

# WBinNO POLICY BRIEF

## Governing Innovation policy in the Western Balkans

The main objective of the Innovation policy learning from Norway in Western Balkans (WBinNO) project is to assist policy makers in the Western Balkan countries develop and implement innovation policies by way of identifying appropriate 'good' practices in other countries and through the analysis of their own innovation systems. The region depends on the creation, transfer and use of knowledge to catch-up with technological leaders such as Norway. Success depends on the development and implementation of new institutions and policy instruments that are complementary to the needs of the local economy.

Project partners met on 5–6 June 2012 at the School of Economics and Business, Sarajevo, Bosnia and Herzegovina to discuss issues of 'good' policy practices and policy learning. A public workshop "From National Innovation Systems to Innovation Policy Learning in Bosnia and Herzegovina, Croatia, Macedonia, and Serbia" was organized on the second day. Participants discussed how science and technology could provide an important learning resource that facilitates both the use of existing knowledge as well as creation of new knowledge. Education, life-long learning and R&D are important for developing an *absorptive capacity*. Improving institutional complementarity and innovation governance are also essential to this process.

The vast institutional diversity across the Western Balkan region, with many interlocking complementarities, attest that many different institutional constellations can bring about the same goal of economic growth and catching-up. For this reason, 'best practice' norms are unconvincing, and that policy learning involves not only learn-

ing from mistakes, but also observing 'good' policy practices in other countries. Good policy, or successful paths of economic growth, depends on providing institutional complementarity, and a coherent policy framework for dynamic innovation.

Slavo Radošević argued that the policy recommendations from international organizations were too often based on a misleading one policy fits all templates perspective. These recommendations in general put too much emphasis on developing advanced research institutes and activities and too little on the day-to-day innovation capabilities of the existing companies.

The Balkan countries should develop a strategic, horizontal approach to innovation policy that spans across ministerial boundaries as well as be part of ministerial action plans. This is a challenging task that even countries such as Norway find difficult to achieve. Because there are many policy narratives, one problem Per Koch identified was the existence of "silo mentalities" or when individual ministries and other stakeholders maintain their own organizational norms, belief systems and practices, and share a common narrative. The different silo mentalities coupled with struggles for power and money, may undermine learning and political maneuverability. In some of the Balkan countries ethnic "silos" adds more complexity to these turf wars.

Researchers are likewise grounded in narrow belief systems, interests and ideologies. They often gravitate to ministries and research institutes that share a common belief system, a process that might strengthen existing conflicts in a destructive manner.

Innovation policy learning requires inter-agency collaboration, interaction with relevant ministries and counties, support for the research program for research and innovation policy, use of regional and international offices for intelligence gathering, and the recruitment of people with relevant competences. International collaboration, especially with the OECD, European Commission and other collaborative networks is also essential.

The use of sound ex-post impact assessment methods is vital if the policy-maker is to properly evaluate the outcome of an intended policy intervention. Finally, it is important to not only recognize the formal institutional arrangements and macroeconomic framework conditions of a country, but also the informal arrangements that define culture and religious beliefs when setting policy goals.

Effective policy learning necessitates that policymakers have a theoretical and factual knowledge of the innovation system, including the economic, political and cultural institutions supporting the system, and the relevant policy instruments. One important challenge is to turn seemingly abstract theories into meaningful policy narratives, so that there can be greater communication across policy units, interdisciplinary boundaries, as well as within policy units and the academics discipline themselves. Economics is often dominates the policy narrative that can be destructive if a neoclassical theory that lacks a proper understanding of the dynamics of innovation dominates the dialogue. The workshop also strived to provide a deeper understanding of the innovation system and its performance in Bosnia and Herzegovina, Croatia, Macedonia, and Serbia.

Slavo Radošević emphasized that the Western Balkan countries are far behind technology frontier and that both local and national industrial and innovation policy should take this into account. Evidence from the country studies show that a vast majori-

ty of firms in the region focus on building the necessary knowledge, skills and other conditions for improving the production process, or basic production capabilities. Innovation is something that takes place within the firm to maintain competitiveness in the local market. Few firms have the capability to make major changes to products or processes. However, policymakers should identify the potential innovators in enterprises and organizations.

Innovation has been placed at the heart of the Europe 2020 strategy for growth and jobs. One of its main objectives is to strengthen the knowledge base and reducing fragmentation. Croatia has made good progress toward an "Innovation Union", Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Serbia have far to go. The region has weak vertical integration coupled with horizontal fragmentation. Both regional and international collaboration remains elusive. The policy narrative is dominated by science, as was the case in former times, and should focus on innovation and competitiveness.

The main message from this workshop was that there is a need for a strong focus on industrial innovation that may lead to long-term growth, prosperity and social stability. This innovation policy must take the existing industrial structure as a starting point, developing existing competences in a more productive and innovative direction. The institutions for research and education should be encouraged to develop competences that can strengthen these processes. In the same way policy learning and the development of policy strategies has to take the unique social, cultural and political frameworks into consideration.

# NIFU

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The Research Council Norway provided funding for the WBinNO project and is a partnership of five institutes located in Norway, Bosnia and Herzegovina, Croatia, Macedonia, and Serbia. This policy brief was written by Mark Knell, NIFU, Oslo, Norway.