

**FACILITATING
STRATEGIC ALLIANCES
THROUGH THE
SUSTAINABLE
INNOVATION POLICY**

**Zoran Aralica - The
Institute of Economics,
Zagreb**

Contents

- **Innovation Policy in the context of Global Crisis;**
- **The Exist Strategies;**
- **Innovative Potential and Promotion of International Strategic Alliances (Case Study;**
- **Concluding Remarks;**

The Global Crisis and its influence on the innovation performance in Croatia

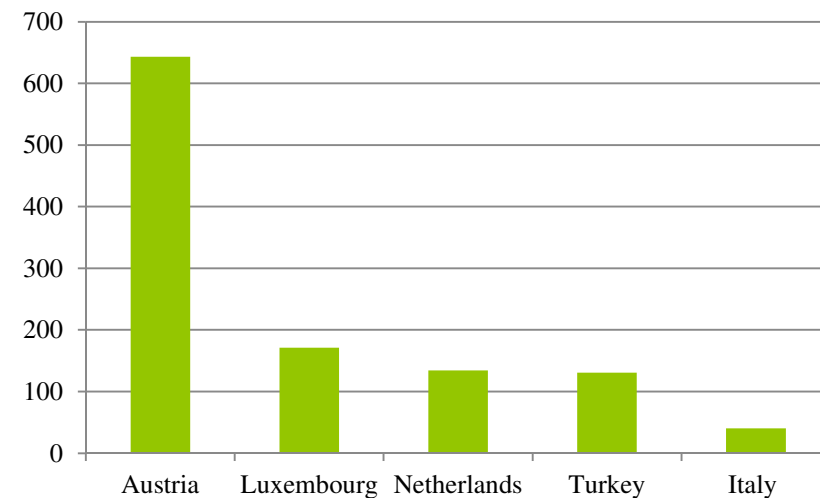
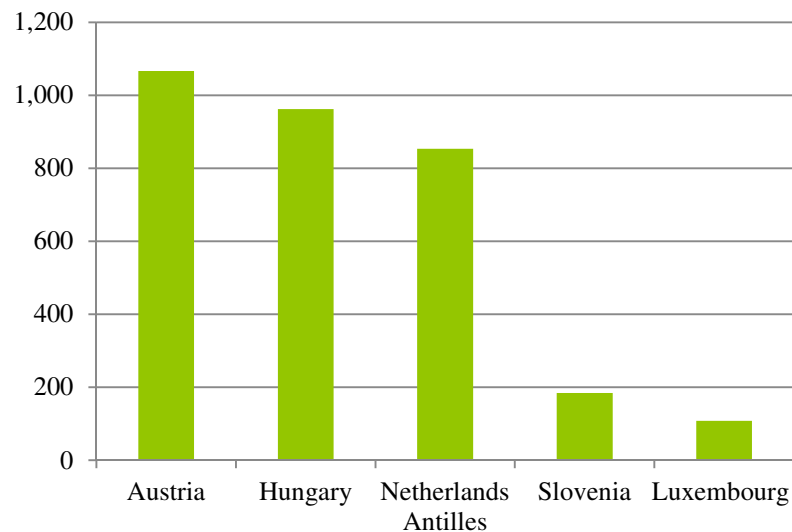
- The Global Crisis (from 2008 to onwards) affecting economic performance (Contraction of external financing, decline of external economic activities and functioning problem of institutions)

| Key S&T indicators | 2008 | 2011 |
|-----------------------------|------|----------------|
| Gross Expenditure on R&D | 0.9 | 0.75 |
| Business Expenditure on R&D | 0.4 | 0.34 |
| EPO/million inhabitants | 6.51 | 5.65 (in 2010) |

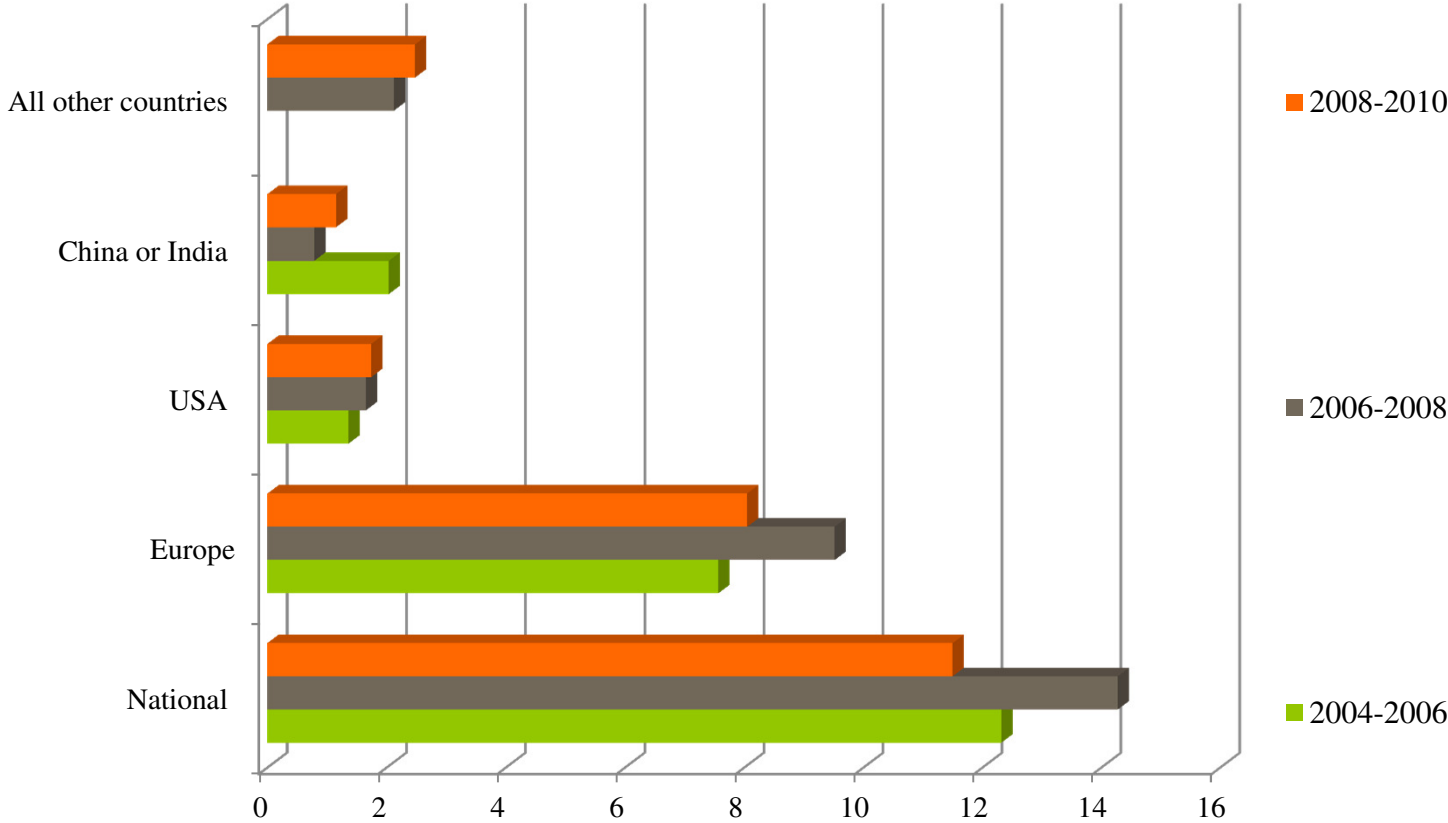
Foreign Direct Investments and International Innovation Co ops (I)

| Activity | 2008 | Activity | 2012 |
|--|-------|--|-------|
| Wholesale trade and commission trade | 852.7 | Wholesale trade and commission trade | 137.0 |
| Water transport | 38.5 | Retail trade, except of motor vehicles and motorcycles | 43.0 |
| Other business activities | 83.1 | Other business activities | 52.0 |
| Manufacture of food products and beverages | 24.9 | Manufacture of other non-metallic mineral products | 45.7 |
| Construction | 19.4 | Financial intermediation, except insurance and pension funds | 27.2 |

2012



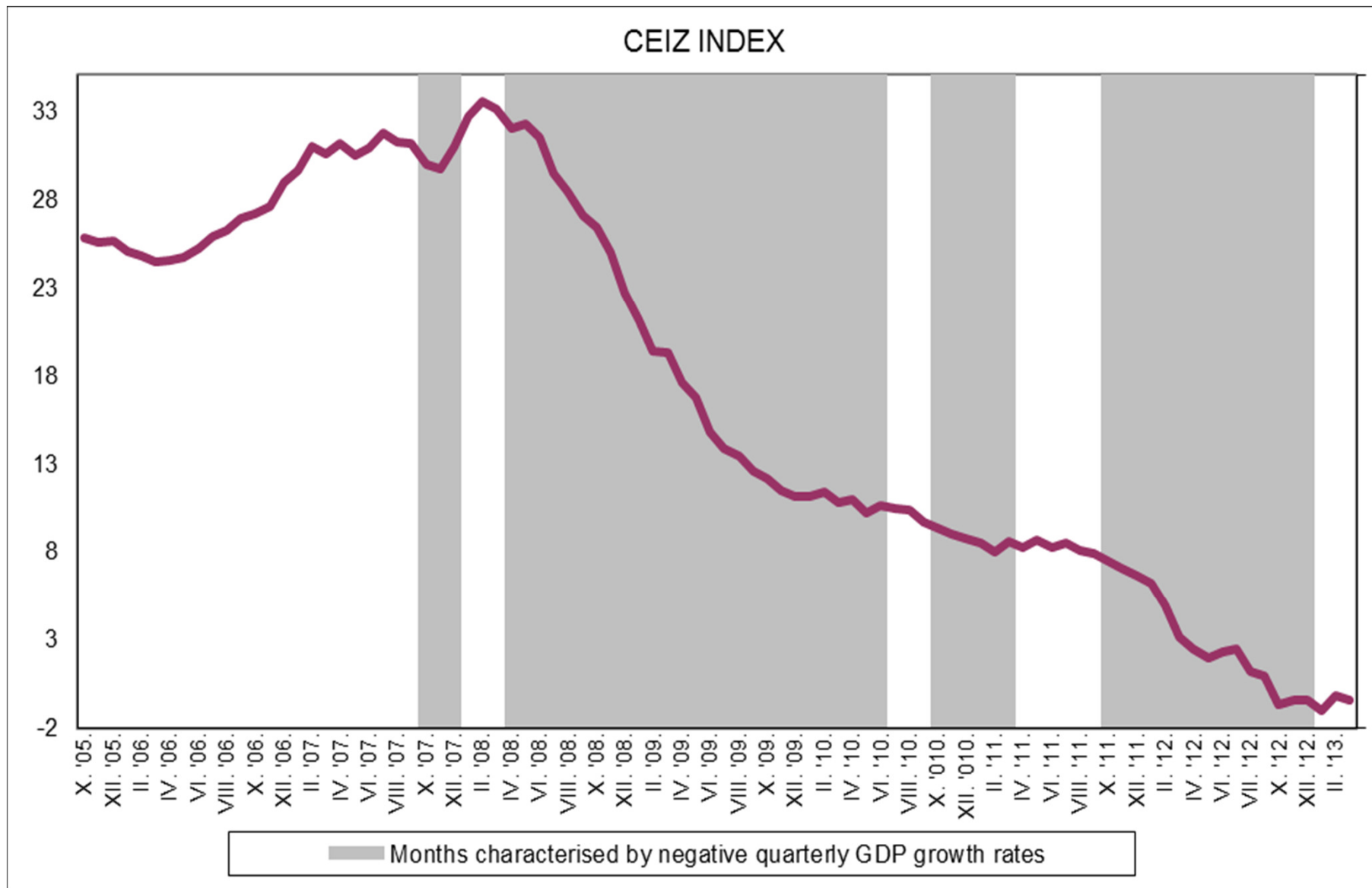
Percentage of Innovation Co ops by location, during the period 2004-2010



Exist Strategy – Croatia's approach

| Restructuring and privatization of state enterprises; | Business entities from Hotel sector and Financial sector are most attractive opportunities |
|---|---|
| Restructuring of debt; | Business enterprises and household sectors |
| Strengthening the institutional base for planning and implementing investment projects; | Agency for Investments and competitiveness |
| Promotion of investment – public, private and foreign direct investment; | Key governmental activities |
| Public sector financial stabilisation | Science sector, Health sector |

Coincident Economic Indicator – CEIZ index - March 2013



Alternative strategies ?

| | |
|--------------------------------------|---|
| Transformation of Economy | <ul style="list-style-type: none"> • On which way facilitate transition from manufacturing to service sectors economy? • What will be the means of productions in the future? |
| Technological development | <ul style="list-style-type: none"> • What are key enabling technologies in the next twenty years ? • On which way increase use of the knowledge in the society ? • What are new structures which could create viable system of innovation? |
| Geopolitical repositioting | <ul style="list-style-type: none"> • Facilitating Innovation co operations with key global players • Regional cooperation active approach |
| Supranational level (key challenges) | <ul style="list-style-type: none"> • Creating Sustainable Energy Framework; • Supranational Infrastructure projects; • Financial sector - strengthening supranational coordination; |
| National level | <ul style="list-style-type: none"> • New Structural Economics approach (the sector identifications and providing of incentives) • Improving interaction between real sector and financial sector as response towards challenges within the financial sector (e.g. delevering, Non loan performance, high level of eurization) |
| Local level | <ul style="list-style-type: none"> • The Local government transformation - kicking off smart platform within the cities • Strengthening local community (e.g. developing neighbourhood infrastructure) |

Development of Regional Innovation System (RIS)

- **Supranational level – EU Framework:**

- Cohesion Policy

- **National level:**

- National Reform Programme Plan
- National Innovation Strategy for the period 2013-2020;
- Industrial Policy until the year 2020;

- **Local Level:**

The Development strategies of the Zagreb City;

- **RIS Development in Croatia** - Mainly a result of specific projects and initiatives (e.g. Biocenter Zagreb)

Innovative potential of smart specialization

- **Smart Specialization** - precondition for using the European Regional Development Fund (ERDF) in 2014-2020
 - 1 Strengthening research, technological development and innovation (the R&I target) and
 - 2 Enhancing ICT access and quality of use (the ICT target)
- The analysis of the **innovative potential** encompasses the research of firms' **social capital**, the **main characteristics of entrepreneurship** in specific locations, **formal and informal cooperation**, which includes various entities

The Case of Medjmurje County : Innovative Potential within ICT and Metal processing sector (I)

Innovative exporting firms

- 1) Independent export to specialised clients; 2) Innovation co-operations with their clients and/or equipment suppliers and/or competition;
- 3) Manufacture of specialised capital goods or consumer goods servicing specific markets;
- 4) Relying on internal innovation sources i.e. to a small extent cooperate with various types of institutions;

Characteristics

- High level of entrepreneurship culture in MC compared to other parts of Croatia
- Higher level of the need for cooperation with local authorities within metal processing sector

Development of the Innovative Potential via Internationalisation - Recommendations (II)

- Development of appropriate human resources;
- Strengthening investments into the technological and research infrastructure;
- Promotion of the inventive activities within the business sector and public sector;
- **Promotion of culture of the institutional policy learning**
- **Strengthening international cooperation mechanism**

Moving Forward

- **Government Challenges;**

A) Recognising of the current global trends and their impact on science and technology sector;

- Interaction Financial Sector and Real Sector

B) Setting a vision of society and emphasising challenges where science and technology sector may contribute

C) Fostering National System Innovation Mechanisms;

- Promotion of key enabling technologies
- Promotion of intangible assets (inventive and creative activities
- Facilitating Evaluation Culture within the society

Moving Forward (II)

D) Appropriate Science and Technology policy framework capable for understanding supranational and national challenges and opportunities;

- Increase of quality of science sector
- Understanding effects of knowledge and technology in society

C) Developing Institutional Framework – Internationalisation of innovation activities via export and FDI;

- Promotion of Partnership with global partners;
- Enhancing Regional Cooperation Mechanisms

F) Promotion of New Avenues of Excellence in innovation practice

- Promotion Innovative Platform as seedbed of Smart Cities within developing countries
- Promotion of Local communities