



*Regional Responses and Global Shifts:  
Actors, Institutions and Organisations  
RSA Conference – 24-26 May 2010, Pécs*

**Regionalisation Efforts  
in the Hungarian Innovation Policy**

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1. The emerging role of region in innovation policy
2. Thesis and methodological background
3. Decentralisation processes in innovation policy
4. Proposals and recommendations





# *The emerging role of regions in innovation policy*

## **Regional innovation systems**

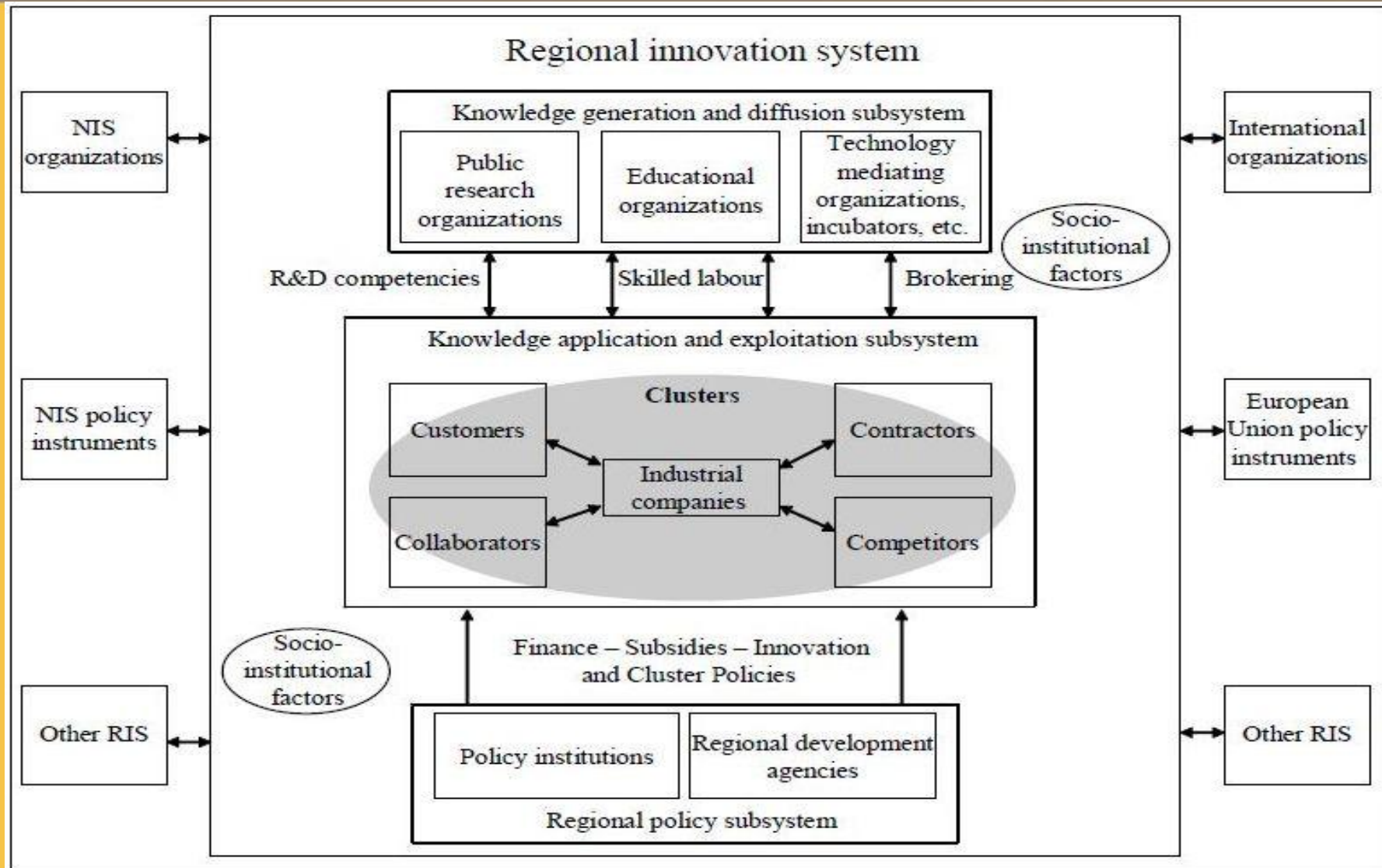
- effects of globalisation, strengthening competition, growing importance of localised innovation capabilities, that are hard to copy / to transfer (competencies, knowledge, institutions, tools)
- growing importance of regional innovation systems in the economic literature, as an effective regional policy measure, stronger regional policy focus

## **Decentralisation of research and technology development and innovation policy (RTDI)**

- decentralisation of political competencies (several EU countries)
- growing interest in RTDI policy at regional level, especially in federal provinces or autonomous regions (e.g. Germany, Italy, Spain)
- growing importance of regional RTDI policy at EU-Level (RIS/RITTS, Knowledge Regions, Regional Clusters)

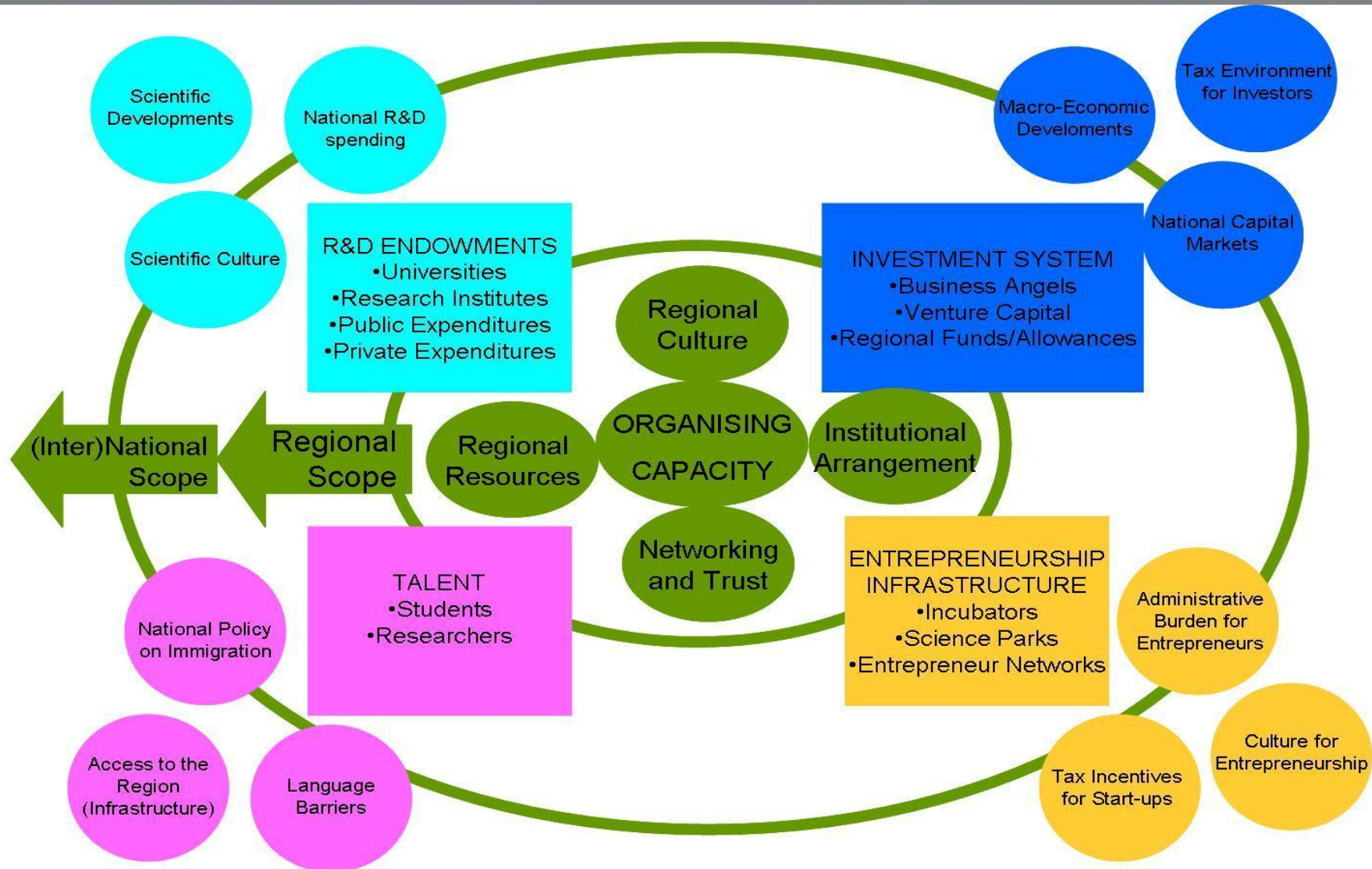


# The structure of regional innovation systems





# An other approach of regional innovation systems





## **Precondition of effective intervention**

- clustersation, networks, innovation system and milieu: nodal region, centrum or agglomeration and its gravitation area (with no real borders)
- evaluation, monitoring: statistical, planning region (e.g. NUTS regions)
- opportunities for political actions: institutionalised region, independent administrative unit, political regions (at least development region)
- the issue of economies of scale (institutions, measures, tools)

## **Spatial dimension of regional innovation systems**

- the regional dimension of evaluation and political action is typically NUTS2 units
- micro regions below NUTS2 level (e.g. Stuttgart Region)
- municipalities below NUTS3 level (e.g. the city of Graz)
- cross border and transregional innovation systems (e.g. Rhein-Maas Region: FR-GE-CH, Øresund Region: SE-DK)

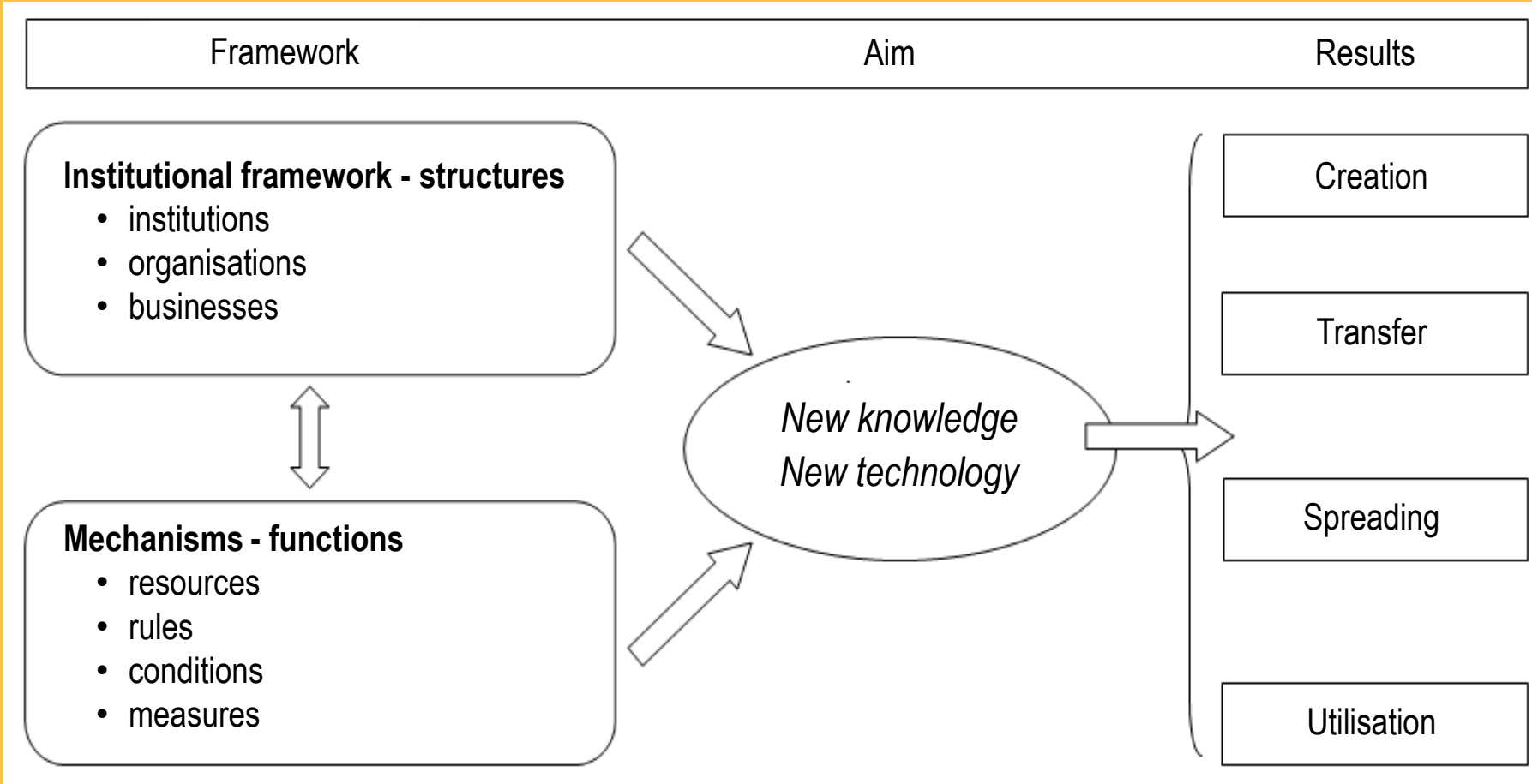


## Basic issues

- the existence of real regional innovation systems (RISs) in Hungary
- real RIS: decentralised political and professional background, autonomous decision making, institutions and organisations
- representation of regional interests at national level

## Connecting issues

- the existence of a real, expressed regional innovation value system and interest, that could be represented at national level
- regional innovation policy in a more complex issue (regional economic development, regional policy)
- the dilemma of current regional division of Hungary and the level of decentralisation (issue of administrative regions)





		<b><i>Dimensions of regional innovation policy</i></b>	
		<b><i>Professional dimension</i></b>	<b><i>Political dimension</i></b>
<b><i>The regional innovation system</i></b>	<b><i>Structural components (institutions)</i></b>	The existence and development stage of regional innovation system	The existence and the degree of institutionalisation of regional innovation policy
	<b><i>Operational components (practices)</i></b>	The role of regional professional actors and organisations in national innovation policy	The role of regional policy in national innovation policy



## Document analysis

- national and regional innovation systems
- decentralisation, regionalisation, innovation policy in Hungary
- spatial disparities of innovation and R&D activities in Hungary
- role of STI in national and regional development strategies, documents

## Interviews

- subjects: professional and political actors of regional innovation systems (all regional innovation agencies, regional development agencies, regional innovation councils, regional development councils)
- issues: actors of regional innovation policy, cooperation with national level, connection of national and regional innovation policy, representation of regional interests at national level



## **Growing role of regions from mid 1990s**

- highly centralised country with really powerful capital in all fields
- Act on regional development and spatial planning (1996, 1999, 2005), Regional development strategy of Hungary (1998, 2005)
- statistical and planning regions, regional development councils and agencies, no elected local governments at regional level, only delegated bodies
- regionalisation of different sectoral deconcentrated organisations (formerly operating at county level)

## **Bottom-up initiatives regarding to economic development and innovation**

- 1990s: extensive economic development (FDI, industrial parks, fast economic growth, but low value added activities, lack of R&D and innovation activities)
- 2000s: turn toward intensive development, new instruments (advanced services of industrial parks, innovation centres, education, cluster initiatives, networks, RIS)



# Regions in Hungary (NUTS2 and NUTS3)

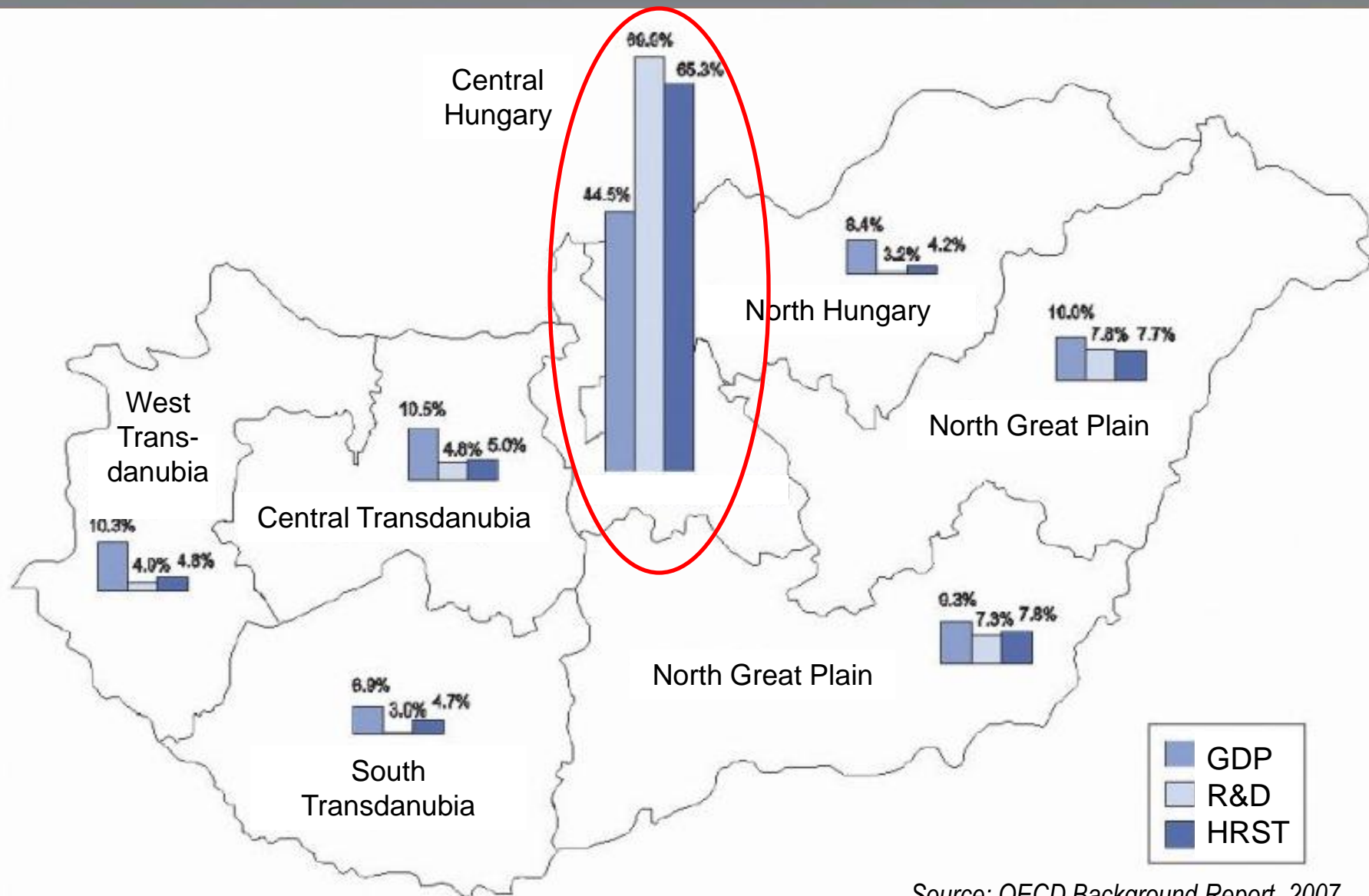


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Source:  
Eurostat, 2010.



# Share of NUTS-2 regions in some indicators, 2006 (HU=100)





# *Institutionalisation of regional innovation systems*

## **Top-down decentralisation**

- Research and Technology Innovation Fund (2003), Act on innovation (2004), 25% of RTIF for regional issues (involvement of regional development councils)
- commitment of National Office for Research and Technology for decentralisation and strengthening of regional structures
- 2005: regional innovation agencies (RIAs) as consortiums of local stakeholders, formation of semi-political bodies on innovation (council or working committee), regional funding schemes
- 2008: reformulation of RIAs as independent organisations based on local partnership, own revenue from innovation services expected
- need for coordination of RIAs from both national and regional level: RIANET, RIIS
- results: first steps of decentralisation process in innovation policy



## **National level**

- the Hungarian science, technology and innovation (STI) policy formally contains the organisations and institutions operating in developed countries
- innovation policy is a marginal issue in national development process, uncertain position in government structure, changing ministries, priorities
- excessive instability: frequent changes in the status, mandates and operation of key innovation policy institutions, serious obstacle to institutional learning
- policies might be influenced by pressure groups and short-term political considerations rather than by a sound understanding of the impacts of foregoing decisions and current (and future) socio-economic needs
- decision making mechanism of STI policy depends on persons
- highly centralised STI policy (governance, planning, strategy) based on the regional disparities of innovation infrastructure and human resources
- STI policy is one of the last issue in regional policy, while generally regional policy also has marginal role in sectoral ministries



## **Regional level**

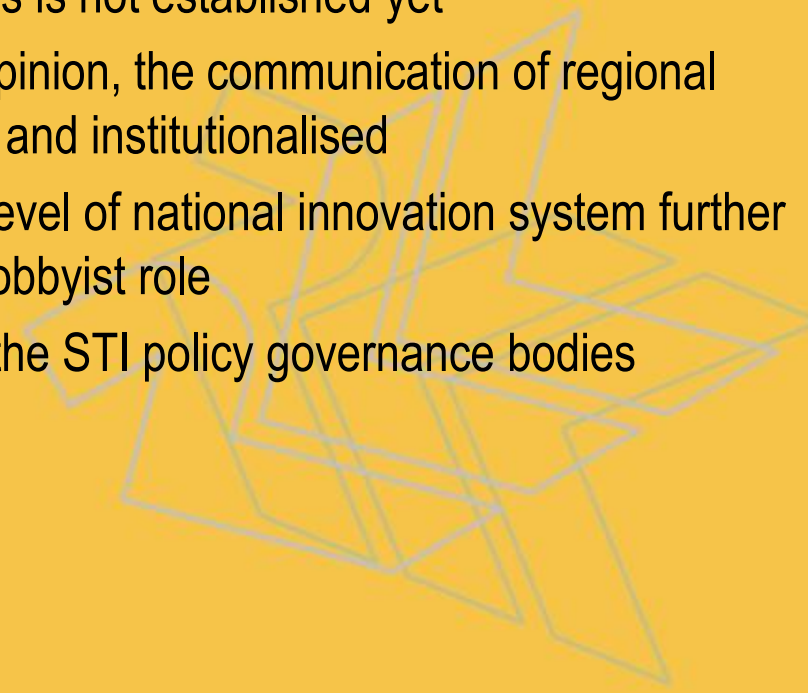
- the governance of innovation policy at regional level is far from being well-developed, regional strategic actions are difficult to co-ordinate with stakeholders
- regions do not have real decision making authority regarding to STI policy, implementation of such kind of strategy depend on national instruments and funds
- regional innovation systems are in their early development stage
- weak cooperation among different actors of regional innovation systems, especially between business and knowledge centres
- local / regional politicians do not have experiences in innovation issues
- regional policy is divided, contrary interests of different actors (government, administration, business, academy)



# *Connection between national and regional levels*

## **Extremely limited, incomplete connection ☹️**

- regions role regarding to anticipate or influence national STI policy and development process is limited
- institutional background, tradition and culture of dialogue and cooperation between the national and regional actors is not established yet
- the opportunity of regions to make an opinion, the communication of regional interests and priorities is not formalised and institutionalised
- continuous changes in direction at the level of national innovation system further weakened the regions' already limited lobbyist role
- regions do not have representatives in the STI policy governance bodies





# *Connection between national and regional levels*

## **Favourable signs? 😊**

- positive changes with the establishment of the Research and Technological Innovation Fund (RTIF) and the regional innovation agencies (mid 2000s)
- regional development councils connect to the national and local innovation processes and policy
- the new regional innovation agencies and innovation councils or committees are the professional basis of the regional development councils
- new regional actors, strengthening institutional framework at regional level, start of communication among different actors, start of decentralisation
- expanding tasks of regional development councils, quasi decision making position regarding the 25% of RTIF (however the real rate of disposition is not exceed the 10%)



# *Most important message*

## **Regarding to regional innovation policy**

- the influence of regions on national STI policy and the formation and development of regional innovation system is very low, negligible
- there is no real and distinct, autonomous regional innovation policy, it has not got the necessary organizational, institutional and human conditions
- rather a small professional field is outlined under the umbrella of the regional innovation agencies, councils and other working committees

## **The main problem**

- the missing critical mass of R&D&I capacities (operation and efficiency) in the six rural regions (opposite to the Budapest agglomeration), what the policy could represent

## **Future?**

- without the real and measureable strength of the regions' innovation capacity this issue will not play dominant role in the future, even if it get priority in both national and regional level due to strategic reasons



## Change in paradigm

- increasing importance of R & D and innovation, especially for political actors
- the change of view of local/regional politicians with appropriate tools is needed in order to change their attitude to innovation
- then there is scope to establish an independent regional innovation policy, for which the political actors are responsible, and to enforce it at the national level

## Continuing decentralisation

- further decentralisation in development policy (e.g. reform of local/regional governments, sectoral policies) for the formation of regional innovation policy
- further decentralisation process regarding to innovation policy, there is a need to continue it based on the existing institutional and organisational framework
- increasing local/regional interest and awareness in decision making (regional innovation agencies and regional development councils)
- real regional decision making competences on financing resources



## **Real regional innovation policy**

- creation of real regional innovation policy
- efficient professional work can verify the justification of innovation policy
- improvement of the interest articulation of the local business and the academic sphere, their needs are essential for regional innovation policy
- renew the former regional innovation strategies for the formation of unified interests, political publicity

## **Functions of regional innovation agencies**

- coordination, catalization, stimulation, information and connect the different actors
- channel the interests of local actors to regional and national innovation policy
- need public finance in long term
- coordination among regional innovation agencies at national level (RIANET, RIIS)



## Representation of regional interests

- involve the regional interests at national level in STI policy (in both professional and political level)
- improve the formal, institutionalized opportunities and operational efficiency
- representation of national STI policy at regional level (e.g. in regional development councils)

## Building regional innovation capacity

- weak innovation capacity of rural regions bring weak innovation policy
- map and develop the existing regional innovation capacities and the future potentials (business and academic sphere)
- potential directions of analysis: operation and efficiency of the innovation support system, definition of the techniques, intervention points to overcome the existing barriers and obstacles



# Thank you!

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