Evaluation of European Union’s Cooperation with Montenegro 2012-2019

Learning brief #2 Innovation policy

Montenegro is one of seven countries on the path to European Union membership. The EU is providing assistance in the form of policy dialogue, technical expertise and financial support, to enable Montenegro to meet the conditions for membership. In 2020, the European Commission engaged a team of experts to assess the effectiveness and performance of its assistance to Montenegro from 2012 to 2019. Over this period, the EU allocated EUR 384 million of national level assistance, plus additional financial assistance through regional Western Balkans programmes. The evaluation drew on in-depth studies of interventions in Public Administration Reform, Rule of Law and Environment sectors, the Economic Reform Programme dialogue, and overall funds management process.

This learning brief describes some of the key lessons learned related to innovation policy emerging from the study of the Economic Reform Programme.

The Needs

Until recently, Montenegro’s innovation policy took a top-down approach and was reliant on upstream publicly funded research and development (R&D) systems. The idea was that innovation would flow naturally from university and research centers in traditional fields of excellence of the higher education system and business creation would be encouraged through spin-offs from dedicated technological and science parks serving as business incubators. Fostering innovation meant assisting R&D achievements turn into business ideas.

A neglected alternative was a bottom-up approach based on the promotion of privately driven research and the fostering of cooperation with academia based on the private sector’s needs. This would first of all require a mentality change in the stakeholders involved and some kind of more inclusive institutional framework. For instance, there were no governance mechanisms or bodies, networks or organizational arrangements explicitly focused on non-R&D sources of innovation. Organisations like productivity centres, quality control and quality enhancement centres, industrial extension services, sector technology support services were almost non-existent and not yet the targets of any explicit support policy.

In 2016, with World Bank support, Montenegro adopted its first Strategy on Innovative Activity (2016-2020). This started to raise awareness about strategic shortcomings. It acknowledged the need to foster bottom-up innovation by setting targets for increased private R&D expenditure and by identifying as a priority the need to increase private sector contribution to R&D expenditure. The strategy, however, was drafted by a working group mainly composed of university professors and civil servants without private sector involvement and with limited inter-ministerial cooperation in the process.

The Challenge Ahead and the EU Approach

The challenge for Montenegro was to trigger a cultural and institutional change enabling:

• on the one hand, the creation of a fully-fledged governance for research and innovation (R&I) policy reaching out to the business sector;
• on the other hand, the inclusion of business actors themselves in the policy-making process by making innovation an inter-ministerial task.

The solution was the provision of an innovative two-pronged form of EU support based on enhanced policy dialogue mechanisms, and directly involving the business community in identifying possible areas of competitive advantage worth investing. This consisted of:

• Support under the EU Horizon 2020 Policy Support Facility (PSF) where the country received high-level expert advice directly from innovation entrepreneurs and business angels on how to establish an Entrepreneurial Innovation Ecosystem in the country.
• The involvement of the EU Joint Research Centre in the preparation of Montenegro’s own Smart Specialisation Strategy (the first outside EU Member States). The S3 was driven locally by an inter-ministerial working group, including for the first time, business, academia and civil society.
Main Outcomes

The PSF study offered nineteen recommendations and was extremely well received; some recommendations were adopted by the Government even before formal completion of activities. The recommendations became part of the “Programme of Measures Promoting Innovative Start-ups in Montenegro” and the accompanying Action Plan. A new legal framework was created including a revised Law on Innovation Activity and a Law on Incentives for Development of R&I both approved in July 2020.

The Smart Specialization Strategy contributed to breaking the vertical “silos” mentality and nurturing and developing a strong sense of strategy among the stakeholders involved. This took the form of the creation of an inter-institutional S3 co-ordination team, and the creation of focus groups to directly involve the business community to overcome their skepticism. The participative process proved a success with several hundred stakeholders involved and provided a track record of a successful inter-ministerial cooperation on which to build for further developments.

EU Added Value and Lessons Learned

Assistance in the programming of innovation policy is a good example of the results that can be achieved when the European Commission is in a position to complement traditional forms of policy dialogue and IPA assistance with a more direct involvement of the Candidate Countries in specific sectoral dialogue managed by dedicated technical agencies (e.g. the JRC) or assisted by the relevant line DGs (e.g. the DG Research Horizon 2020 policy support facility). This includes direct exposure to policy discussions at the EU level and this should be recommended as a best practice to follow. This will be even more relevant under the Economic Investment Plan. More traditional IPA projects can then build on the results of such exposure and greatly increase their effectiveness, as was the case for innovation programming. The main lesson to be drawn is that relevant Government institutions should be increasingly given the possibility of opting in to take part into the EU sectoral initiatives they are interested in.