

## **Top-down meets bottom up. Determinants of RIS3 implementation performance in Romanian less developed regions**

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### **Extended abstract:**

Research and Innovation Strategies for Smart Specialisation (RIS3s) are a new approach to regional development through innovation and, due to their place-based, bottom-up and tailor-made character are especially relevant for less developed regions (McCann 2015). For the 2014-2020 programming period these strategies were ex-ante conditionality for financing research and innovation (R&I) investments from Cohesion Policy through the European Regional Development Fund (ERDF) under Thematic Objective 1 (Foray 2015; McCann 2015). For the 2021-2027 financial exercise they are an enabling condition for the use of ERDF under Policy Objective 1. The main source of financing for RIS3s is Cohesion Policy, especially in less developed regions (Doussineau et al. 2018). The same regions receive, in general, the biggest amounts from the Cohesion policy budget (McCann 2015; Gianelle et al. 2020). Reduction of the development gaps these regions face is depending on the effective and efficient use of budgeted allocations.

However, the impact of funds spent on innovation has generally been reduced in less developed regions due to the ‘regional innovation paradox’ translated in low absorption capacity (Oughton et al. 2002) and failure to adapt policies to the local context (Legendijk & Varró 2013). Success of innovation policies in terms of quality of their design and implementation is also influenced in less developed regions by organizational thinness, weak innovation systems and innovation capacity, low entrepreneurial capacities and industrial structures (Asheim et al. 2016; Isaksen et al. 2018; McCann & Ortega-Argilés 2015; Foray 2015; McCann & Ortega-Argilés 2019). Lack of institutional capacity (Marques & Morgan 2018) and of experience in the elaboration of research and innovation strategies (Foray 2015) are factors that hinder the successful deployment of policies, as well.

Institutional capacities and especially the quality of governance affects regional innovation capacity in general (Posé & Garcilazo 2015), as well as efficiency of expenditures made from Cohesion Policy (Posé & Di Cataldo 2015). Particularly linked to Cohesion Policy implementation the administrative capacity of institutions managing programmes (Charles et al. 2012; Szabo 2017) and the quality of cooperation between institutions involved in programme implementation and between them and private stakeholders (Radošević 2017) are especially relevant. They influence general absorption capacity, that is an indicator of implementation performance, along with demand for funds, quality of projects, commitment, efficiency of processing payment claims, etc. (Bachtler et al. 2013). Related to RIS3 implementation from Cohesion Policy the contradiction between the experimental character of the policy and fund absorption targets; rigid administrative framework governing programmes (Radošević 2017), including state aid rules (Charles et al. 2012) also affect the efficiency and effectiveness of implementation.

Against this background the aim of the research is to analyse the regional RIS3 implementation performance of Romanian less developed regions from Thematic Objective 1 during 2014-2020 programming period. The main research questions proposed to be answered are: a) how are Romanian less developed regions performing in regional RIS3 implementation from Cohesion Policy?; b) are there differences between less developed regions in their implementation performance, and, if so; c) what are the drivers and hindering factors influencing the effective use of funds?

Research about regional RIS3s in Romania is interesting for several reasons. One of the first reasons, is that there is a lack of empirical studies in the literature on Romanian regions, except for some notable exceptions (Healey 2016, Ranga 2018; Szávics & Benedek 2020; Szávics 2020). The second, lies in the fact that innovation performance in Romania is generally low (Ranga 2018), as well as EU fund absorption rate (Szabo 2017). Thirdly, in case of Romania, the regional level smart specialisation processes have started after Operational Programmes have been adopted and programming for Thematic Objective 1 was already performed based on the national RIS3. The national RIS3, however, failed to address all criteria under the ex-ante conditionality for Thematic Objective 1, thus regional smart specialisation processes were triggered by the European Commission to support the fulfilment of the conditionality (Healey 2016; Ranga 2018). In this sense all less developed regions elaborated Concept Notes for RIS3 by 2017 to prepare the implementation of Priority Axis 1 of the centralised Regional Operational Programme 2014-2020 financing Thematic Objective 1 from ERDF and based on that finalised RIS3s by 2018 (Szávics 2020). The preparation of Concept Notes was followed by specific actions to build a portfolio of letters of intent to prepare the calls aiming to finance technology transfer offices and scientific and

technological parks. In parallel North-West and North-East received targeted support between 2016-2018 for RIS3 design and implementation from the Joint Research Centre, that later on has been rolled out to all Romanian regions (Ranga 2018). At last, but not at least, this resulted in differences between regions in terms of experience with RIS3; North-West and North-East being more experienced than the rest of the regions (Ranga 2018). Such differences were also depicted in the quality of strategy design (Szávics & Benedek 2020). If there are differences in the RIS3 implementation performance of Romanian less developed regions, as well and these can be connected to particular place-based and/or institutional characteristics and/or quality of strategy design or experience with RIS3, results can not only have theoretical, but also practical relevance. This is due to the fact that for 2021-2027 each region will have for the first time its own Regional Operational Programme.

Preliminary results show that for the two specific calls under Priority Axis 1 (Promoting technology transfer) of the Regional Operational Programme 2014-2020 that have been opened in all Romanian less developed regions and were also prepared through the elaboration of Concept Notes for RIS3 and their project portfolios, there are huge differences between Romanian less developed regions in terms of number of projects and amounts contracted. North-West outperforms by far other regions and compared to others, North-East has also been successful to some extent. West, Centre and South--West Oltenia have managed to contract below 1% of available funding, while South Muntenia and South-East none. This result is very much in contradiction with the fact that in all regions there was initial interest for these calls based on the number of letters of intent that are in the portfolio of regional Concept Notes for RIS3. The two best performing regions are the ones that have more experience in RIS3 (Ranga 2018) and in case of which the quality of smart specialisation priority area definition is also better (Szávics & Benedek 2020). Nevertheless, differences between the amounts contracted by the two regions are quite big. The amounts contracted by North-West are almost five times bigger than the ones that are effectively used in North-East that also has a bigger budget from the total allocation of the Priority Axis. The overall implementation performance cannot be directly correlated with regional innovation performance either. However, it seems that they are influenced by the overall performance of the regional institutions responsible for the implementation of the programme, as well as, to some extent with the thickness of regions in research and innovation organizations.

The main preliminary conclusion is that institutional capacities are of key importance and need to be in place for an efficient and effective use of funds both in terms of good policy design and in terms of implementation of programmes that finance RIS3 deployment. All other determinants that are used to depict differences between developed and less developed regions are not fully

appropriate to explain differences between less developed regions, at least, not in case of Romanian ones. These results underline the need to produce further empirical evidence linked to RIS3 implementation in less developed regions but are at the same time in line with the latest trends in the literature regarding the key role of institutional capacities and capabilities (Marques & Morgan 2020; Rodríguez-Pose 2020). Taken the delayed implementation of this Priority Axis from the Regional Operational Programme 2014-2020 and the fact that all contracted projects are in their implementation phase, currently research cannot be performed on the impact of funds spent. This is one of the limitations of this research but also a future area of complementary analysis.