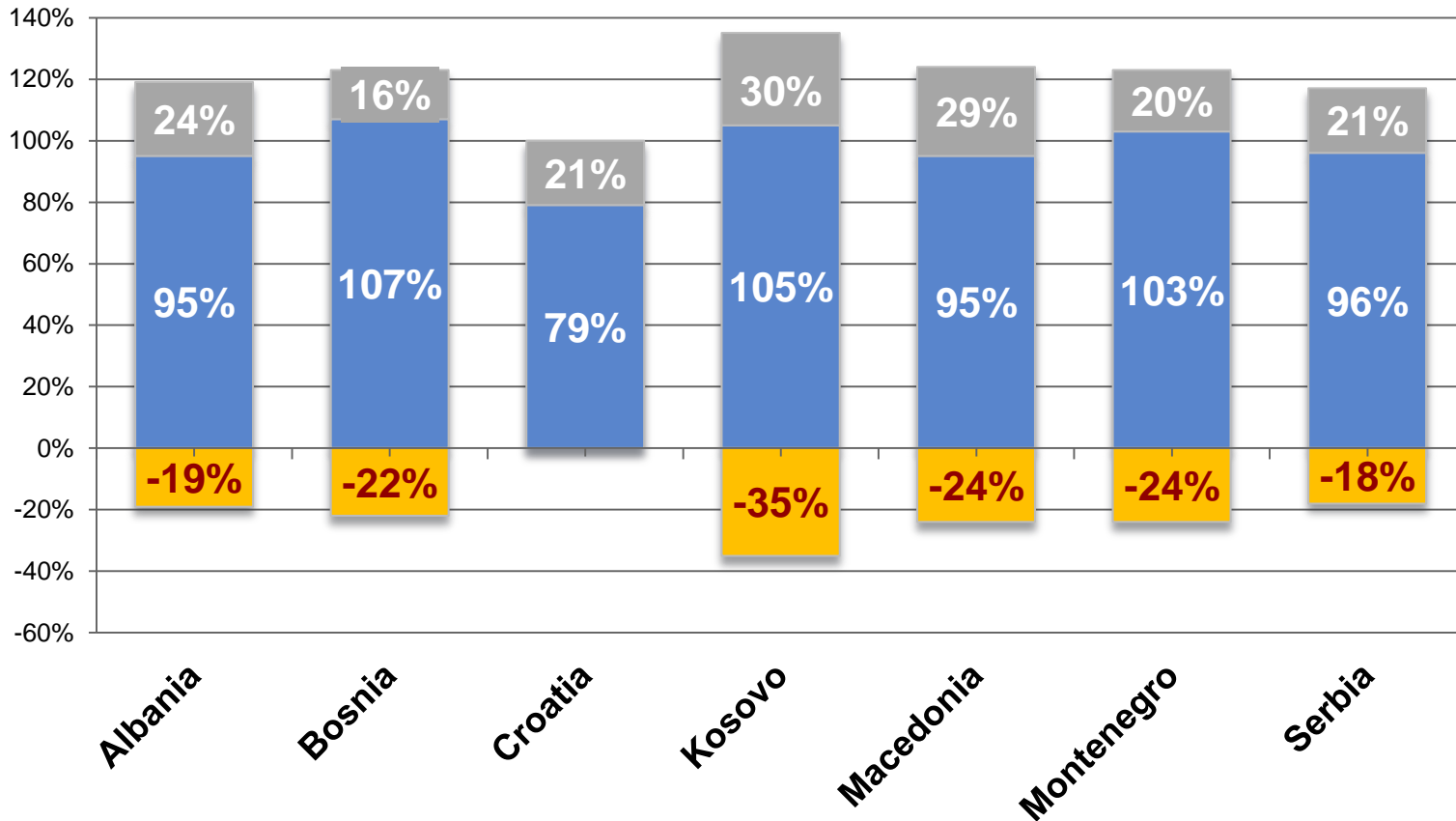
# Implications on RD & Innovation

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- ▶ The result is a fragmented RD&I system in the region, one that is unable to generate or adapt knowledge, to unleash innovation. The marginal role of science and research in WBC, a residual of the economic models.
- ▶ Resource constraints (human, infrastructure, and funding)
  - ▶ Brain drain,
  - ▶ Low business expenditures on R&D both from public and private resources
  - ▶ Outdated research infrastructure.
  - ▶ Inadequate incentive frameworks
- ▶ Management of intellectual property rights
- ▶ Relationship between science and industry is inadequate.
- ▶ The enterprise sector has a low propensity to invest in R&D and innovation.
- ▶ International/regional collaboration in research, is comparably low

■ Consumption ■ Investment ■ Net Trade

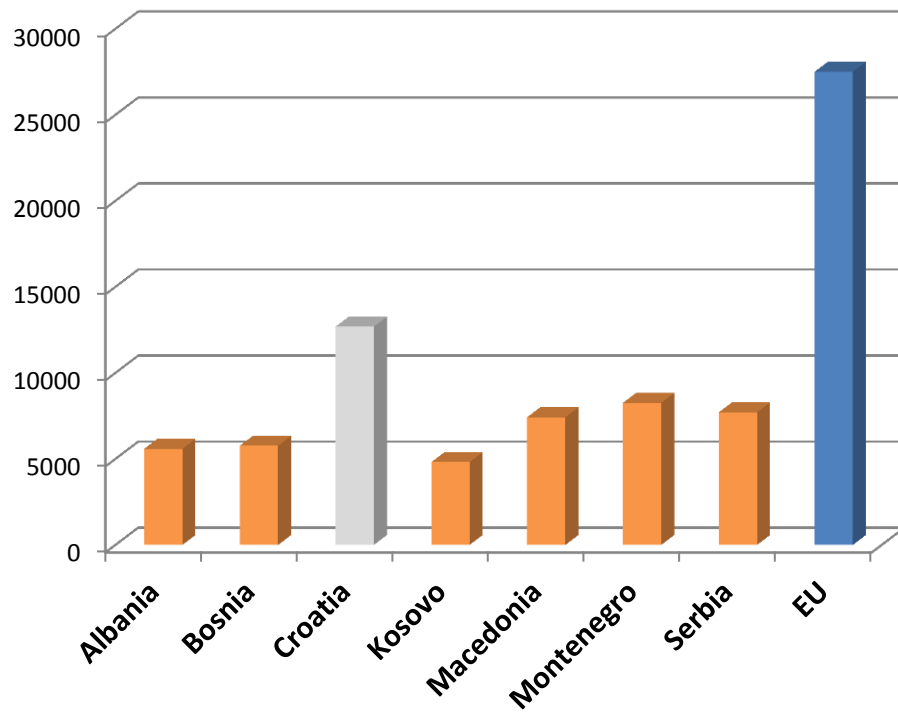
Model of Growth



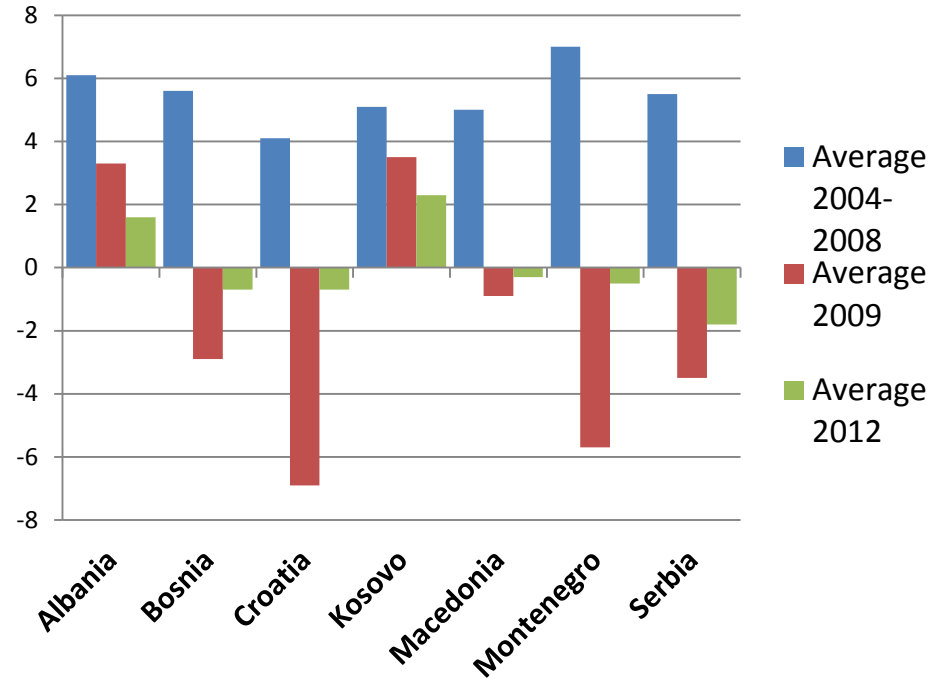
Growth model in WBC is based on the expansion of domestic consumption



## GDP/C in EUR PPP



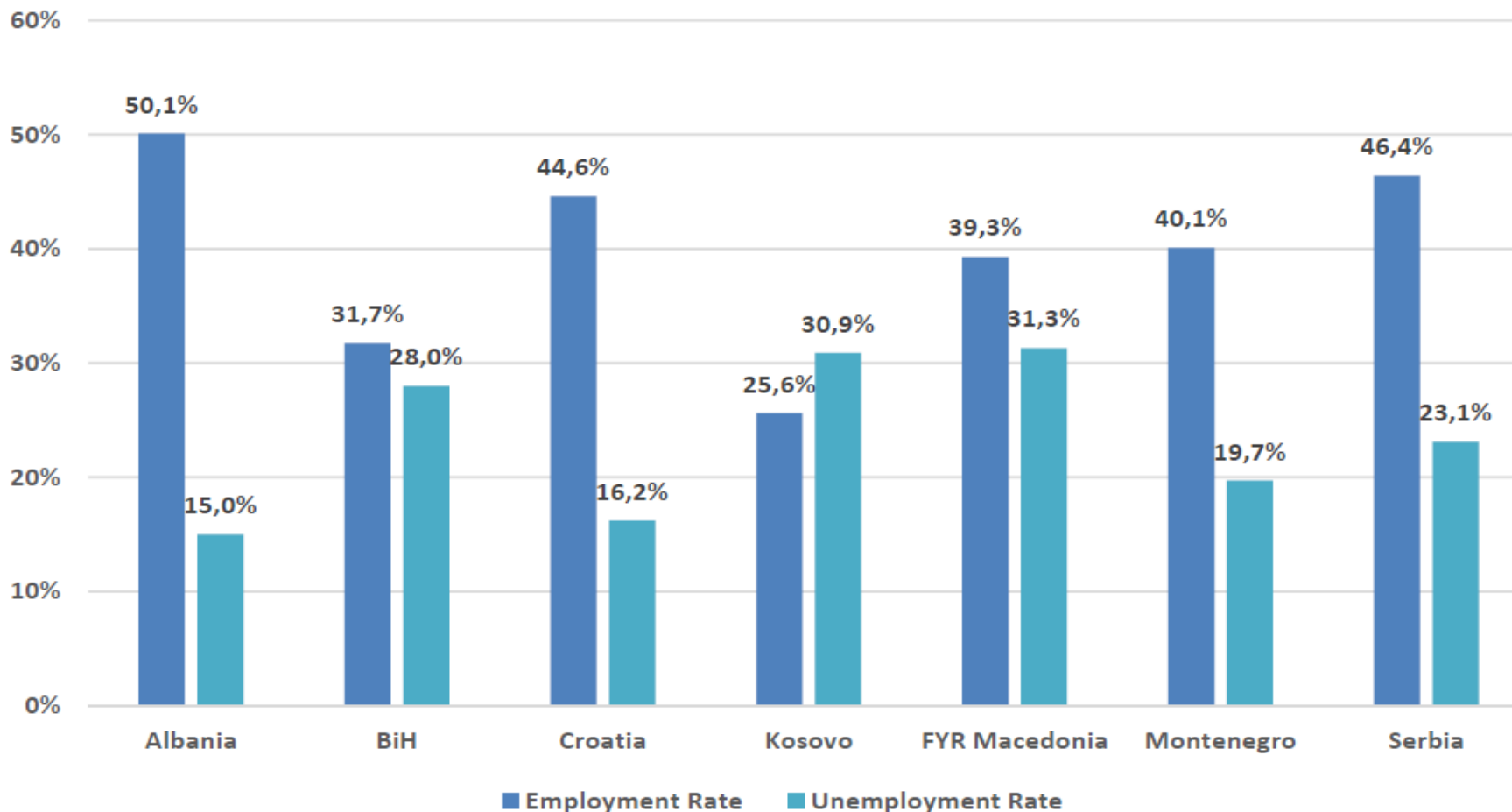
## Real GDP Growth rate in WBC



WBC lags behind in terms of EU's GDP per capita.

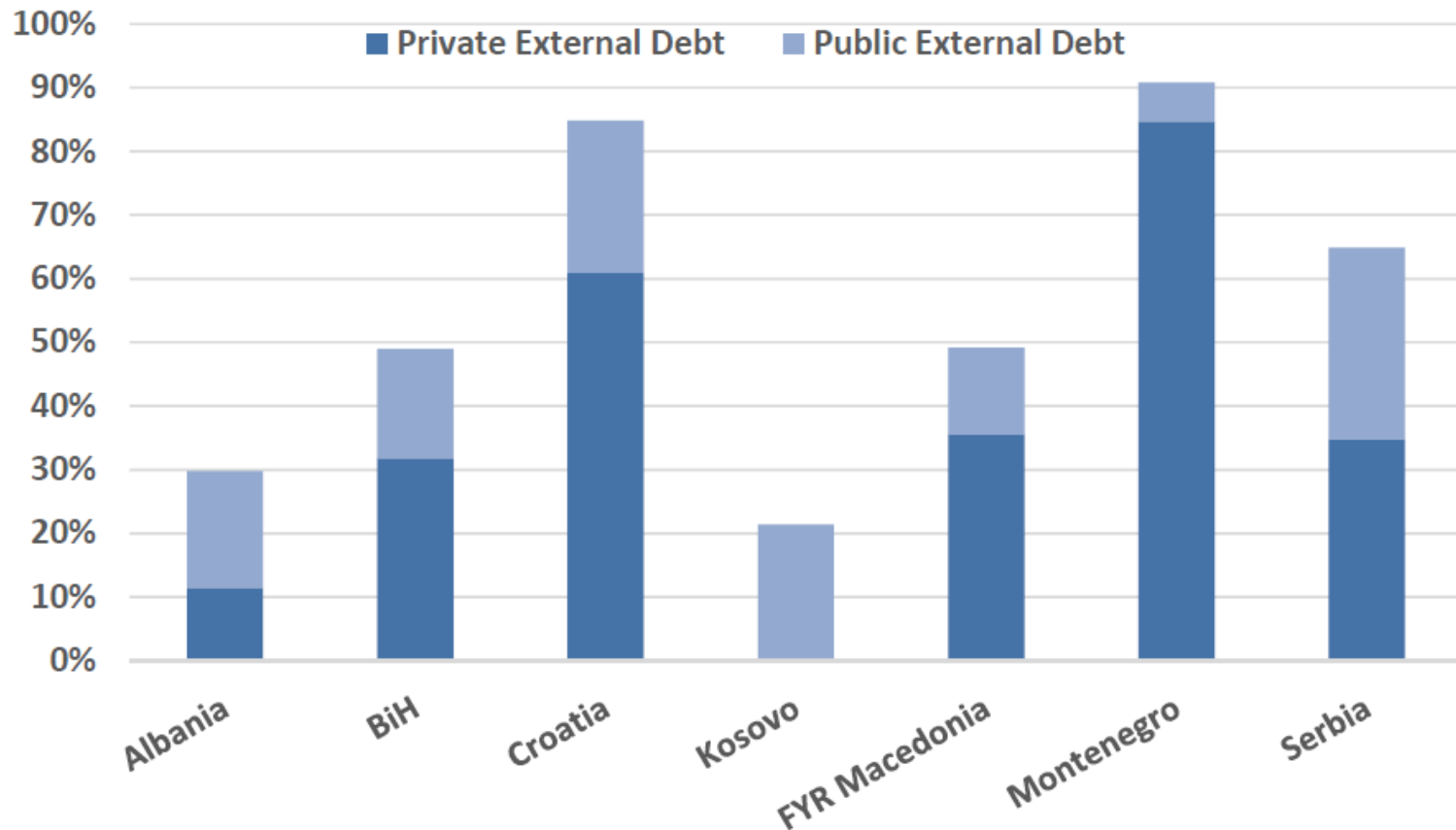
The impact of crisis led to GDP reduction in WBC and slow recovery

WBC has low or very low levels of employment and high levels of unemployment and inactivity.



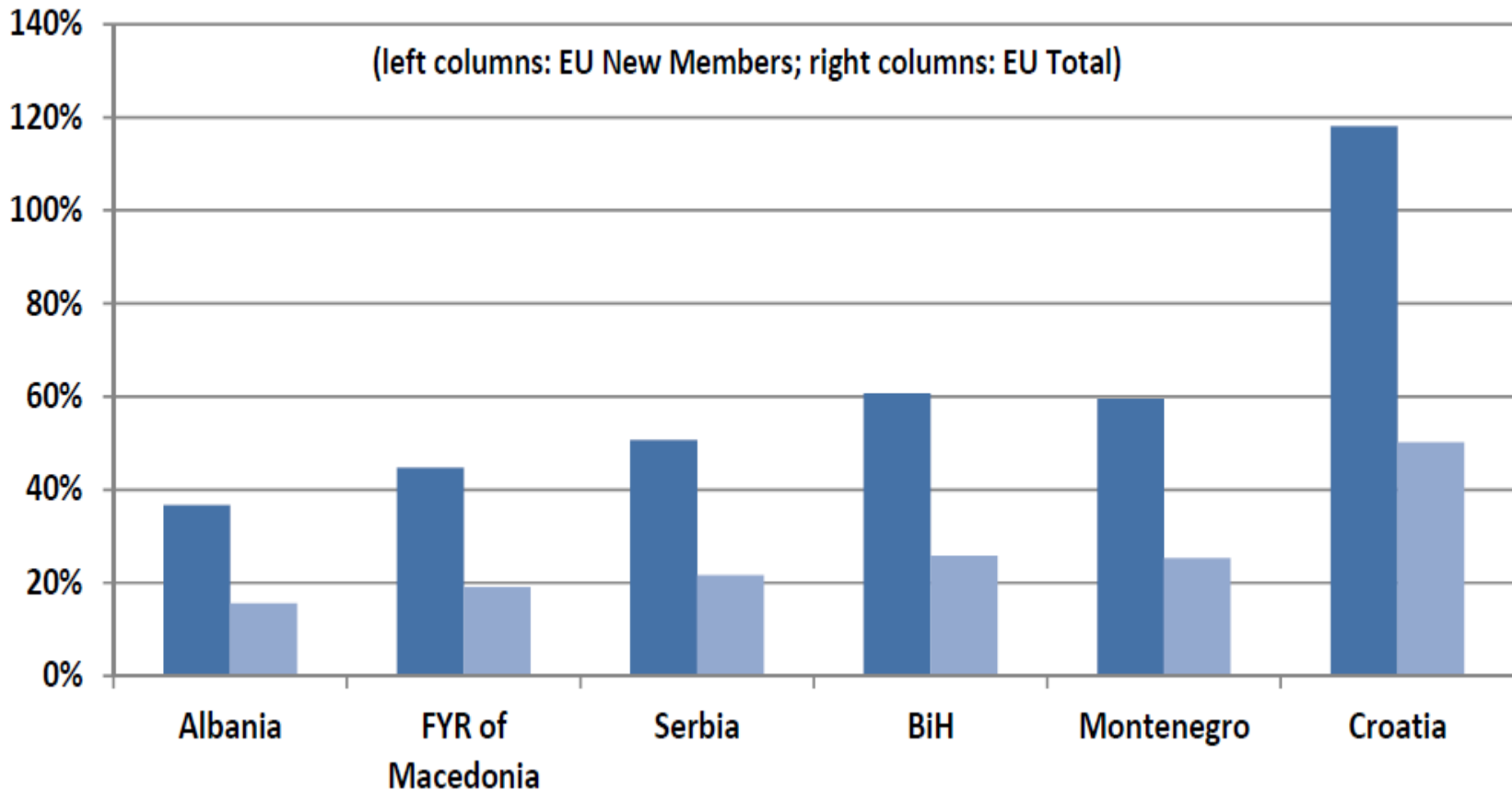
The average unemployment rates in the region are among the highest in Europe

# Increasing public debts in WBC



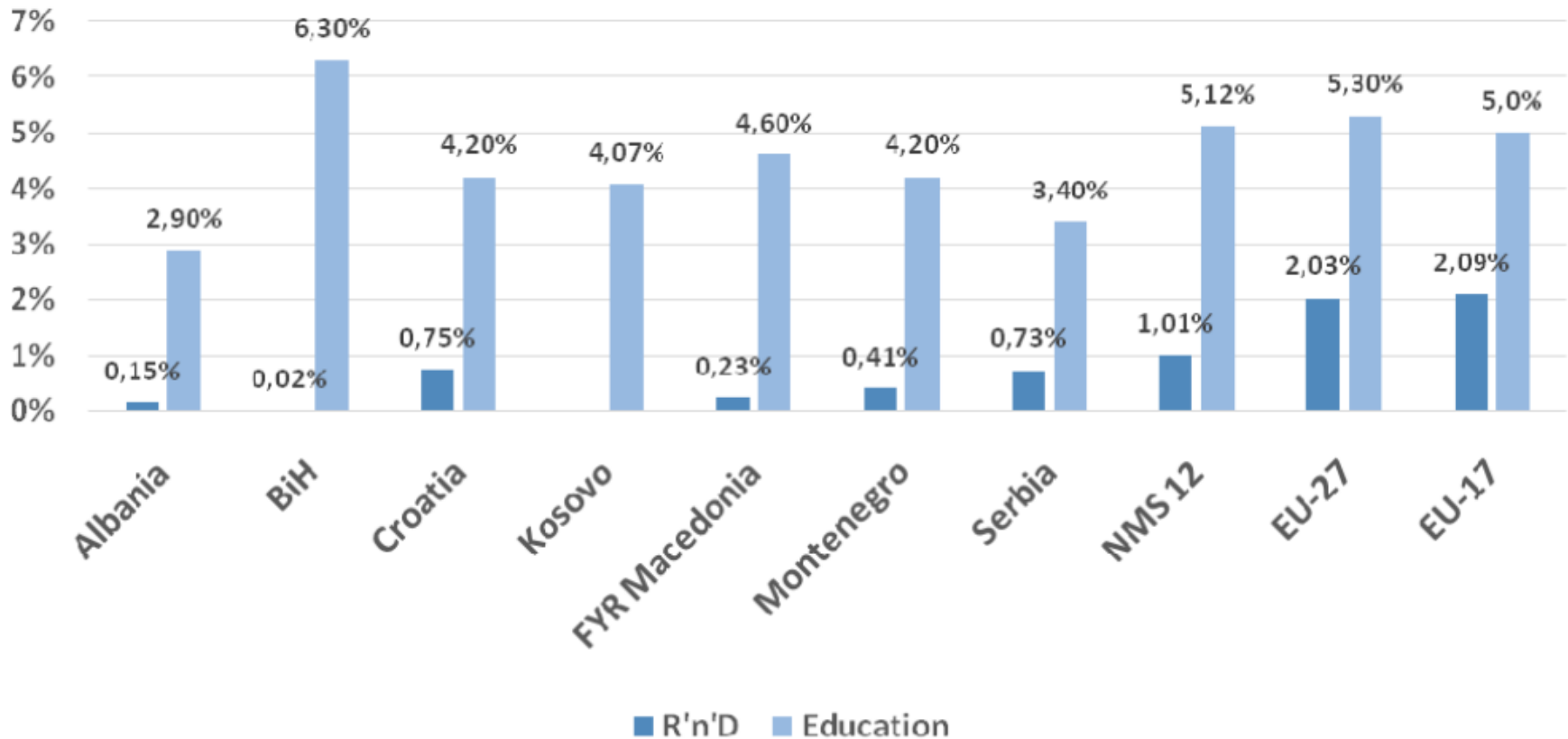
The level and quality of debt in WBC, whether foreign or domestic still remain a substantial concern

# Labor productivity



WBC falls significantly behind in terms of productivity against EU

# Expenditure on Education and R&D in WBC



The level of expenditures on R&D is very low and has declined over the years



# Content of the presentation

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Situation and landscape of Innovation in WBC

Fundamentals for Innovation and WBC

Challenges

Measures to unlock the Innovation Potential

# What needs to be done?

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- The region needs a new export-oriented growth strategy supported by productivity-enhancing structural reforms, market liberalization, the targeting and penetration of foreign markets, research, creativity, and innovation.
- Joint efforts in national and regional level through SEE 2020 strategy and Western Balkans Regional R&D Strategy for Innovation
- Regional institutions such as RCC, WISE and
- Joint activities and programs

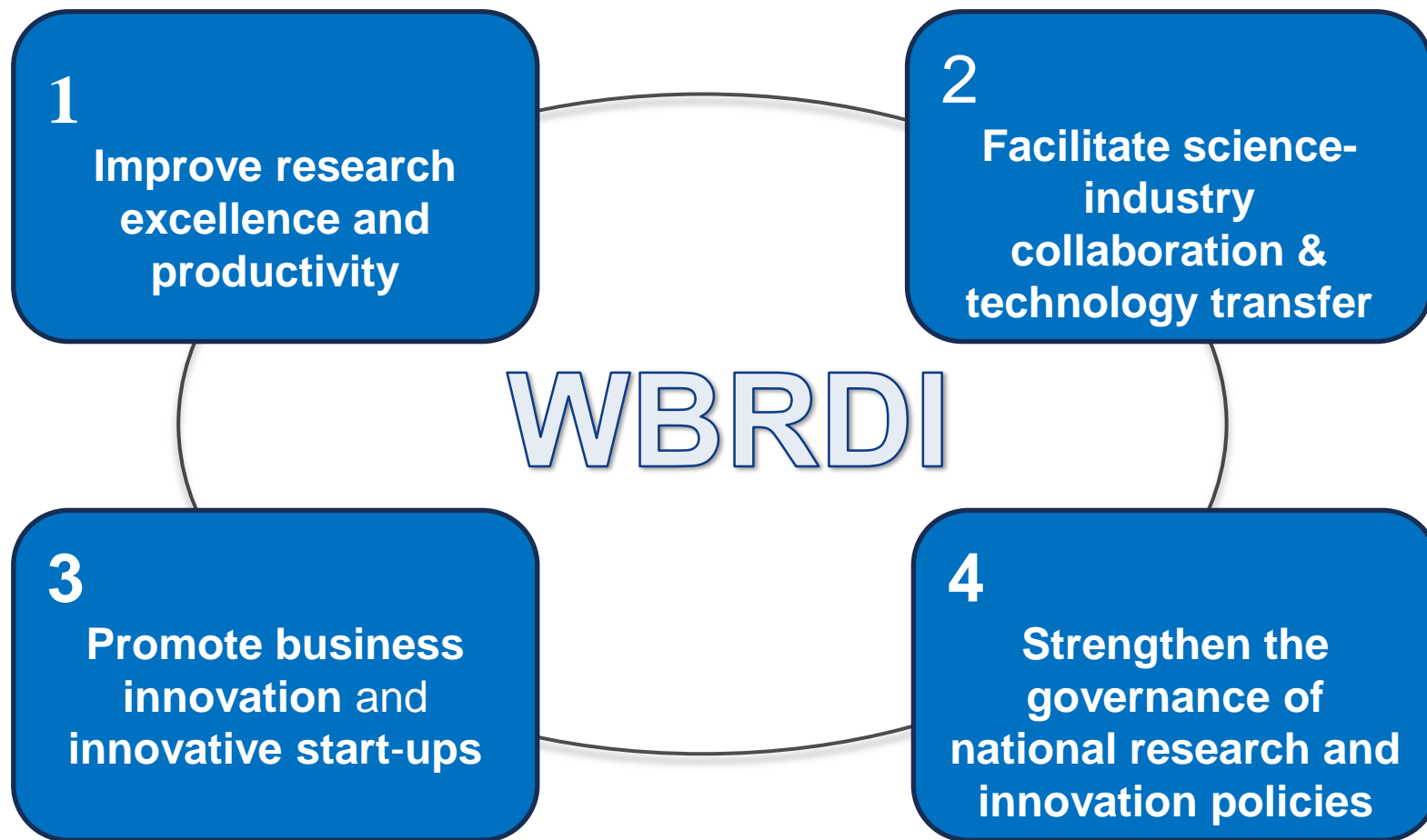
# Five pillars of SEE 2020

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# Measures to unleash the Innovation Potential in WBC

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# Measures to unleash the Innovation Potential in WBC

1

**Improve research excellence and productivity** by investing in human capital for research; selectively upgrading and better using available infrastructure; improving the incentive regime for research performance; and further integration to the ERA

2

**Facilitate science-industry collaboration and technology transfer** by intellectual property management in public research organizations; developing technology transfer organizations, financial support for science-industry collaboration, development of proof of concept; and building a closer, cooperation with the business community by promoting 'knowledge transfer activities'.

3

**Promote business innovation and innovative start-ups**, by improving the business environment, providing mentoring services and financial support throughout the whole innovation process (from prototype and pre-seed to growth and expansion), and guaranteeing a proper supply of technology/science-parks and incubation services that can host and nurture young firms.

4

**Strengthen the governance of national research and innovation policies**, by continuing capacity building in key institutions; reforming career development to better reward research excellence, science-industry collaboration and technology transfer; reforming the management of research institutes to promote performance; increasing transparency, accountability and impact evaluation of research and innovation policies





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# Thank You For Your Attention!

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