

# ORIENTATION DOCUMENT for Linking S3 with the Regional Level

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24 July 2021

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The project 'Modernization of local public services in the Republic of Moldova' (MLPS) is implemented by the German Development Cooperation through GIZ in partnership with the Ministry of Agriculture, Regional Development and Environment of the Republic of Moldova and is financially supported by the German Ministry of Economic Cooperation and Development (BMZ), the European Union, the Swedish Government, the Romanian Government, and the Swiss Agency for Development and Cooperation (SDC).

## 1 Purpose of the document

The second phase of the project “Modernisation of Local Public Services” (MLPS) in the Republic of Moldova is implemented by the German Development Cooperation through GIZ and its international and national partners. The objective of the project is to improve the framework conditions for a citizen-oriented implementation of regional development policy in priority sectors of local public service provision.

Taking into consideration potential benefits of smart specialisation strategy (S3) for Moldovan regions as well as the weight attached to S3 in the EU accession process, MLPS also provided support to the project’s key partner, the Ministry of Agriculture, Regional Development and Environment (MARDE), in exploring how to link smart specialisation with national regional policy and its implementation.

At the request of the MARDE, two experts have been engaged to assist in investigating the regional development dimension of Smart Specialisation in Moldova. The assignment aimed to deliver suggestions on the following:

- How should S3 feature within the National Strategy for Regional Development?
- How S3 process should be reflected in the Regional Operation Plans (ROPs)?
- What actions should be taken both by the national as well as regional level stakeholders?

These three questions are at the core of this Orientation Document, that is to provide guidance to stakeholders with regard to the Smart Specialisation process at the regional level. The Orientation document has been prepared on the basis of available written materials on Smart Specialisation, the Interviews with stakeholders at national (MARDE, National Agency of Research and Development) as well as local levels (Regional Development Agencies). Furthermore, preparation of the Orientation document has benefited from the state-of-play analysis (Wostner and Avram, 2021) and from discussions among regional stakeholders that took place within the workshop organised on 6<sup>th</sup> and 7<sup>th</sup> July 2021 in particular.

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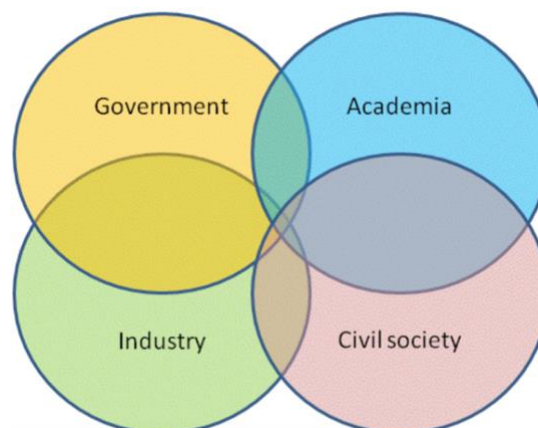


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## 2 Smart specialisation for Moldovan Regions

### 2.1 The Why and What of Smart Specialisation

Smart Specialisation is a policy *concept* developed within the EU in order to promote *economic transformation*<sup>1</sup> of regions and countries. At its heart is the logic of prioritisation, i.e., identification and focusing on key long-term opportunities, specific and differentiating comparative advantages, in which a region or country hopes to excel. It is towards these priority domains that available resources, both financial and human, are expected to be concentrated, thereby achieving *critical mass* of capabilities that enable international competitiveness, also of smaller and weaker territories. Indeed, **the smaller and weaker the territory the stronger the case for smart specialisation** as, alternatively, it is even harder to achieve critical mass in any domain. This of course presumes designing a dedicated policy-mix targeted at those same priorities, which in turn requires strong governance structures both for policy delivery as well as mobilisation of quadruple-helix stakeholders.



While S3 uses the term “specialisation”, its actual consequence however might just as well be diversification on the basis of differentiation. S3 is namely expected to build on what regions and countries are good at, what

<sup>1</sup> In the last period also transformation towards more sustainable development is being promoted within the S3, or rather newly termed S4, process (McCann and Soete, 2020).

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existing capabilities they possess and then **diversify and upgrade towards higher value-added products and services<sup>2</sup>, as part of global value chains**. Mentioning of products and services is noteworthy as S3 is not about closing the knowledge gap as such, but is about, according to the founding father of the concept, Dominique Forey, about “translating knowledge and people into new products, processes, business models and organisations” (Foray, 2014), thus about innovation, which means about changing “market dynamics” according to the Joint Research Centre.

Perhaps the most important differentiating characteristic of S3 however is the way how above goals are to be achieved, which is via entrepreneurial discovery process (EDP) and ecosystems approach. These are contrary to traditional, top-down, government led, primarily expert based and selective processes, heavily criticised for delivering failed “choosing winners” approaches. EDP, on the other hand, is about creating the atmosphere of collaboration among the private sector, which, given emphasis on market dynamics is of particular importance, knowledge institutions, civil society and the government, with the later acting as a platform for continuous, participatory exploration as well as (entrepreneurial) experimentation, of where greatest opportunities lie. S3 is thus, in a way, **a systemic test-and-trial process that engages and mixes different ideas and stakeholders, thus setting up collaborative ecosystem**, geared towards not just identification of new transformative activities, but also towards making them happen and as such, about transforming development trajectories of regions and countries.

#### Why is the S3 process potentially so relevant and beneficial for Moldovan regions:

1. Because smart specialisation’s primary focus is on economic (and sustainable) transformation of regions, objective shared by regional policy itself.
2. S3 is about differentiation and identification of regionally specific opportunities.
3. S3 is about engagement of all key regional stakeholders that can contribute to transformation of regions.
4. It does so on the basis of changed market outcomes, making the process self-sustaining,
5. By establishing the necessary governance structures, including those among multiple levels of government,
6. Thus mobilising, in a holistic fashion, all relevant policies.

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<sup>2</sup> The higher probability for such upgrading to occur is namely in domains where region or country already has certain capacity and knowledge – hence, the idea of „relatedness” (Balland and Boschma, 2019).

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These features make S3 almost a perfect tool for regional policy that, under proper conditions, can link territorial and spatial dimension with that of innovation and transformation (OECD, 2020a, 2020b; Tsvetkova et al., 2020).

Thus, the Orientation document's approach is that of how S3 can contribute and benefit Moldovan regions, notwithstanding the importance of S3 in the accession process. **EU's Association Agenda** namely explicitly **calls for work on the Smart Specialisation Strategy to be continued** as well as, among others, to be applied "in relevant policy areas, in particular in national regional policy, in research and innovation policy and also in the programming of ENI funds". Smart specialisation is important for the EU because it represents one of the so-called enabling conditions for accessing research, development and innovation related funding within cohesion policy. So, even though Moldovan access to EU's transformational funding is currently measured in millions of euros via Neighbourhood Instrument, in perspective, should Moldova successfully pursue accession agenda, this is likely to grow to hundreds of millions of euros within Pre-Accession Funding and even billions of euros within cohesion policy. In this sense, **investment in S3 should also be seen as investment in getting ready** for such funding to flow as smoothly as possible.

There is a caveat however, which is that EU's external pressure can be an important catalyst for change and mobilisation on the one hand, while also playing the role of the principal in the implementation phase (Wostner, 2017). The latter matters as it gives additional assurance to the stakeholders that S3 policy approach is there to stay over longer period of time, making it much more sensible for the stakeholders to get involved and contribute. Such levers are unfortunately not available to Moldova, given the stage of accession it is in, meaning that **Moldova, its government and all the stakeholders will need to be "smart" on their own** to a greater extent than is the case for EU regions and countries.

## 2.2 S3 State-of-play<sup>3</sup>

Moldova started raising awareness about the concept of smart specialisation in 2016. The process raised significant traction, which resulted not just in strengthened capacity development, but also in preparation of empirical evidence base for prioritisation, in 2017 and 2018 in particular. On this basis the national entrepreneurial discovery process was initiated by December 2018, which is still ongoing and which did produce rather promising possible specialisations. At the regional level such specialisation exploration has not

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<sup>3</sup> For more detailed exploration of Moldovan S3 state of play refer to Wostner P & Avram M, 2021: „Fact-finding report”, GIZ, June

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been systematically pursued, though in certain areas (e.g., in the case of Northern region) project-based approaches did nonetheless lead to priority domain identification.

Strengthened awareness, combined with EU's soft pressure of continuous questioning of progress achieved in the framework of Association Agreement, seemed to have also triggered formal recognition of the S3 concept. The government has namely recognized S3 as „one of the priorities in the fields of Research and Innovation at national level already back in 2016<sup>4</sup>, while in 2019 two decisions<sup>5</sup> were taken that, at least formally, recognised the importance of S3 for Moldova. Furthermore, draft National Regional Development Strategy from December 2020 explicitly specifies smart specialisation in regions as one of its priorities, as part of efforts to strengthen competitiveness and employment in regions, including by reducing inter-regional disparities in development. Such cross-sectoral approach is also in line with the 2021-2027 cohesion policy rules, which additionally strengthened requirements related to S3.

That said, while commitment and awareness about the importance of smart specialisation may be high, its transposition into practical consequences has been rather limited at best<sup>6</sup>. The key reasons for this, according to our analysis, could be attributed to:

- a) **S3 process does not seem to be strategically, i.e., cross-sectorally led and coordinated to a satisfying extent**, resulting in fragmented actions both from national ministries, as well as other national as well as regional public bodies and institutions (e.g., ODIMM or Regional Development Agencies). The governance of S3 process thus represents one of key weaknesses, which should be addressed in the forthcoming period.
- b) Fragmented institutional approach in turn translates into **fragmented policy mix**. As far as the later goes, Moldova actually has much to show in the last period as it has number of initiatives that not only seem to make sense, but also seem to deliver (refer e.g., to UNIDO, 2020). This is not to say, of course, that there is still significant room for improvement as regards policy consistency as argued in the 2016 Peer Review of the R&I System (Gulda, Bonas, Spiesberger, Funeriu, and Heijs, 2016). Crucially however, all these **measures and support structures do not seem to be connected to the S3 process**, at least not to a satisfying extent.

<sup>4</sup> Commitment under the National Action Plan for the implementation of the Moldova-EU Association Agreement, approved by the Government Decision no. 1472/2016.

<sup>5</sup> Related to National Program in the field of Research and Innovation and Government's Action Plan for 2020-2023.

<sup>6</sup> According to interviewees transposition into practical consequences, including expert advice on the topic of „how”, has been one of the weakest points of S3 process in Moldova thus far.

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So, even though much progress as regards S3 has been achieved thus far, is **smart specialisation still predominantly perceived as a conceptual policy exercise rather than practical and continuous process leading to actual and tangible transformation of Moldova and its regions.**

On the regional level some experimentation on priority setting, and even designing of projects, has been done, this however has been delivered on an ad-hoc basis. Thus, **it remains for the incoming government to determine not just how highly to prioritise smart specialisation, but also how to link smart specialisation with regional policy.** This is the focus of this document, setting out how regional policy can both contribute as well as benefit from smart specialisation process, but also what steps should be considered in the forthcoming period to actually make a difference.

### 3 Design of Moldovan S3 Regional Development Concept<sup>7</sup>

Key considerations:

- a) As argued in chapter 2.1, S3 is a very useful tool for achievement of regional development policy goals.
- b) Secondly, it is not just how S3 can benefit the regions, but also vice-versa, i.e., that regions and regional policy can directly contribute to the achievement of national smart specialisation goals.
- c) Thirdly, based on conducted interviews and workshop discussions, there seems to be high acceptance of S3 approach by regional development stakeholders, who do see it as a sensible way forward.
- d) At the same time both RDAs as well as MARDE, by and large, do not yet see themselves as being equipped enough to actually start working on S3 in practice.

So, while there seems to be a strong case for introducing S3 at the regional level in principle, actually doing so requires resolving some dilemmas and taking of some decisions on the national level first, with MARDE itself, on the other hand, also being dependent on the actions and institutional knowledge possessed by the RDAs at the same time. There is thus clearly **interdependence of actions that need to be taken at least by the regional development stakeholders**, although, ideally, this should also entail other national ministries and their respective constituencies, like for example business incubators.

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<sup>7</sup> For most overarching methodological advice and recommendations at the EU level refer to <https://s3platform.jrc.ec.europa.eu/en/ris3-guide> and <http://www.s3platform.eu/toolbox/>.

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**Given the need for coordination of the regional development stakeholders' actions, joint actionable concept and approach to smart specialisation on the regional level should be agreed.** Such joint actionable concept and approach should among others:

1. Set out a joint S3 vision on the regional level (refer to chapter 3.1.1).
2. Set out linkages between regional and national S3 approach (refer to chapter 3.1.2).
3. Set out changes and linkages that would be expected, at least in the medium-term, among the national level stakeholders and policies, i.e., in the sphere beyond the direct control of MARDE and regional policy (refer to chapter 4).
4. Set-out the roles of ROPs and RDAs (refer to chapters 5.1 and 5.2)
5. Set out what would need to be done at the regional level, by the regional stakeholders, and RDAs in particular (refer to chapter 5.3).
6. Define, at least in broad terms, step-by-step what actions would need to be taken by whom (refer to chapter 6).

The same principle of mutual interdependence does not apply among regional stakeholders only, but also between regional and national players to do with S3. This should be recognised and accepted from the perspective that regional level has not been, until now, seen as a relevant part of the S3, at least not in practice or to any meaningful extent. Hence **regional level should** proactively engage, **be clear on its expectations towards the national level**, but also recognise **adjustments** will take time and also that they **are more likely to happen the more regional level will have to offer, the more proactive it will be.**

### 3.1.1 Joint S3 Vision for the Regional Level

Main motivation for preparing and agreeing a joint S3 vision for the regional level is to:

1. Induce change and mobilisation of actors at the regional level.
2. To firmly commit regional policy to S3 process.
3. To promote the idea, especially to more conservative stakeholders, that regional (S3) policy will need to go way beyond the current, standard, traditional, infrastructure focused interventions and will also need to venture into promotion of transformation, innovation and design of ecosystems.
4. Ensure ownership of regional S3 policy.
5. Establish linkages to other national policies and position regional dimension as one that can contribute and enhance achievement of the objectives set.

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Joint regional S3 vision should presumably be established within the process of designing National Strategy for Regional Development (NSRD), currently under preparation. A clear vision statement should be put forward, outlining in a concise and clear manner, the key messages. A proposal for possible consideration at later stages was presented during the July workshop organised in the framework of this assignment as follows:

**Moldovan regions**  
**will engage and work actively towards economic transformation,**  
**via identifying and promoting regional smart specialisations,**  
**thereby contributing to national S3 efforts,**  
**with RDAs becoming one of key innovation ecosystem institutional pillars on the ground.**

NSRD should also make it clear why it considers S3 to be the right path forward and under what overarching regional policy objectives S3 regional dimension would be pursued, presumably referring to:

- a) S3 at the regional level is about catalysing growth of all the regions.
- b) It is about transitioning towards higher value-added products and services and as such a means to an end of prosperity, well-being and quality of life.
- c) S3 is also the right tool for structurally weaker and lagging behind regions, thus also contributing to territorially more balanced development, which also remains at the heart of regional policy.

In order to make regional S3 approach convincing, NSRD should also, to the extent possible, single out what **Key Performance Indicators** it would use. These should be as tangible as possible, but it would also be well advised if they were designed with the new philosophy and approach in mind – for example, by trying to make as close a link to the business sector as possible. Examples of such an approach might be number of new companies, increase in entrepreneurial activity, higher productivity, return on investment, structure of exports, etc.

Finally, the NSRD preparation process should be used to rethink policy linkages also within regional policy itself and thus prevent that regional S3 is seen, and then pursued, as a separate add-on. Instead, **regional S3 should be defined and presented as a fundamental pillar and policy orientation hand-in-hand with other key policy initiatives**. For example, draft NSRD refers, among others, to urban growth pole approach. Such a policy would presumably also seek to define comparative advantages of each of the growth poles, opening an obvious question of what the relationship toward regional priority domains would be? In fact, it seems quite possible, if not even likely, that the two approaches might be merged with urban poles be delivered as part of regional S3 policy mix.

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### 3.1.2 Complementarities between National and Regional S3 Approaches

Regional S3 approach can only be successful, at least in the medium-term, if it will be part of the broader policy approach. The reason for this is straightforward: because economic and sustainable transformation of regions requires transformative actions, whose support falls beyond the remit of regional policy. Therefore, **definition of complementarities between NSRD and National S3**, as well as, ideally, other key strategies and policies, like e.g., skills strategy, **is essential**.

In the smart specialisation practice there are basically **three approaches how to define relationship between the regional and national level** (Berkowitz, 2021):

1. National only, most often pursued by smaller, non-regionalised countries (though with exceptions also, like, e.g., Austria) → examples include Bulgaria, Serbia, Croatia, Slovenia, Baltic states in the East, and Ireland and Denmark in the west.
2. Regional only, most often pursued in federal countries (like Germany) or countries with traditionally strong territorial approaches (like France) or in countries where S3 is seen as an experiment geared towards regions, complementary to national approaches which are seen as key (like in Finland, UK or Netherlands).
3. Mixed, national and regional approach, often seen in larger countries heavily dependent on cohesion policy funding, where S3 is a key policy driver, at least as far as innovation policy is concerned, like in Portugal, Spain, Poland and Romania, though Sweden can also be found in this group.

The decision on how to establish this relationship is context specific and can have different outcomes depending on choices made. It would seem from our analysis and experience however that **the following three dimensions should play integral part in the decision-making process**:

- a) What is the territorial distribution of economic transformation opportunities, i.e., to what extent do they involve stakeholders from the country as a whole, or are there (also) more regionally specific opportunities?
- b) Even in the absence of specific opportunities regional approaches might still be warranted provided that regional level possesses the necessary institutional capacity, or is best positioned for such capacity to be developed within the regional sphere.
- c) How strong are regional policy and territorial approaches prioritised within policy and politics, but also how big of a challenge is concentration of economic activities in a given country?

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For instance, Serbia, after examining quantitative analysis on the regional level, opted for the national approach based on the argument that it is significantly lagging behind in terms of development, also due to its relatively small size and in spite of having marked differences between its regions (Serbian Government, 2021, p. 36). Slovenia decided for the same approach but for a different reason: from the entrepreneurial discovery process it namely became clear that the big majority of initiatives and opportunities involved stakeholders from across the country. Hence, given weak institutional capacity at the regional level, national approach has been opted for. Romania, on the other hand, is successfully capitalising on mobilising both national as well as regional level capabilities.

Given the stage of S3 preparatory process two options seem to remain possible for Moldova: national or mixed approach, with the former having two scenarios, i.e., national approach also engaging regions or, as is more or less currently the case, ignoring regional level. From the perspective of the NSRD this means that, at the end, two options should be explored and arguments for them prepared<sup>8</sup>:

- (i) Mixed approach with separate S3 strategies on the regional level.
- (ii) Engagement of regional level and stakeholders in the national S3 process.

## 4 Key recommendations – National, Top-down, Dimension

### 4.1 Governance & Leadership

**The coordination, both on the national as well as regional levels, seems to represent one of key weaknesses of S3 process in Moldova (Wostner and Avram, 2021).** Formally, the S3 governance structure, at least on the national level, could be functional, however it would not appear that institutions involved are strategically and operationally coordinated in practice, at least not to a satisfying extent. There is clear leadership established on the national level by the Ministry of Education, Culture and Research (MECC) that has set up institutional structure to ensure national level coordination. We are referring to the S3 team, on the operational and expert levels, and to the inter-ministerial group, involving the four key ministries: MECC, Ministry of Economy and Infrastructure (MEI), MARDE and Ministry of Health, Labour and Social Protection

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<sup>8</sup> Refer to chapter 6.2.1 for the outline of such possible action.

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(MSPMS)<sup>9</sup>. But there appears to be, in practice, even the problem of mutual informing of what is being done or of what is being planned, let alone about operational coordination of, for example, policy mix.

**Weak coordination** translates into fragmented actions not just as regards the uncoordinated policy mix, but it **also misses on multi-level governance and thus contributes**, instead of prevents, **to additional institutional entropy** among sectoral and horizontal intermediary and implementing institutions **on the regional level**<sup>10</sup>. It is also symptomatic that regional level approaches and studies of S3 prioritisation have not benefited from any or at least not sufficient attention from other national level ministries, apart from MARDE.

It should be pointed out though, on the positive note, that these challenges do seem to be recognised (Topala, 2020) and that there might be willingness to improve on the current governance situation.

It is thus proposed that after having clear enough idea of the Moldovan S3 Regional development concept that agreement and ownership also from other ministries, apart from MARDE, should be sought. Indeed, **it would seem vital to find operational mechanisms how to ensure continuous coordination, ideally both on operational as well as political levels, of:**

- **Processes**, for example, related to entrepreneurial discovery process, identification of priorities and transformative actions.
- **Policy mix** (refer to next chapter).
- **Institutions** within each ministries' purview.

While coordination of processes could be expected to deliver results on the voluntary basis only, there might be a need also for **more explicit coordination mechanisms**<sup>11</sup> when coordination of the policy mix and institutions would be in question. Such considerations do need strong political support, presumably also from the highest levels of the government, **as S3 coordination**, if done properly, **comes very close to coordination of “development related policies”** in general, which is, obviously, a par excellence political question, especially when government organisation is concerned. As presented above though, it also has multi-level governance dimension. S3 process should namely work towards setting up of collaborative ecosystems at all levels, which in turn requires clear and strategic governance of the lower institutional levels so that complementarities among institutions within regions would get promoted, which, as presented above, is currently not the case.

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<sup>9</sup> These four ministries have been termed as „key policymakers in the areas of R&D and industrialization” by UNIDO, 2020.

<sup>10</sup> This point has been brought up by majority of RDAs at the July workshop.

<sup>11</sup> Refer to Wostner, 2017, for presentation of why and how this was organised in Slovenia.

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## 4.2 From Theory to Practice: Towards S3 Funding Mechanisms

The second critical weakness in the current S3 implementation in Moldova is an **almost<sup>12</sup> complete disconnection of policies from the S3 process, its priorities or discussed actions** (Wostner and Avram, 2021). While results from the EDP were said to influence the Action Plans of the National Research and Innovation Programme (Topala, 2020), there still seems to remain a disconnection between S3 priorities and the financing instruments, even within research and innovation policy. There is however, according to the National R&I Programme (Moldovan Government, 2019), a clear reference to setting up of S3 priority niches. These are foreseen to be agreed for the 2023-2027 period, and decisions on them to be taken during 2021-2022 period. In the mean-time funding instruments, like for example competitions for research and innovation projects, creation of scientific-technological clusters or activities of the science and technology parks, would not seem to be affected by the S3 process.

**In order for S3 process to work and deliver results it is vital that the process is credible**, which, apart from clear vision and governance, **presumes that stakeholders have clear enough picture on what (policy) consequences S3 will have**. This was one of the key ingredients for success of the Slovenian EDP process, where original public commitments were at least generally adhered to, or at least references were made, why different decisions have been taken during the implementation phase. On this basis around €1 billion had been invested towards S4 priorities, although, of course, there were differences as to how strong the link was depending on the instrument (Slovenian Government, 2019). Tangible outcomes are important not only in EU Member State countries, but, perhaps even more, in the accession countries. The case of Serbia nicely illustrates how important clarity on next actionable steps, including funding, is. Indeed, Serbian S3 includes rather detailed action plans specifying what would be done, by whom and when, but also specifying what available budgets were (Serbian Government, 2021).

**In the case of Moldova, there would appear to be two issues that would need to be addressed:**

- a) Design of the policy mix on a strategic level.
- b) S3 targeted regional policy toolbox.

As far as the former is concerned, and as part of the above-mentioned need for closer and more operational inter-ministerial coordination, one of the key policy decisions that would need to be taken, would be **which policies will play the key role in financing of the S3**. Identification of policies, on general level only, would be

<sup>12</sup> Reference to the inclusion of the results of the EDP in the Action Plans of the National R&I Programme (Topala, 2020).

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of course insufficient, as it would be important to single out, which calls for projects are most important and which should be redirected towards S3 first. And it is not only redirection as such that matters – details how linkages are established are just as important (refer to chapter 6.2.4).

As far as **S3 targeted regional policy toolbox** is concerned, its logic is to deliver change also in the short term, specifically for the regional development community. While this might be challenging conceptually, given that it would require at least certain reorientation of existing funding, it is also more easily influenced as it is under auspices of MARDE. For this, more operational part, **we would propose the following gradual approach to be taken:**

- i. First, by reorienting and leveraging part of the Fund for Regional Development for empowerment, and possibly perhaps also financing of first pilot actions coming out from the regional S3 process (refer to chapter **Error! Reference source not found.**).
- ii. This could be followed by designing a more significant framework programme, for which funding from international donors could be sought.
- iii. The next stage, when the case for regional S3 approach would be even stronger, a more significant investment from EU's Neighbourhood instrument could be sought.

## 5 Key recommendations – Regional, Bottom-up, Dimension

### 5.1 The Role of Regional Operational Programmes

Joint S3 vision for the regional level from NSRD (refer to chapter 3.1.1), if its ambition is to deliver economic and sustainable transformation of regions, needs to be further translated in strategies and priority actions at the level of regions. Such transition, from national to regional level, should follow the logic of S3 principles, which, for the very least, is about the holistic policy approach. This would imply that **positioning S3 as a separate and isolated policy regional development pillar would be a step in the wrong direction.**

Instead, we would strongly advocate that S3 process should be strategically integrated within existing regional development policy and its existing institutional structures and, presumably, also within the existing programming framework. Indeed, we would propose that **Regional Operational Programmes should function**

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also as **Regional Smart Specialisation Strategies**, an idea already, at least preliminarily, discussed during the July workshop and gaining significant traction.

Given the state-of-play in preparing Regional Operational Programmes (ROPs), which are expected to be finalised towards the end of summer 2021, it is of course not realistic for ROPs to already include key relevant S3 decisions. However, it should be born in mind that S3 is a continuous process anyway, which means that **changes need to be, also institutionally, accommodated for**. So, note should be taken as to which part would be fixed, over the entire period of ROPs (like for example commitment to S3) and which would be flexible, e.g., as annexes of ROPs, with the fixed part, perhaps, specifying under what procedures annexes would be adjusted.

These more detailed parts of ROPs should, at least in perspective, address key S3 dimensions and should do so not just in principle, but in substance also. Hence, **we would advocate that the following elements**, among others, **could be considered for introduction in the ROPs**:

- Regional priority domains, sub-domains and niches.
- Regional priority (transformative) actions and flagship (pilot) projects.
- Linkages to national regional policy actions.
- Linkages to other, national and international policies.
- Outline of regional S3 governance and functioning of regional collaborative ecosystems.
- Action plan with the next steps.

Engaging in such a process would of course vitally depend on **strengthened understanding and acceptance of the regional S3 process by regional stakeholders**. Understanding and acceptance should in this instance be taken as anything but granted, as also pointed out by RDA's during interviews. It would therefore seem as highly warranted, once the concept would be at least broadly agreed, for stepping up investment in promoting the regional S3 approach on the ground. Awareness and ownership campaign targeting key regional stakeholders (e.g., Councils, knowledge institutions and firms) should therefore be considered not just by MARDE and RDAs, but also by institutions like GIZ (refer to chapter 6.2.3 for more).

## 5.2 The Role of Regional Development Agencies

As far as the role of RDAs is concerned, the example of Romania might serve as a useful inspiration. These are the tasks performed by RDA in the case of North-East region, as presented in Macoveiu, 2017 :

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- Chairs and provides technical secretariat for Regional Innovation Committee and its Consultative Committees.
- Appoints sectorial specialists for each vertical specialization field of RIS3.
- Monitors and evaluates RIS3.
- Identifies regional fields showing specialization potential.
- Provides mapping of value chains corresponding to RIS3 fields.
- Keeps permanent contact with business environment and knowledge institutes (coordination teams of smart fields).
- Supports continuous entrepreneurial discovery process for definition of development solutions and their materialization into viable projects.
- Encourages cooperation amongst quadruple helix actors and interregional cooperation.
- Maintains connection with European specialization platforms (energy, agri-food, new materials, European Textile Platform).
- Elaborates RIS3 annual implementation reports.

Before dwelling on the consequences for Moldova it might be worth noting what horizontal priorities have been defined in the above-mentioned Romania North-East region:

1. Development of innovation competences amongst younger generations:
  - 1.1. Synchronizing the training offer of education institutions with the current level of innovation, in smart priority areas
  - 1.2. Exchange of pupils, students, master students with innovating companies in priority sectors
  - 1.3. Increasing the role of extra-curricular activities in promoting creativity and innovative attitude
2. Supporting the innovative companies in the North-East Region:
  - 2.1. Support for turning innovative ideas into business ideas
  - 2.2. Commercialization of research results and development of technology transfer services
  - 2.3. Implementation of financial instruments for supporting creation and development of innovative companies in the region
  - 2.4. Direct investments for development of sustainable and inclusive economy
3. Supporting clusterization and internationalization initiatives:
  - 3.1. Creation and strengthening regional business networks and clusters
  - 3.2. Support for interregional cooperation (S3 platforms – agro-food, energy, industrial modernization and European Platform for Textile Technology) and business internationalization
  - 3.3. Attraction of foreign direct investments in smart priority fields

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The later, the functions performed at the regional level in a more mature phase of S3 delivery, provide a good insight as to direction in which RDAs will need to move. As presented in Wostner and Avram, 2021, Moldovan regions themselves are not in the same position as some have been experimenting with S3 to a greater extent than others. Different starting positions need to be appreciated as they potentially also call for **regionally differentiated approach, at least as far as short-term activities are concerned.**

That said, we would consider that **the following key functions and tasks should be taken over by the RDAs in Moldova:**

- a) RDAs should be mandated by MARDE to take the lead in pursuing S3 and entrepreneurial discovery process at the regional level, including promotion of the concept as well as designing the S3 learning process.
- b) EDP should lead towards identification of regional priority domains, sub-domains and niches.
- c) This might entail commissioning of additional analytical and expert support for which support from MARDE might be needed, however even in such a case active involvement of RDAs themselves would be critical (as experience from the North region demonstrates).
- d) EDP should be conducted on the basis of developed collaborative network with other intermediary institutions towards which RDAs should be encouraged to work.
- e) RDAs should, in agreement with MARDE, work towards identification and design of S3 (pilot) projects and, in due course, towards transformative actions.
- f) Projects and transformative actions fundraising, both nationally as well as from international donors, should be actively pursued by RDAs.
- g) RDAs should participate in active coordination of their S3 actions, both amongst each other as well as with MARDE. The later should also promote direct coordination among RDAs and other ministries, of course with MARDE.
- h) RDA should actively engage and promote international collaboration and integration (examples of beneficial international collaboration are already available, but there have also been examples where there was initiative for such collaboration to be established, which, however, did not receive the necessary funding).

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## 5.3 Entrepreneurial Discovery Process

Performance of tasks by RDAs, as presented in the previous chapter, of course presumes not just the necessary mandate, but also **developed institutional capacity of RDAs themselves**. S3 design and delivery will for this reason also need to be supported, especially in the initial stages, by external experts. Support should not be generic in nature, but should be of a more hands-on type, with practical exercises, simulations and tangible results. Indeed, we would claim that real progress of RDAs capacity will only really take place if institutional capacity development would be **done in the spirit of “learning-while-doing”**. It is in this spirit that also proposals for specific actions (refer to chapter 6) have been devised.

### 5.3.1 Priority setting

Although prioritisation is right at the heart of the S3 process, it’s interpretation is not so straightforward as perhaps implied by EC’s suggestion that priorities would only be acceptable if they will be granular at the level of “biosensors” or “biosensors in healthcare” (European Commission, 2014). In fact, we would argue that the following two key dimensions of prioritisation need to be taken into account:

a) **Priorities need to be set at different levels for different purposes.**

It makes total sense to distinguish between priority domains, sub-domains or perhaps even introduce additional layers, like for example niches, if deemed necessary or useful<sup>13</sup>. In the case of Slovenia, for example, the following hierarchy has been established: “priority pillars”, “priority domains”, “focus areas” and “areas of joint research”. Different hierarchy levels were established via different procedures and have also been applied differently by different policies, depending on the substance.

b) Priority setting is a continuous and participatory process, which means that **priorities should not be “carved in stone”**, at least not in the absolute sense as, obviously, changing priorities too often does not make any sense either.

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<sup>13</sup> For technical explanation of what these terms refer to check <https://s3platform.jrc.ec.europa.eu/en/what-we-do>, where JRC also states at the same time that relationship between niche and domain „so close that the two expressions are often used as synonyms” (ibid.).

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The crux of priority setting is thus in **establishing a vibrant entrepreneurial discovery process (EDP)**. In practical terms what EDP should really mean is that all the dynamic spheres of society should be engaged, that people should be brought together and bridges build, with the sole focus on how to identify and capitalise on the available opportunities. These are of course plentiful but only once stakeholders are inspired by a positive atmosphere. This is the responsibility of the government, together with the intermediary institutions, to set up such an environment, so that people from different backgrounds will actually talk to each other and that as a consequence, **different ideas and approaches would get mixed up and new initiatives set in motion** on that basis.

As presented above, for EDP, traditionally, quadruple helix, i.e., knowledge institutions, private sector, civil society and the government, are being mentioned. We would add however, that while participation of all of the above stakeholders is important, **private sector entrepreneurs' engagement bears particular weight and importance**. This has been, among others, one of the conclusions of the Slovenian S4 evaluations (Bučar et al., 2019), or as JRC puts it<sup>14</sup>:

*“The involvement of entrepreneurs, broadly defined, is especially important to developing S3, and to the, aptly called, Entrepreneurial Discovery Process, because they are best placed to know what is likely to work in a particular place and with whom abroad cooperation can be helpful.”*

Indeed, as presented also in the case of Serbia (Serbian Government, 2021) 57% participants in their EDP have been industry representatives, a best practice example that Moldova would be well advised to follow also. Dynamic entrepreneurs however do not only refer to for example “start-up community”, but can also mean dynamic individuals from all kinds of companies – indeed S3, in its concept refers to, apart from the high-tech, also to large sector, non-innovative companies as well as low-tech SMEs.

However, in order to be able to do so, of course, credible process needs to be set up as argued throughout this report. Furthermore, when regional S3 process is concerned, it is questionable whether RDAs alone, at least not all of them, can generate sufficient momentum at the regional level. We would **advise** therefore, **for RDAs to collaborate with other intermediary institutions** as well, which we proposed, should also be one of the tasks in their job-description (refer to chapter 5.2). In order for such collaboration to be more likely to succeed also national level governance should do its part (refer to chapter 4.1).

Last but certainly not least, there remains the question of **how should EDP for priority setting be set up**. First, RDAs should check available empirical base, including Moldova RIS3 networks or already performed “Mapping

<sup>14</sup> <https://s3platform.jrc.ec.europa.eu/en/what-we-do>.

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of stakeholders for EDP” on the national level, in order to get a better grasp of who potential stakeholders for EDP involvement might be.

Secondly, RDAs will need to agree on what kind of EDP processes they would rely on. It would appear to us that broadly **three types of approaches to the EDP process**, with indication of advantages and disadvantages of each, would be the following:

- (i) **Structured and formalised processes** involving foresight exercises combined with (real-time) Delphi as was the case in Romania. The advantage of such an approach is its apparent unbiased, objective and transparent nature. Its disadvantage however could be in greater chance of overseeing less obvious or popularised opportunities as well as lesser emphasis on open networking.
- (ii) Use of **EDP focus groups**, which seems to be by far the most common approach used in 93% of regions analysed by Online S3 project – used for example by Bulgaria. The advantage of this approach is that it has greater capacity to identify also specific issues and opportunities, that it is very likely to deliver exactly what is expected from the EDP process, especially when skilful facilitators are engaged. That said, they crucially depend on having the right people around the table and are, as a consequence, more subjected to criticism of less transparent and open, participatory process.
- (iii) **Public calls for identification of most perspective niches, technologies and opportunities**, an approach used by countries like Slovenia. The advantage of using such a method is that it is most likely to spur engagement of stakeholders, that it is more likely to search for wider range of opportunities, which would otherwise remain below the EDP radar and that they are distinctively open and integrative. The main challenge with such an approach is however, that it is less predictable and that it makes transposition from “call initiatives” to actual identification of “priority domains” less formalised and hence potentially more open to scrutiny, and in turn, to challenging. Such an approach, in other words, perhaps presumes higher institutional capacity as well as credibility of the S3 governance structure.

Finally, as far as **criteria on the basis of which to select priorities** within the EDP processes are concerned, the following have been, broadly, put forward by Foray et al., 2012:

- the existence of key assets and capabilities (incl. specialised skills and labour pools) for each of the areas proposed and, if possible, an original combination of these (cross-sector; cross-cluster),
- the diversification potential of these sectors, cross-sectors or domains,
- critical mass and/or critical potential within each sector,
- the international position of the region as a local node in global value chains.

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Later on, these have been additionally refined in Foray, 2014 as follows:

- Proximity to market.
- Does the activity open a new domain potentially rich in innovation and spillovers?
- What is the degree of collaboration, the number of partners involved?
- Is public funding needed?
- What is the significance of the activity for the regional economy?
- What is the capacity of the region to keep the successful activity on its territory?
- Can this activity drive the region towards leadership in the selected niche?
- What is the degree of connectedness of the activity vis-à-vis the rest of the regional economy?
- Private firms are ready to submit themselves to monitoring and performance audits.

Other regions and countries use different sets of criteria, but above should be considered as a general outline within which Moldovan regions should opt for their preferred approach. In the process also note the relevance of approaches for identification of projects and transformative actions as described in chapter 5.3.3.

### 5.3.2 Inter-Regional Coordination

Even if priorities set at the level of regions would be specific, **complementarities, if not overlaps, are bound to exist in at least some of the domains** among the regions. Given the importance of critical mass, that allows achievement of sufficient capabilities and resources (Meier zu Köcker, Dermastia, and Keller, 2017), inter-regional coordination (Keller, Reingruber, Dermastia, Bersier, and Meier zu Köcker, 2018) should deserve high attention also within the regional S3 process in Moldova.

In fact, we would argue that there are a series of areas where we would see **a strong case for inter-regional coordination**, among others in:

- Setting of priorities.
- Project identification.
- Setting up of joint infrastructures or even joint institutions (e.g., clusters).
- Joining forces as regards internationalisation efforts.

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Furthermore, having clear picture on joint inter-regional interests **also** makes their case, and voice, stronger and louder, **when impact on the national level S3 process is concerned**. Thus, joint lobbying of the regions, via MARDE, especially as regards national S3 priorities, but also design of national policy instruments, would critically depend on **setting up institutionalised inter-regional S3 coordination mechanism**.

### 5.3.3 Towards Projects & Transformative Actions

Identification of priorities in itself does not yet presume identification of specific projects that would be financed, at least not automatically. Before analysing transposition of priorities into project more in depth, it is worth reminding that the whole S3 process is actually about experimentation. Indeed, as pointed out by Komninos et al., 2018, selection of promising niches should be followed by: (i) exploration and exploitation of gaps; (ii) evaluation of entrepreneurial scenarios; (iii) prioritization of scenarios and (iv) small-scale experiments. The word “*experiments*” is worth underlining as within this process **not everything will work**, making **S3 process inherently about taking calculated risks**.

Perhaps **the key risks, as currently perceived by stakeholders during the interviews, seems to be twofold**: (a) that there would be no transposition from priorities to project delivery in the first place and (b) that transition to projects would be fraught with “identifying for the 100th time what the key challenges were”, thereby leading to the-same-old recommendations and receipts. Such a scenario would clearly be far worse compared to supporting real S3 type of projects, among which some would also turn up to be failures.

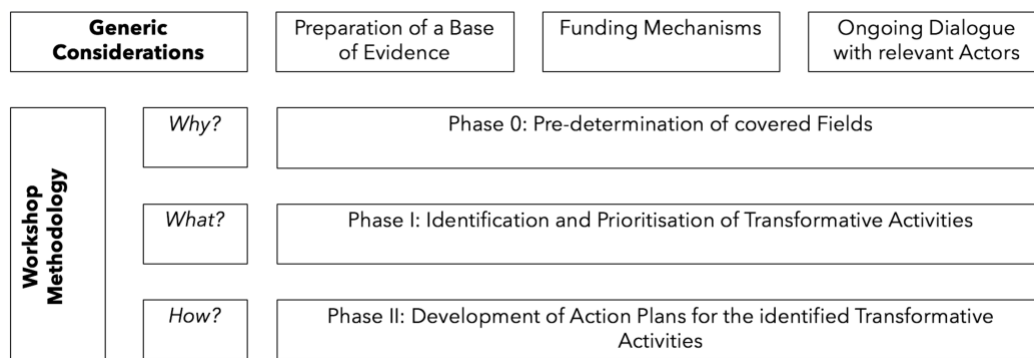
Identification of S3 type of project in its ideal form can be a rather complex process that, again, ideally, delivers the so-called “**transformative actions**”. These are defined as “neither an individual project nor a sector, but a collection of related innovation capacities and actions, extracted from existing structures, to which extra-regional capacities can be added, and oriented toward a certain direction of change” (Foray, Keller, Bersier, and Meier zu Köcker, 2018, p. 3), that can “serve as a catalyst for collective action by firms, suppliers and research partners” (ibid., p.1). The same source illustrates what is meant by such transformative actions: “not the footwear industry as a sector, but rather the development of flexible manufacturing technologies for the footwear industry; not the agro-food sector, but the development of nano-applications to increase quality in agro-food; not the energy sector, but the development of smart materials for renewable energy” (ibid., p.9). Indeed, a useful and actionable concept has been developed how to identify transformative actions – refer to Figure 1 below. Figure 1: Methodological framework for identification of transformative actions

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**Figure 1: Methodological framework for identification of transformative actions**



Source: Foray et al., 2018

Given relatively high complexity of the transformative actions' framework on the one hand, as well as the need to proceed as quickly as possible to tangible delivery of S3 in the case of Moldova (Wostner and Avram, 2021), also **more pragmatic approaches might be considered**. In fact, discussion during July workshop among the regional stakeholders did indicate that more straightforward approaches might be preferable at this stage. Conceptual framework, specifically for transition countries, has been put forward by Kleibrink, Larédo, and Philipp, 2017, who propose multiple approaches, among which option 4 seems to be the most relevant. According to them existing activities should be taken as a starting point in order to identify "small-scale activities and projects" first, i.e., projects that could be considered as a low-hanging fruit (ibid., p.14). These could be followed by activities with higher potential in the mid-term, with breakthrough opportunities addressed only in the long term.

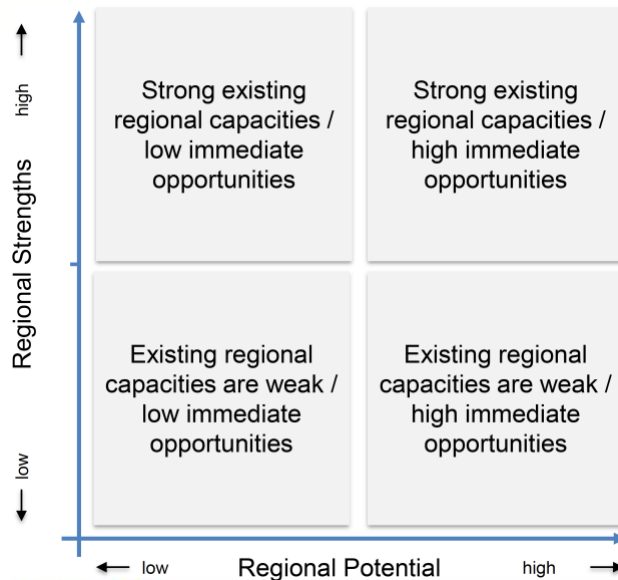
While attractive at first sight, especially the build-up logic from the existing activities, that still leaves open how such activities might get selected. For this purpose another methodological recommendation as put forward by Meier zu Köcker, 2018, could get useful. **Potential actions and projects could get classified in a rather simple matrix according to regional strength and potentials** – refer to Figure 2.

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Figure 2: Tool for classification of projects



Source: Meier zu Köcker, 2018

In preparation of such matrix facilitators might want to ask guiding questions like (Meier zu Köcker, 2018):

- Which activities are present in the region to support transformations identified?
- Are there enough capacities, resources and potentials in the region and in the concerned sector so that the activity could emerge, grow and ultimately drive desirable structural change?
- Can the opportunities be realised in the region on a short-term perspective or a long-term perspective?
- Are there activities, collaboration, resources present in the region that already target the discussed action?
- How urgent are interventions to support the development of discussed actions?

Indeed, such a matrix is very close to part of the methodology as proposed by Foray et al., 2018, which could also be considered. The only difference being that “regional strengths” would get replaced by “capacities” and “regional potential” would get replaced by “opportunities”, conceptually perhaps even closer to the logic promoted in this report.

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## 6 Possible Specific Actions

### 6.1 Overview and Time plan

Action	Implementor	Estimated Start Date	Est. Duration	Timeframe									
				2021 Sept	2021 Oct	2021 Nov	2021 Dec	2022 Q 1	2022 Q 2	2022 Q 3	2022 Q 4		
1	The Case for Regionally Specific S3 Priorities	MARDE / RDAs	September 2021	2 months									
2	S3 Regional Development Concept	MARDE / RDAs	October 2021	2 months									
3	Regional Awareness of S3 Concept and Capacity Development	RDAs / MARDE	November 2022	Ongoing									
4	National S3 Coordination and Delivery	MARDE	January 2022	Ongoing									
5	Access to Funding for Regional S3 Projects	MARDE	January 2022	Ongoing									
6	Regional EDP and Prioritisation	RDAs	January 2022 (earliest)	6-12 months									

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## 6.2 Broad Outline

### 6.2.1 The Case for Regionally Specific S3 Priorities<sup>15</sup>

a. Objective: To establish relationship between NSRD and National S3

b. Action Description: The decision on how to establish relationship between regional level and national S3 approach is context specific and can have different outcomes depending on choices made. Given the stage of S3 preparatory process two options remain possible for Moldova: mixed approach with separate S3 strategies on the regional level or engagement of regional level and stakeholders in the national S3 process. The following three dimensions should play integral part in the decision-making process: territorial distribution of economic transformation opportunities, institutional governance capacity at the regional level and strength attached to regional policy and territorially differentiated approaches.

c. Implementing Stakeholder: MARDE, with support from RDAs and possible support from GIZ.

d. Next Steps:

In the decision-making process the following two question should be explored:

➔ How strong is the case for specific regional prioritisation given economic structure and opportunities?

➔ How relevant are national priorities (sub-domains) for the regional level?

The already available empirical analysis (like Hollanders, 2017) as well as already defined priority sub-domains at the national level<sup>16</sup> should be checked and verified from the perspective of the above two questions. This should be done on the basis of the already available knowledge, especially of RDAs, enriched by exploration of other available materials (like Moldova RIS3 networks or already performed “Mapping of stakeholders for EDP” on the national level) and, if necessary, dedicated exploration with the stakeholders in the regions.

<sup>15</sup> Refer to chapter 3.1.23.1.1 for more extensive presentation.

<sup>16</sup> Available at <https://mecc.gov.md/ro/content/rapoarte-pe-domenii-ale-atelierelor-de-descoperire-antreprenoriala>.

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## 6.2.2 Outlining of the Regional S3 Concept<sup>17</sup>

a. **Objective:** Reaching a joint S3 Vision for regional level as part of Nation Regional Development Strategy and its delivery

b. **Action Description:**

There is interdependence of actions that need to be taken at least by the regional development stakeholders. Given the need for coordination joint actionable concept and approach to smart specialisation on the regional level should be agreed first. Such joint actionable concept and approach should set out a joint S3 vision, linkages between regional and national S3 approach, the roles of ROPs and RDAs, embedding of S3 in regional policy and linkages to other policies and action plan.

Joint S3 vision for the regional level would need to firmly commit regional policy to S3 process and position regional dimension as one that can contribute and enhance achievement of objectives set. NSRD should also make it clear why it considers S3 to be the right path forward and under what overarching regional policy objectives S3 regional dimension would be pursued. Establishment of a joint vision and concept is also necessary to mobilise actors at the regional level to go beyond the current, standard, traditional, infrastructure focused interventions and venture into promotion of regional transformation, innovation and design of ecosystems.

c. **Implementing Stakeholder:** MARDE, with support from RDAs and possible support from GIZ.

d. **Next Steps:**

- Defining the common vision in close coordination with the main stakeholders (MARDE, RDAs) and secondary regional stakeholders (possibly Chamber of Commers, ODIMM, LPAs, etc.);
- Making the common vision statement as part of the National Strategy for Regional Development (NSRD);
- Identify and adopt the appropriate effectiveness KPIs;
- Indicate general policy linkages within national and regional policy;
- Set out the role and linkages of ROPs.
- Ensuring regional level ownership of S3 by making RDAs, the key drivers for S3 at the regional level.

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<sup>17</sup> Refer to chapter 33.1.1 for more extensive presentation.

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### 6.2.3 Regional Awareness of the S3 Concept and Capacity Development

a. **Objective:** Increase regional awareness and ownership of regional S3 concept and capacity development of regional stakeholders for implementation of the concept

b. **Action Description:** RDAs are the primary promoters and ambassadors of S3 on regional level. The RDAs need to have the capacity to understand the S3 roadmap and to convince, together with MARDE, all relevant stakeholders, regional councils, LPAs, Institutes, Universities, Private Sector representatives, to onboard. For real S3 movement to be initiated in the regions, a proper awareness raising campaign should be done. At the same time RDAs should be supported and their capacity strengthened. Such actions should be performed in the spirit of learning-while-doing and focused on different dimension of entrepreneurial discovery process as presented in chapter 5.3.

c. **Implementing Stakeholder:** RDAs with capacity development part supported by MARDE and potentially also by GIZ.

d. **Next Steps:**

- After preparation of the regional S3 concept, awareness raising campaign should be designed and implemented within which, cross-stakeholder regional level effective communication should be ensured.
- Trainings and events for the stakeholders should go beyond presentation of S3 as such and should present what, and why, is being specifically foreseen in Moldova instead, including the step-by-step, how value would be generated for the regional stakeholders.
- Capacity development programme for the RDA.
- Developing partnerships with foreign RDAs for knowledge transfer and capacity building with regard to S3 promotion in Moldova.

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#### 6.2.4 National S3 Coordination and Delivery<sup>18</sup>

a. *Objective*: Strengthening inter-ministerial coordination and delivery on the necessary linkages, at least in the medium-term, among the national level stakeholders and policies.

b. *Action Description*: Coordination on both operational and political levels is required in order to ensure an enabling ecosystem for smart specialisation. This would guarantee process effectiveness (i.e., EDPs), policy mix effectiveness and better regional collaboration. The disconnection between policies has a negative impact on funding mechanisms, which in turn prevent real mobilisation on the ground. Thus, there is mutual interdependence between regional and national players to do with S3.

This action has two dimensions with the first to do with coordination and the second with funding mechanisms. As far as coordination is concerned the primary focus should be on coordination of S3 related processes and implementing institutions under ministries' purview. As far as the latter is concerned, key policies that would contribute towards S3 delivery would need to get identified. Identification of policies in general is of course insufficient, so it would be important to single out, which calls for projects are most important and which should be redirected towards S3 first.

c. *Implementing Stakeholder*: MARDE

d. *Next steps*:

- Based on the draft concept engage and agree on the regional component of S3 with other ministries, perhaps also seek support from the Prime Minister's office.
- Establishing functioning work communication with other Ministries (especially with Education and Economy);
- Agreement on how regional EDP process would get delivered and how it would benefit from national level stakeholders.
- Gradually working towards linking regional S3 process with national level financing.

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<sup>18</sup> Refer to chapter 43.1.1 for more extensive presentation.

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## 6.2.5 Access to Funding for Regional S3 Projects<sup>19</sup>

a. *Objective*: Ensure access to funding for regional S3 projects, or at least pilots, in order to kick-start and enable regional S3 process.

b. *Action Description*: As argued in chapter 4.2 the logic of S3 targeted regional policy toolbox should be to deliver change also in the short term, specifically for the regional development community. We would consider establishing at least of some dedicated funding as almost a prerequisite for meaningful delivery of regional S3 process, that would attract credible stakeholders into the process. It has namely been demonstrated that funding and subsidies can have a significant impact on how companies tackle innovation and innovation-related risks (Afcha and Lucena, 2020)<sup>20</sup>. Given that dedicated EU funding is only available to EU Member States, Moldova should presumably need to find its own solution. Given that addressing this would require certain reorientation of existing funding, which would be of course challenging, it is at the same time also more easily influenced given that it is under auspices of MARDE itself.

We would propose the three-step gradual approach by first reorienting and leveraging part of the Fund for Regional Development for empowerment, and possibly perhaps also financing of first pilot actions, followed by designing a more significant framework programme, for which funding from international donors could be sought. And only in the next stage, when the case for regional S3 approach would get even stronger, a more significant investment from instruments like EU's Neighbourhood instrument could be sought.

c. *Implementing stakeholders*: MARDE

d. *Next steps*:

- Contracting expertise to assist in re-allocating part of the Regional Development Fund (RDF) into a Fund for support of S3 initiatives; this implies formulating a funding mechanism for empowerment and possibly also for pilot action support, including evaluation of bids with monitoring of implementation;
- This step can be followed by contracting expertise to assist in additional fund attraction (international/regional donors); this additional funding can be either integrated into the RDF or it could be designed as a separate programme for funding based on the regional S3 concept;

<sup>19</sup> Refer to chapter 4.23.1.1 for more extensive presentation.

<sup>20</sup> It should be underlined, at the same time, that while availability of funding is important, this certainly should not be the only motivation for engagement, as obviously, existence of dedicated policy mix is only one of S3 cornerstones.

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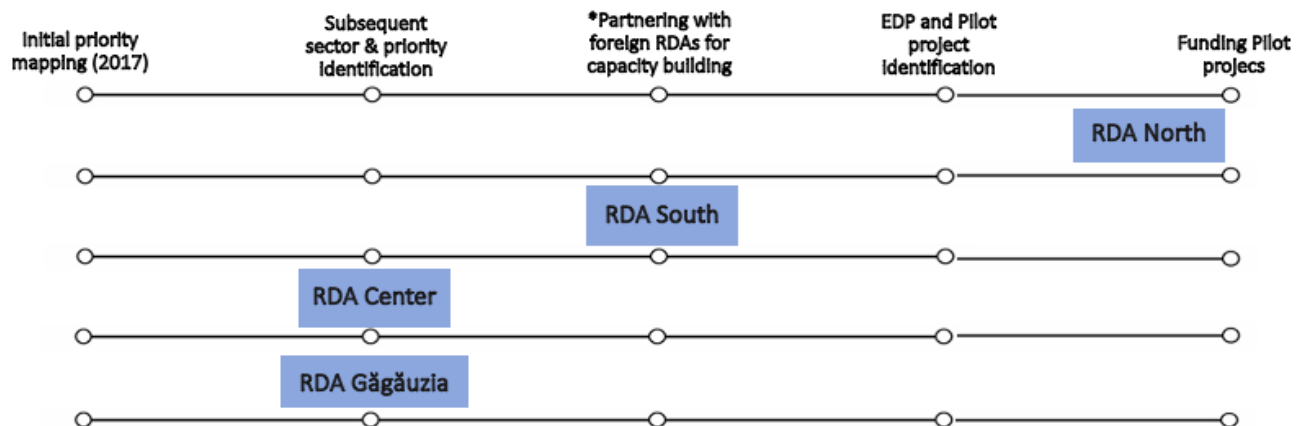


- Last stage would be to request expertise in bigger fund attraction (European Neighbourhood Instrument - ENI) to support a full country programme on funding smart specialisation; this would be a broader national programme that extends beyond mere small initiative funding; the ENI is the biggest available source of funding for Moldova at the moment and more grand funding opportunities will only become available for Moldova in the EU Pre-accession phase.

## 6.2.6 Regional EDP and prioritisation<sup>21</sup>

a. **Objective:** Engage in the regional EDPs and initiate continuous prioritisation process

b. **Action Description:** In terms of picking regionally specific priorities, only the RDA North has succeeded in defining them so far. The rest of the RDAs are at different stages. Depending on how advanced is each of the RDAs, the actions of the national level authorities will need to act differently, but consistently, with the overall objectives in mind.



The ultimate goal is to have all RDAs at the same, high level of competence, which means that interventions will need to be differentiated and calibrated to the needs of particular regions. After having secured agreement on the regional S3 concept, RDAs should engage in EDP process in order to define their priorities, coordinate them amongst each other and also identify projects and transformative actions that would deliver

<sup>21</sup> Refer to chapter 5.33.1.1 for more extensive presentation.

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change in the regions. Refer to chapter 5.3 for elaboration of key steps and considerations that need to be taken into account. Clearly, this is a demanding process that would certainly deserve facilitation and support, but also understanding and collaboration with national level institutions beyond MARDE (refer to chapter 4.1).

c. Implementing Stakeholder: RDAs together with MARDE and supported by GIZ and in collaboration foreign RDAs (via partnerships);

d. Next Steps:

- After agreement on the regional S3 concept, methodological approach to EDP with RDAs should be agreed.
- Definition or redefinition of regional priorities by RDA, including facilitation of EDP processes at the regional level.
- Supporting RDAs in identification and design of (pilot) projects and transformative actions.
- Agreement of inter-regional coordination mechanism and its testing.
- Supporting RDAs in fund attraction and fund distribution.
- Offering assistance to RDAs in forming effective partnerships with foreign RDAs;

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