Selection of RIS3 priorities

Lessons from Latvia. Traditional industries and high-tech

Dynamic, Innovative and Open Slovenia

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Fidea

RIS3 – opportunity

- Key – "Entrepreneurial discovery"

  - Recognition of specialized world

  - Recognition of information asymmetry and necessity of new level of involvement of business into policy setting

  - Recognition of ever changing context – external and internal

RIS3 Challenges

- Innovation is not R&D however policy is to promote innovation by focusing on R&D

- Entrepreneurial discovery vs rent seeking

- Perception of zero sum game

Main questions

- How to choose actions which lead to results?

  - We live in non-linear world

- How to capture the results in the country?

  - Who is wining from innovation? How to capture results by the country? How to avoid constraints for industry and science and capture results in the same time?

  - How to avoid brain drain and create human capital where will be workplaces and good salaries?

Choice of Latvia

- Latvia' s choice – *we focus resources on development of innovation capacity in knowledge fields where we expect most important future innovation challenges for our economy and society to be*.

  - We avoid guessing future challenges today and betting on them

- Knowledge is extremely mobile and global, equipment becomes obsolete fast Humans are both agile and more local

- Human capital building is first, most important step

  - Selection of priorities - challenge

RIS₃

Source: RIS3 Strategy of Latvia
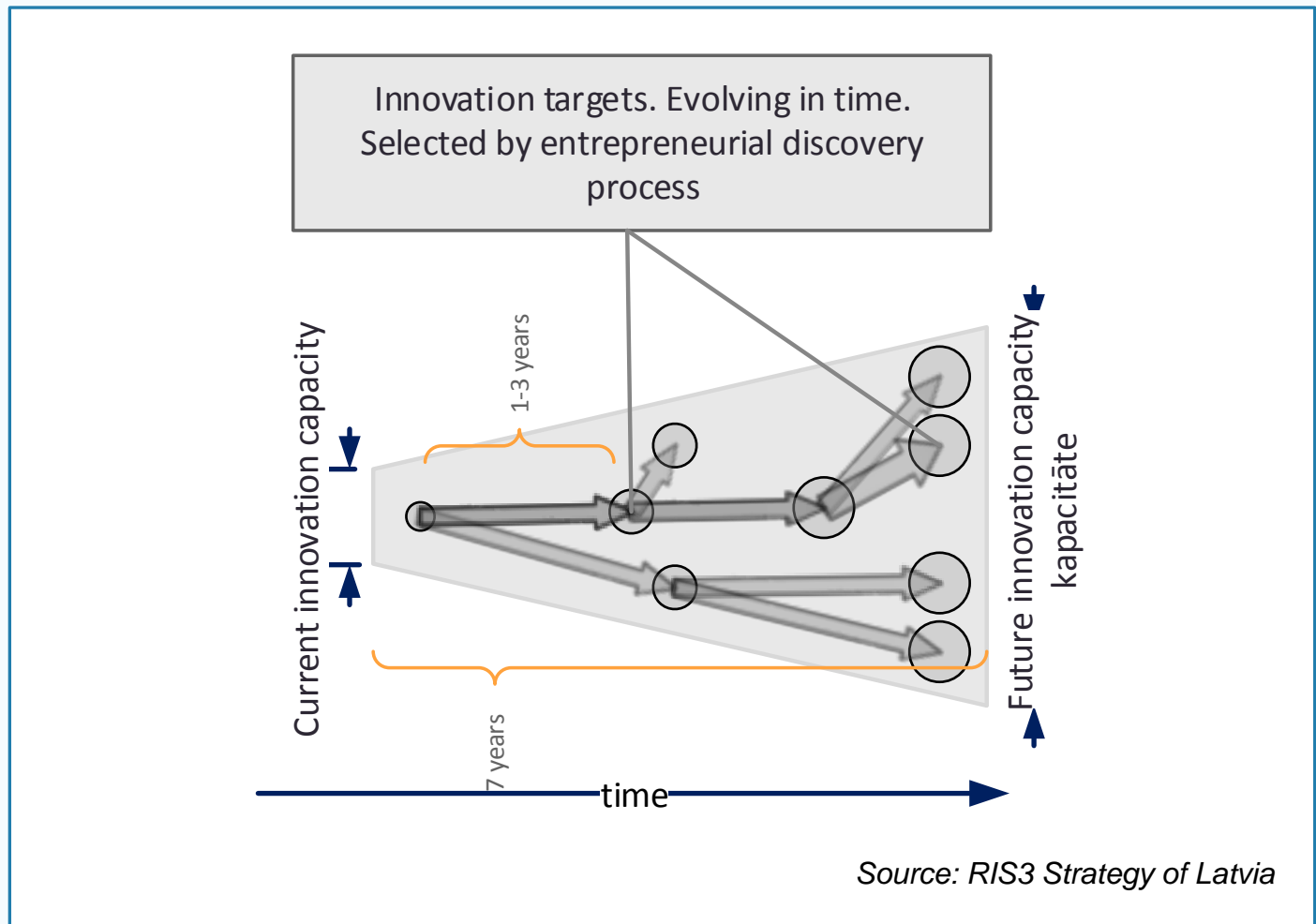
Lessons from Latvia regarding RIS3

- Involvement of stakeholders in the process
  - Trust building – priority
- Innovation driven by opportunities, science driven by curiosity
  - Innovation policy is not science policy
- Competitive bidding – unproductive
  - High-tech is excellent at bidding - traditional industries better at delivering
- Requirements of European Commission – source of speculation
  - Move "common sense" to the top of the list and keep it there
- Errors – useful source of information
  - Honest understanding of current baseline necessary, level of waste of public funding today

Export oriented growth potential analysis

- Identification of industries with highest growth potential for selecting RIS3 priorities should be evidence based process, based on hard and objective data

- Were to create human capital to benefit from it, rather than feed to brain drain

- Process of re-evaluating priorities should be compatible with process of initial strategy setup

- Cost of re-evaluation should be reasonable

- Moving to higher value products can be done only step by step using existing and related production factors

Sectorial gap analysis

- Value gap between ourselves and more developed countries is good indicator of unrealized growth potential by increase of value

- Used 9 reference EU countries: Austria, Belgium, Denmark, Ireland, UK, Netherlands, Finland, Germany and Sweden. We can expect that these countries:
  - Done maximum in order to increase value
  - There are no products requiring low skilled and low labour

- Database of international trade (COMEXT). Data of international trade of 2010, 2011 and 2012
  - 4 digit product level which shows potential of growth potential at the level of productivity by increasing value of the products
  - Only countries with significant volume or value of export. Country is excluded in given 4 digit product group if it is not at the top value or total value

- Convergence of technologies in existing groups – not movement between them

Results for Slovenia

Product group value potential against best performers in reference countries
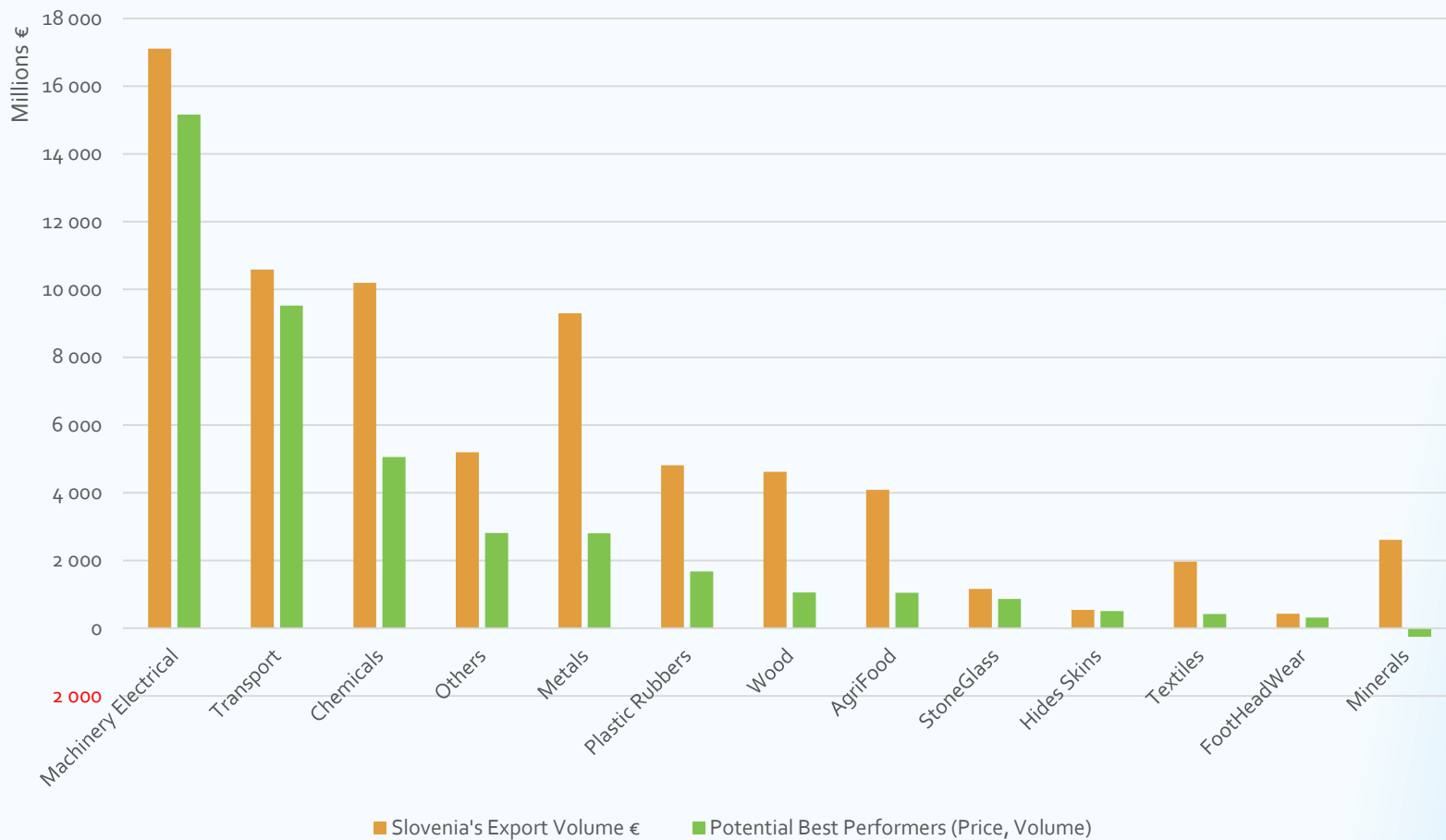
Thank You!

Potential calculation

- Calculation first is done for every 4 digit HS group

    - $- G_{eur} = Q_{LV} \times \left(\frac{\sum_{i=1}^{n} V_i}{\sum_{i=1}^{n} Q_i} - \frac{V_{LV}}{Q_{LV}} \right)$, where

        - QLV –physical volume of Latvian export (unit 100kg)

        - VLV –value of Latvian export EUR

        - Qi – physical export volume of reference country (i) (unit 100 kg)

        - VI – –weighted average value of export of reference country (i) EUR

- $G_{sectoral} = \sum_{i}^{\forall i \in sector} \left(G_{product_i} \right)$

- Gap of industry is sum of all product 4 digit groups which belongs to sector

Results – growth potential by industry sector Latvia

- Kokrūpniecība
- Pārtikas rūpniecība
- Metāli
- Ķīmiskā rūpniecība
- Mašīnbūve un transportlīdzekļi
- Lauksaimniecība
- Datoru, elektriskās un optiskās iekārtas
- Vieglā rūpniecība
- Izdevējdarbība
- Pārējā apstrādes rūpniecība
- Nemetāliskie minerāli
- Mēbeles
- Papīra ražošana
- Radošā industrija
- Ieguves rūpniecība

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