



MAGYAR REGIONÁLIS TUDOMÁNYI TÁRSASÁG

FROM BOTTOM-UP PLANNING TO THE USE OF FUNDS

RIS3 IMPLEMENTATION IN ROMANIAN LESS DEVELOPED REGIONS IN LIGHT OF TERRITORIAL DISPARITIES

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Introduction

- **RIS3s** are a new approach to regional development through innovation:
 - relevant for less developed regions, due to their place-based and tailor-made character and aim towards resource concentration (McCann 2015), *and*
 - were ex-ante conditionality and currently are an enabling condition for the use of ERDF under Cohesion Policy for R&I investments.
- **Cohesion Policy:**
 - is addressed to all regions, but its main target are less developed ones (McCann 2015; Gianelle et al. 2020),
 - is the main source of financing for RIS3s, especially in less developed regions (Doussineau et al. 2018).
- **Impact** of funds spent on innovation has generally been **reduced** in **less developed regions** due to the ‘regional innovation paradox’/low absorption capacity (Oughton et al. 2002) and failure to adapt policies to the local context (Legendijk & Varró 2013).

Research questions

- How are **Romanian less developed regions performing** in the implementation of Priority Axis (PA) 1 - Promoting technology transfer of the Regional Operational Programme (ROP) 2014-2020 (the only dedicated financing line for regional RIS3s)?
- What are the **drivers** and **hindering** factors influencing the effective use of funds? Can we rely on the determinants used to compare developed and less developed regions?

Reasoning

- **Romania** has a traditionally **centralized** approach to OPs and a centralized innovation system. **ROP** PA1 allows to a certain extent for regional particularities in the NUTS II development regions.
- **Innovation performance** is low (Ranga 2018), as well as EU fund absorption rate (Szabo 2017).
- Design of **regional RIS3s** was triggered by the EC to support the fulfillment of criteria under Thematic Objective 1 **ex-ante** conditionality that the National RDI Strategy failed to address (Healey 2016; Ranga 2018),
 - Concept Notes for RIS3 elaborated by 2017 and based on that RIS3s were finalised or reviewed by 2018 in all less developed regions to support implementation of PA1 of ROP (Szávics 2020),
 - Regions - first North-West and North-East, than all eight - also received support from the EC through the JRC (Ranga 2018) and World Bank.
- The seven less developed Romanian regions show differences in terms of experience with RIS3 (Ranga 2018).
- Regional strategies also differ in terms of the quality of strategy design (Szávics & Benedek 2020).

Research background

- Most important **alignment mechanisms** between RIS3 and Cohesion Policy OPs are:
 - the **eligibility conditions** in calls, based on smart specialisation priority areas (Gianelle et al. 2020),
 - the **policy mix** of actions and instruments and **monitoring** and **evaluation** systems (Foray et al. 2012), that determine on what types of measures and how funds are spent, as well as the way results and outputs are tracked and measured.
- **RIS3 success** depends on the quality of the policy and implementation process (Gianelle et al. 2020).
- **Currently** the **benefits** and added value of the RIS3 approach is **higher** in **developed regions** (European Commission 2018; Kroll 2015; Kroll 2017; Gouzzo et al. 2019).

- **Organizational thinness** (Asheim et al. 2016; Isaksen et al. 2018), **weak** innovation systems and capacity, low entrepreneurial capacities and industrial structures are posing challenges both in design and implementation, as well as the lack of technological diversification (McCann & Ortega-Argilés 2015; Foray 2015; McCann & Ortega-Argilés 2019) of institutional **capacity** (Marques & Morgan 2018), and of experience in strategy elaboration (Foray 2015) - the main **hindering** factors in less developed regions **compared to developed ones**.
- Quality of **governance** affects regional innovation capacity (Posé & Garcilazo 2015), as well as efficiency of **expenditure** from **CP** (Posé & Di Cataldo 2015)
 - Administrative capacity of institutions managing programmes (Charles et al. 2012; Szabo 2017),
 - Quality of cooperation between institutions involved in programme implementation and between them and private stakeholders (Radosevic 2017).
 - General absorption capacity - indicator of implementation performance, along with demand for funds, quality of projects, commitment, efficiency of processing payment claims, etc. (Bachtler et al. 2013).
- Contradiction between the experimental character of the policy and fund absorption targets; rigid administrative framework governing programmes (Radosevic 2017), including state aid rules (Charles et al. 2012).

Methodological aspects

- **Step 1** – systematic collection of data and information on ROP 2014-2020 PA 1 implementation to determine array of analysis,
- **Step 2** - collection of regional level data linked to implementation performance to identify possible differences,
- **Step 3** – correlation of results with territorial determinants as proxies used to understand potential drivers and barriers of performance, e.g.:
 - Quality of regional innovation system,
 - Interest for the calls (demand),
 - Capacity of responsible institutions,
 - Institutional thickness.

Research results

- Since the approval of the ROP 2014-2020, the programme and specifically PA1 has been amended several times.
- Not all operations under PA1 were closely linked to regional RIS3.
- Some amendments are due to the results of regional smart specialisation processes.
- PA1 of ROP is under-performing generally. Reasons outlined in the mid-term evaluation report are: high co-financing rates due to state aid rules, bureaucracy and procedural delays, low interest on behalf of companies for the operation dedicated to them (Latanzio 2019).

PA1 of ROP 2014-2020

- **March 2016** (175.53 m EUR/6.860 b EUR shared between regions based on population and territory %) – 1 Specific Objective

- **Operation A:** Technology Transfer Organizations (TTOs)
- **Operation B:** TT in Scientific and Technological Parks (STPs)
- Operation C: TT – partnership between SMEs and TTOs (2018)

- **June 2020** (133.26 m EUR) – 2nd Specific Objective
 - Integrated R&I projects – outcome of EDPs in North West and North East regions, with possibility of extension to other regions,
 - Research Valorization Programme - North West and North East regions,
 - Proof of Concept Programme – all regions, including the developed one.
- **PA 1 Result indicator:** “innovative SMEs collaborating with others”
- PA budget further reduced to 131.382 m EUR.

Pre-application

- Submission of **letters of intent** linked to **RIS3**

Regional aid + de minimis scheme

2 closed calls

Region	CfP type	Letters of intent	Submitted projects in the 2 calls	Contracted projects	Contracted ERDF amount (m RON)
North West	TTO	17	12 (70.59%)	3	38.074
	STP	3	2 (66.67%)	1	16.146
West	TTO	12	<u>15 (125%)</u>	1	0.783
	STP	2	0	0	-
Centre	TTO	15	11 (73.34%)	1	1.16
	STP	4	1 (25%)	0	-
North East	TTO	33	13 (39.40%)	1	3.448
	STP	3	1 (33.34%)	1	-
South East	TTO	13	3 (23.08%)	0	-
	STP	1	0	0	-
South Muntenia	TTO	17	14 (70.59%)	0	-
	STP	0	0	0	-
South West Oltenia	TTO	16	1	1	0.91
	STP	1	0	0	-

Region	Total ERDF amount contracted (m RON)	% of PA 1 allocation (637.20 m RON)	% of regional budget out of total ROP budget
North West	54.22	8.51	14.33
West	0.78	0.12	11.77
Centre	1.16	0.18	13.82
North East	12.56	1.97	17.51
South East	0	0.00	14.86
South Muntenia	0	0.00	15.74
South West Oltenia	0.91	0.14	11.97

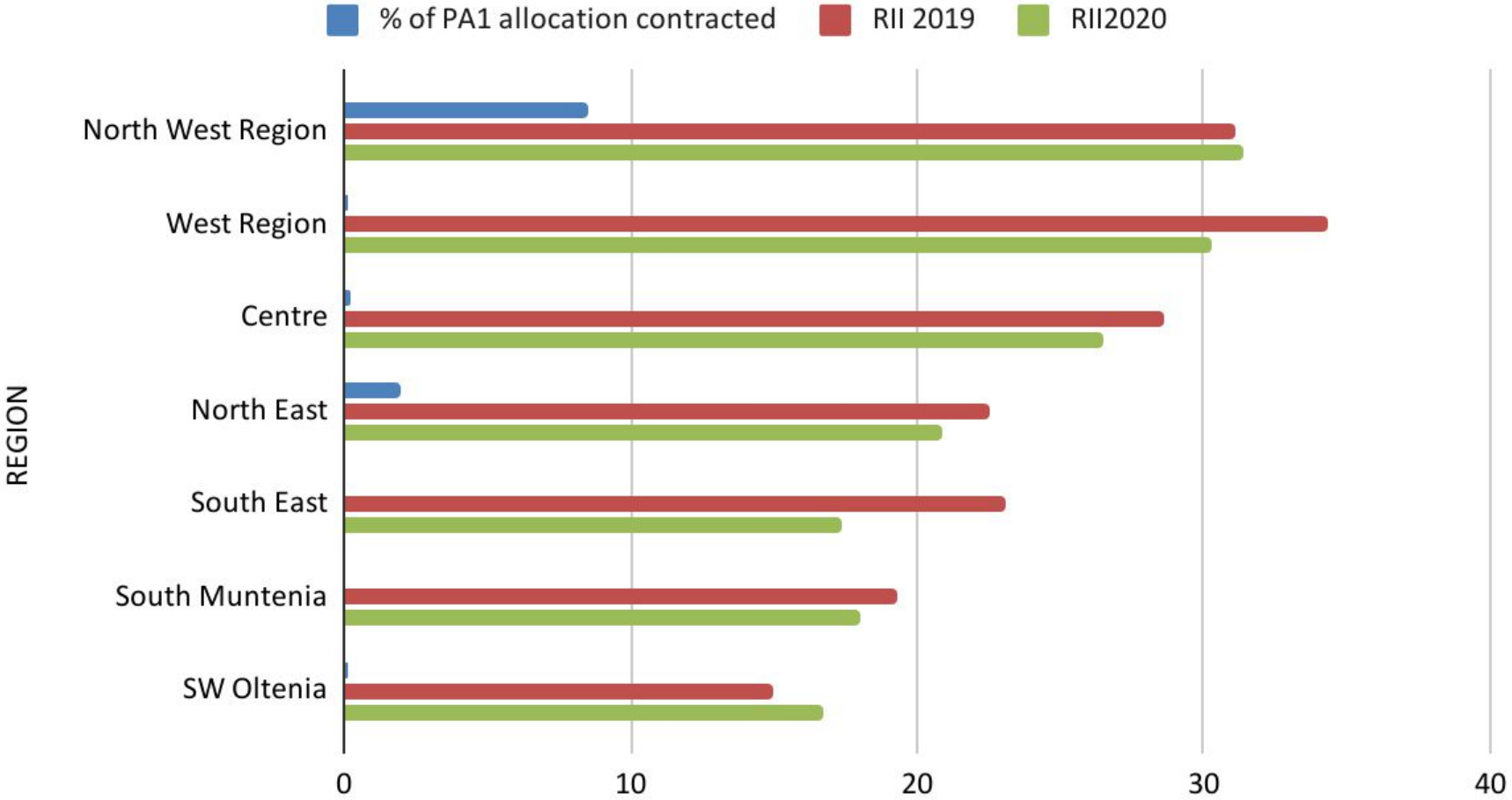
Source of tables: Own compilation based on official regional data on submitted and contracted projects as of September 30, 2021, information from regional Concept Notes and official documents from the ROP 2014-2020 official webpage.

Note:

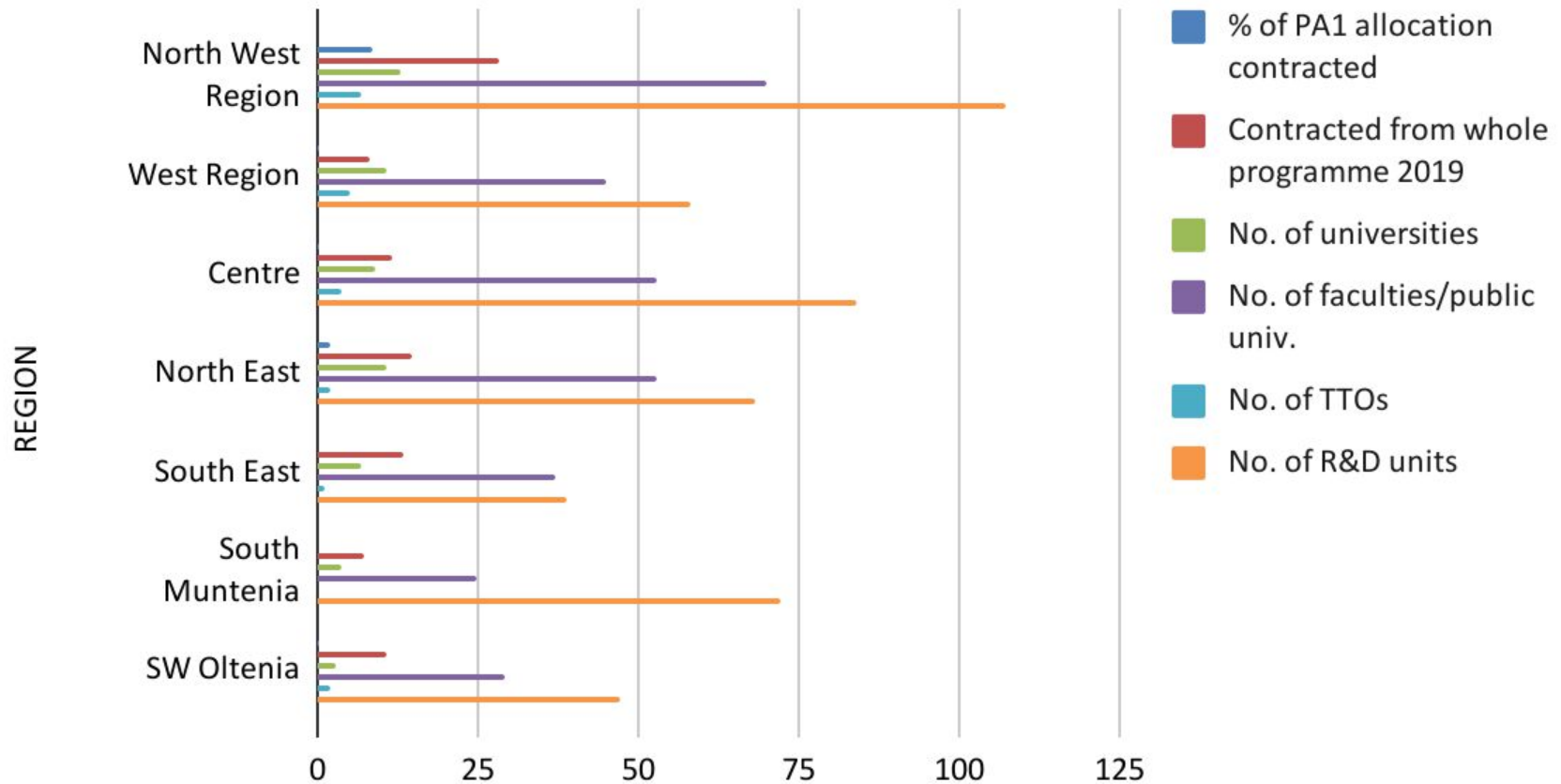
West region lists 4 and North East region 3 additional projects that passed evaluation and are under contracting procedure.

North West region has one more project on the reserve list that could not be contracted due to lack of funds at regional level.

% of PA1 allocation contracted, RII 2019 and RII2020



% of PA1 allocation contracted, Contracted from whole programme 2019, No. of universities, No. of faculties/public univ., No. of TTOs...



Sources: official programme and regional level data, Regional Innovation Scoreboard Results 2019 and 2020, data of the Romanian National Statistical Office for year 2018.

Note: indicators for institutional thickness were selected taken into consideration specificity and eligibility criteria from the two calls..

Discussion and Conclusions

- **Differences** between the RIS3 implementation performance of Romanian less developed regions from the PA1 of the ROP 2014-2020 cannot be correlated with regional innovation performance (i.e. quality of the regional innovation system), nor with the interest of stakeholders for the calls.
- Better **performance** is however correlated with a mix of factors referring to the **capacity** of responsible regional level **institutions** (Regional Development Agencies) and a greater level of **organizational thickness** compared to that of the under-performing regions.
- The **two best performing regions - North West and North East - are also more experienced in RIS3** (Ranga 2018) and show a better **quality of smart specialisation priority area definition** (Szávics & Benedek 2020).

Further conclusions and next steps

- **Determinants** of lower/higher performance used to depict differences between developed and less developed regions are **partially appropriate** to explain differences between weaker regions of relatively similar innovation performance.
- This underlines again the need to produce further empirical evidence and enrich the literature.
- Analysis is based on partial implementation results and should continue in a first step to cover results after all projects under these two types of calls are contracted, than to cover also the other calls under the PA (without relevant and comparable results yet) that are running or were closed but without projects being evaluated or are to be opened.
- Further indicators can also be used.

=> final results can have practical relevance in the 2021-2027 programming period in the context of the country decentralizing ROP.



MAGYAR REGIONÁLIS TUDOMÁNYI TÁRSASÁG

XIX. VÁNDORGYŰLÉSE
Budapest, 2021. november 4–5.

THANK YOU FOR YOUR ATTENTION!



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