



CLOSING THE CIRCLE: SMART SPECIALISATION, LOCAL DEVELOPMENT AND SUSTAINABILITY

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Content

- Introduction
- Smart Specialisation in evolution
- Addressing sustainability and societal challenges
- Smart Specialisation and challenge oriented innovation policy
- Final considerations



OECD Trento Centre current **projects**

Local Employment and Inclusion



- ✓ Analysing an ever-evolving demand for labour and skills
- ✓ Designing and assessing teleworking strategies for local development
- ✓ Improving the disability assessment and social protection system in Italy

Entrepreneurship and SMEs



- ✓ Exploring the business dynamism-regional productivity nexus
- ✓ Fostering innovative start-up ecosystems
- ✓ Scale-up policies for SMEs with high-growth potential

Competitive and Resilient Places



- ✓ Informing regional smart specialisation strategies
- ✓ Investigating the productivity-resilience nexus
- ✓ Building local capacity for effective development policies
- ✓ Enhancing decentralised development co-operation strategies

Culture, Tourism and Global Events as Driver for Local Development

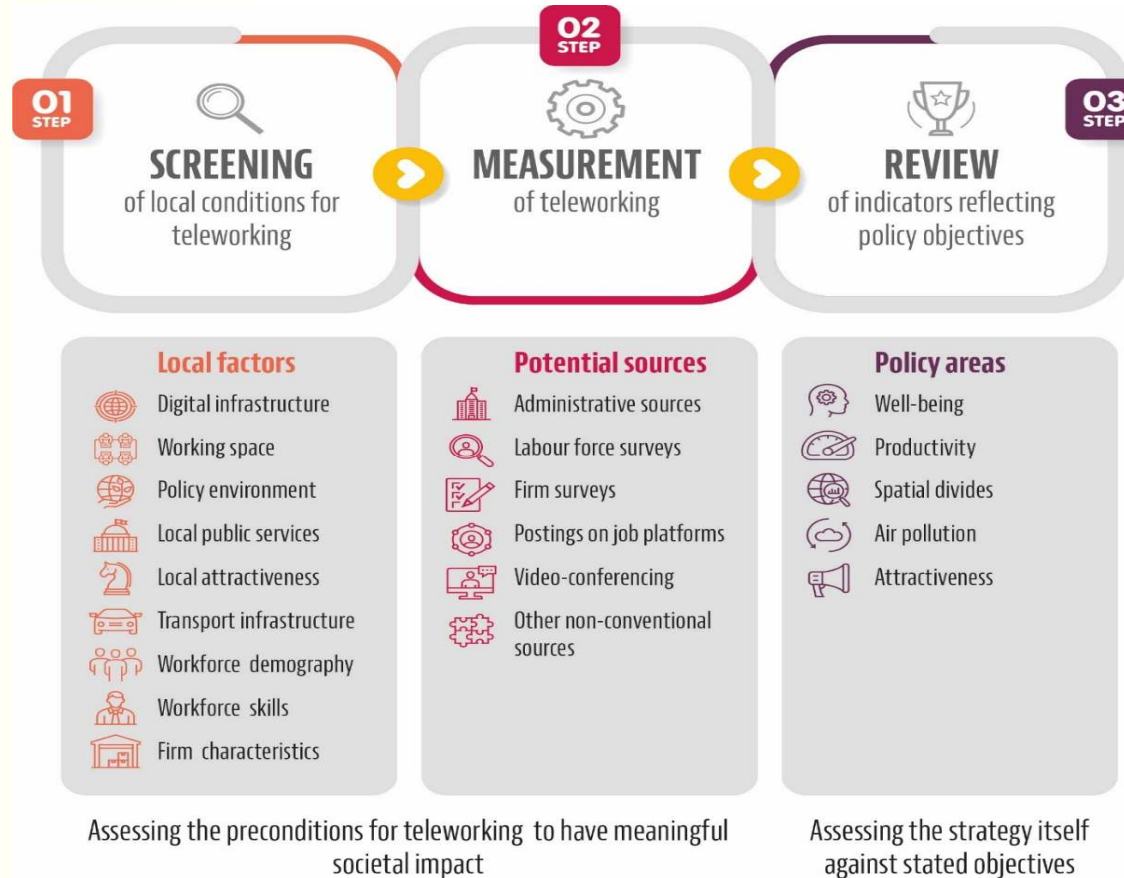


- ✓ Unleashing the potential of cultural and creative industries
- ✓ Building capacities for cultural and creative industries
- ✓ Preparing for Winter Olympics 2026: apply the OECD Recommendation



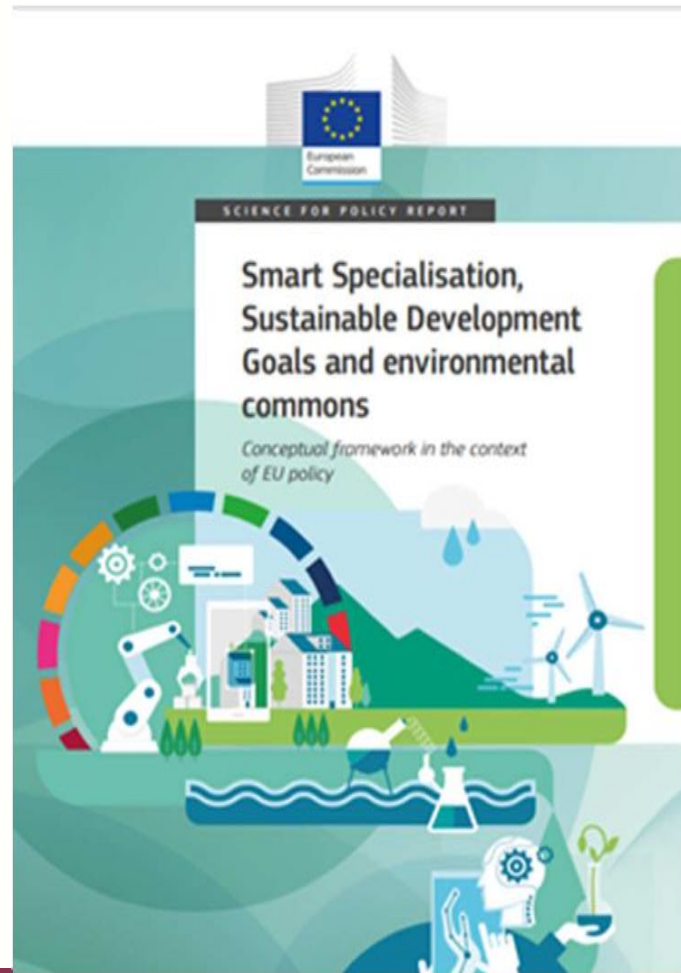


Teleworking strategies for local development: an OECD toolkit



Source: OECD, Forthcoming. A toolkit for successful teleworking strategies for local development.

Background publications





Smart Specialisation concept

- is a "**new industrial policy**" that describes the tools with which regional and national governments can manage positive structural change and modernise economic structures (Foray, 2017)
- is a large-scale **industrial and innovation policy experiment** encompassing all EU regions and countries (Radošević, 2017)
- is the most ambitious **innovation policy** ever launched on a large geographical scale and refers to it as a concept that envisages strong interrelations between innovation, **institutions, and development** (Morgan, 2017)
- one of the main advantages of is its practical contribution to **changing** the routines and practices of **governance**, even if there is a lack of understanding of the measurable effects on policy (Kroll, 2015)
- one of the main contributions is a strong emphasis on local government that constantly **learns and integrates knowledge**, and that can orchestrate fruitful discussions about the region's future and **empower regional stakeholders** to take an active lead in socio-economic and sustainable development (Ciampi Stancova, 2020)



Critics of Smart Specialisation

Hassink and Gong (2019):

- the lack of conceptual clarity, notably the relation between specialisation and diversification
- dominant focus on conventional science and technology (S&T)
- potential overlap with cluster policies
- limited transformative potential of the EDP
- limited benefits for structurally weaker regions
- and weak measurement systems and practices

Benner (2020):

- the one-size-fits-all methodological approach
- narrow focus on R&D
- insufficient focus on the process and implementation
- ensuring realistic expectations



Smart Specialisation is evolving

2013-2020 'Region at the core'

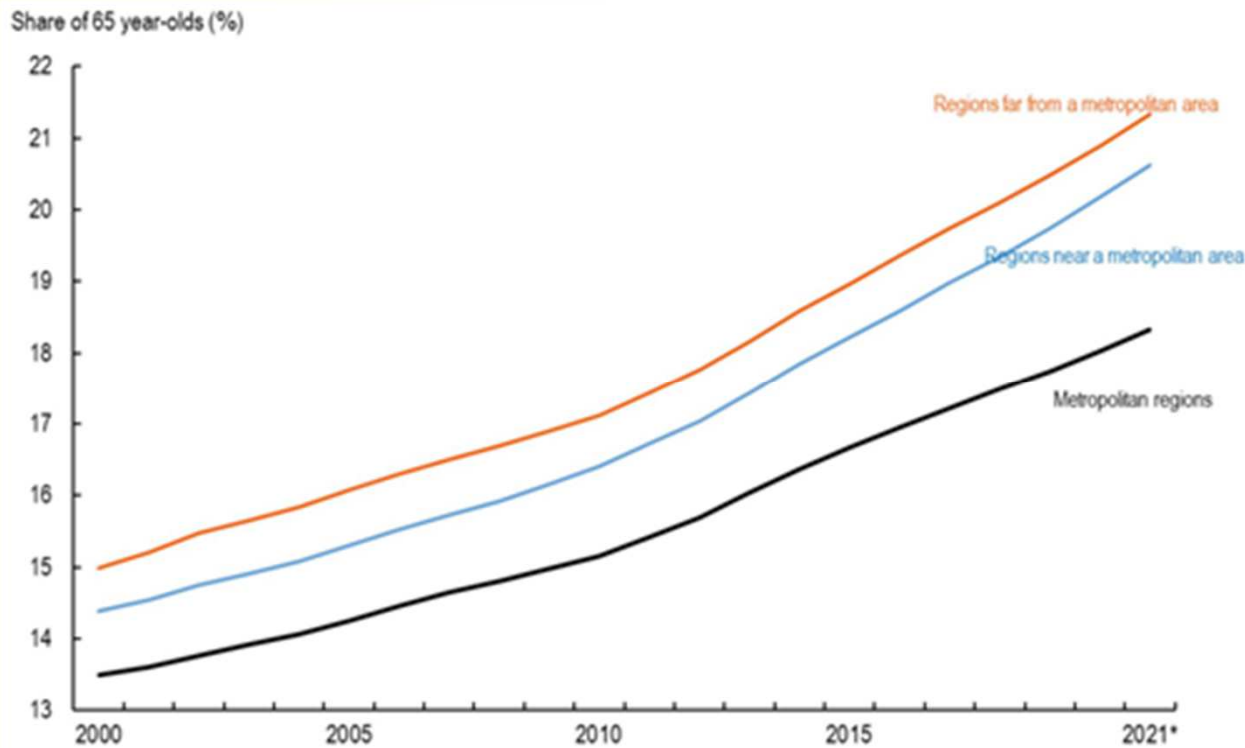
- focus on local economic transformation and growth
- endogenous development: local knowledge, capacities, institutions and actors
- free to innovate and define a development vision
- Bottom-up: relies on engagement and input from the innovators and stakeholders

2021-2027 'Sustainability and societal challenges (megatrends) at the core'

- Smart Specialisation need to benefit from intentionality and directionality
- global long-term development objectives need to meet the bottom-up, local and often shorter- to medium term priorities
- a strong sustainability orientation has direct implications for the vision and priority setting in S3



Challenge of aging population

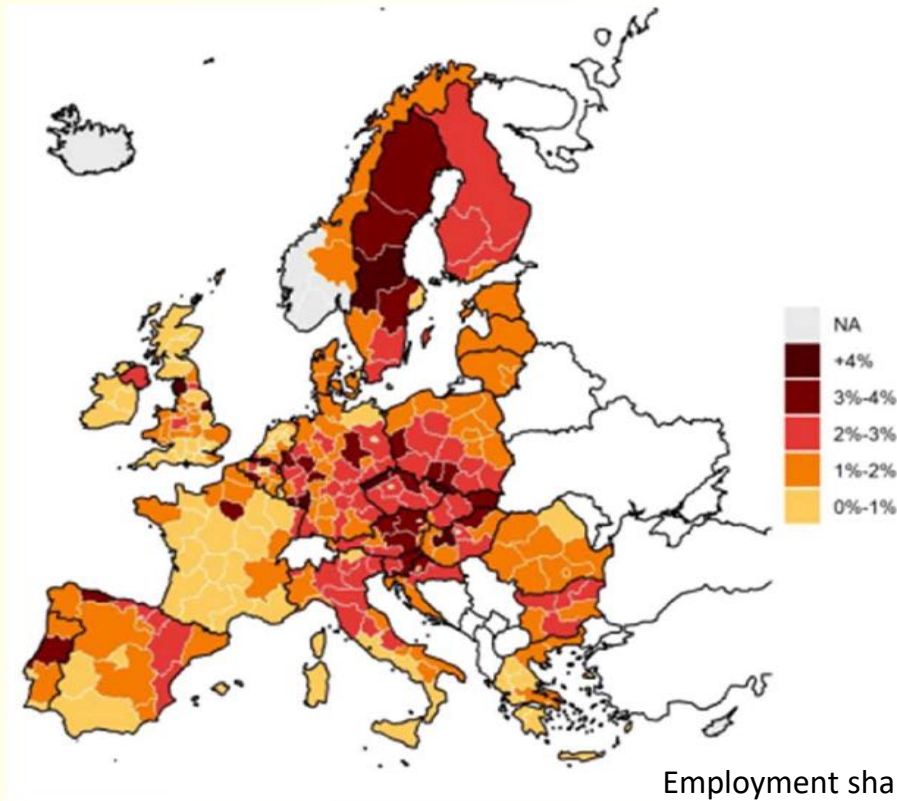


Higher future demand of services associated with aging will require alignment of research with technology deployment and social services innovation.

Elderly dependency rate in OECD countries by type of region (TL3)

Source: OECD (2022) OECD Regional Statistics (database)
Notes: Share of 65+ year-olds over total population. *2021 preliminary data. Share of 65+ are unweighted average of 65+ share by type of regions at country level

Challenge of Green transition: uneven impact on regions



Employment shares of the most gas-intensive manufacturing sectors are largest in regions of Central Europe, Northern Italy, Sweden and Finland

The 34 EU regions which have highest sectoral emissions per capita and employment shares, most of them are economically and institutionally weaker regions.

Employment share of the five most gas intensive sectors, % of regional employment, TL2, 2019
Source: The implications for OECD regions of the war in Ukraine: An initial analysis.



Key questions

How to adapt and **transform the S3 framework** to embrace economic, social and environmental dimensions of sustainability and development goals?

What are policy and **governance** implications of **embedding directionality** towards sustainability in S3?

What is the **role of entrepreneurial discovery process** in fostering sustainability goals, including how to **reconcile top-down** priority setting on the international, EU and national level with a **bottom-up entrepreneurial** search?

Synergies and trade-offs between economic, social and environmental objectives in the S3 strategies at different and across governance levels?

Specific challenges and opportunities in **economically and institutionally weaker** countries and regions?



Mission-oriented policy approaches to place-based innovation strategies

	SUBNATIONAL	SUPRANATIONAL
ASSUMPTION	Challenges specific to local circumstances	Challenges affecting all regions in similar ways
RATIONALES	Finding ways to tackle contextual problems Improving democratic decision-making Increasing variety Achieving multi-actor coordination	Avoiding free-rider problem Avoiding duplication Sharing risks Benefiting from economies of scale
SCALE	Small-scale and contextual solutions	Large-scale solutions requiring big investments
LEGITIMACY	Contested problem requiring responsiveness to citizens and multi-stakeholder participation in formulating needs and solutions	Uncontested problem with clear problem definition, often associated with need for scientific advancement, technology innovation and technology diffusion.

Source: Wanzenböck and Frenken (2020)

- little consideration of space and place in the research
- supranational for broad societal challenges and goal, an overreaching direction
- subnational translate goals into own strategies and policies, context-specific solutions



S3 as a mission-oriented innovation policy

Foray (2018):

- establishing priorities: getting the level of granularity right
- developing transformative activity within the framework of the established priority: integrated vision of the transformative activity including both the technological and non-technological dimensions
- appreciating the experimental nature of missions: Entrepreneurial Discovery Process, the ambition to foster learning and knowledge spill-overs and keeping the strategy flexible and responsive to new evidence



Smart Specialisation and RRI

- RRI at regional level is a young research field
- RRI offers an ethical dimension of innovation to Smart Specialisation, where Smart Specialisation can bring geography to RRI
- RRI can help to incorporate social dimension across the S3 process and avoid a 'simplistic' economic approach to competitiveness
- Foresight methods: map and anticipate the risks and opportunities of alternative transition pathways
- Reflexive action: using a participatory method such as social living labs to support the bottom-up inclusion of new stakeholders and, thus, ensure greater plurality



Final considerations

An overall message is that the S3 framework should be revisited and extended if it is to foster transformative system innovation.

- Introduce a strong directionality
- Allow for bottom-up experimentation and diverse pathways for different types of innovation
- Foster a whole-system transformation towards sustainability
- Leave no place behind
- Boost interregional policy learning

Thank you for your attention

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Partnerships for Regional Innovation

Promoting innovation-driven territorial transformation for long-term societal wellbeing

*Hannah Schmidberger
Policy officer, Joint Research Center (JRC)
European Commission*



Europe 1901-2021

*“We are at a pivotal moment in the world’s response to the climate and biodiversity emergencies and **we are the last generation that can still act in time**”*

Quote source: 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality. European Commission 2021, p.1

Image source: <https://showyourstripes.info/s/globe>

The right moment

A European Green Deal
Striving to be the first climate-neutral continent

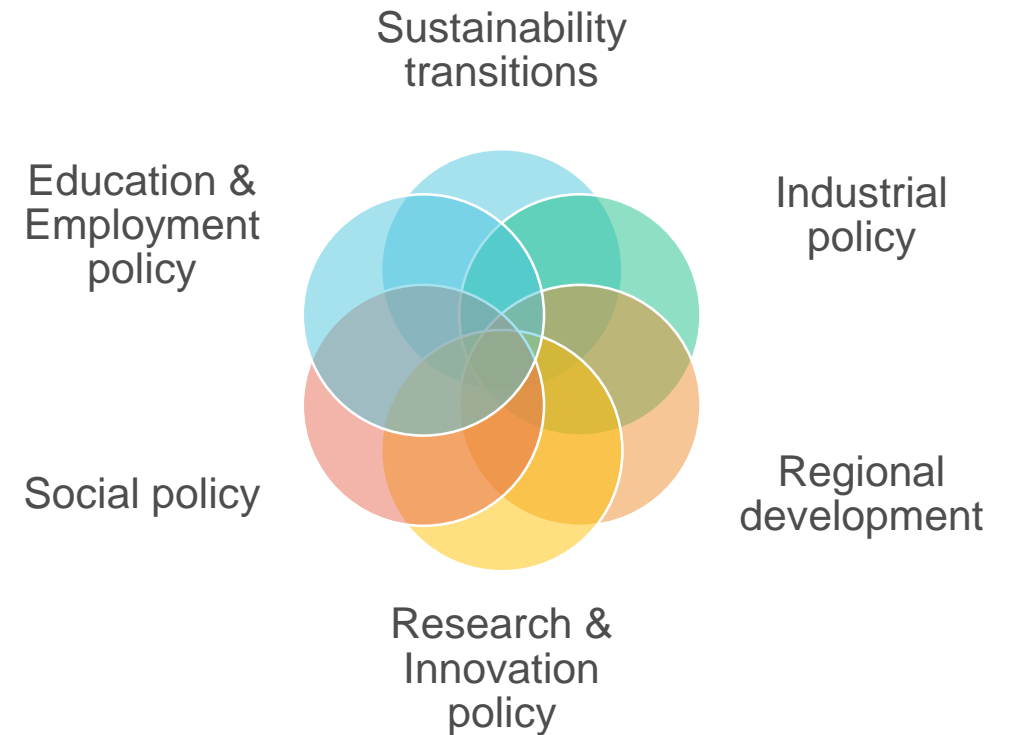


- Urgency to address **climate change** while leaving no one behind
- Secure **Europe's position** in the economy of the future
- Confluence of maturing trends:
 - Deep **global transformations in socio-technical systems**;
 - Return of **industrial policy: EU competitiveness through sustainability**;
 - New scientific paradigm of innovation: **system-level innovation and transformative innovation policy (Frame 3)**;
 - JRC experience with **Smart Specialisation (regions)** and **RRF (countries)**.

Partnerships for Regional Innovation

A new strategic approach to innovation-driven **territorial transformation**, linking **EU priorities** with national plans and **place-based** opportunities and challenges

- **Partnerships** for sustainability transitions that create economic, social & environmental value
- Participatory **governance framework** in support of forward-looking policy
- **New ways of working across government** departments and levels focused on solving territorial challenges



Catalyser of EU and local efforts to enhance **coordination** of **regional, national and EU** innovation **policies**

Addressing **fragmentation**:

- (i) Funding and policies in territories, and
- (ii) Misalignments of regional/national/EU policy initiatives

PRI

Identifying **local challenges** and set place-based **directionalities** for sustainability

Building on **S3** and anchored in EU policy framework, to implement the **European Green Deal, Horizon Europe, Cohesion**

PRI: Three building blocks



Three building blocks

- Based on JRC experience with S3, literature on innovation, practitioner expertise

Design specifications

- Unites multiple **funds/policy** domains for the twin-transition
- Suitable for **various levels** of governance (not just regions)
- Deploys various **instruments** (not just projects)
- Allows linking with European missions and partnerships (through **partnership hubs**)

PRI Pilot

4 Member States



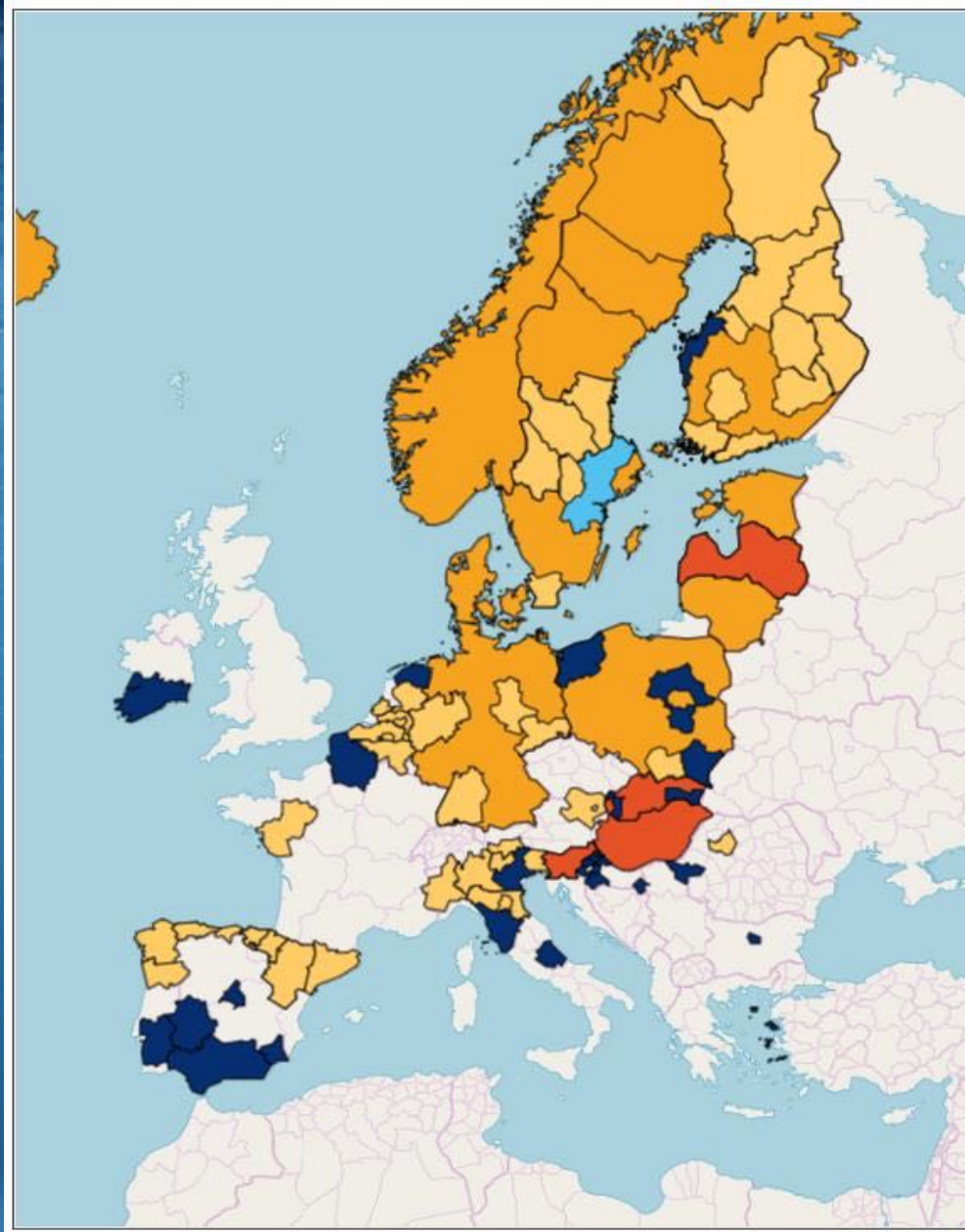
7 Cities



63 Regions



74 Territories in total



Participation in the Partnerships for Regional Innovation

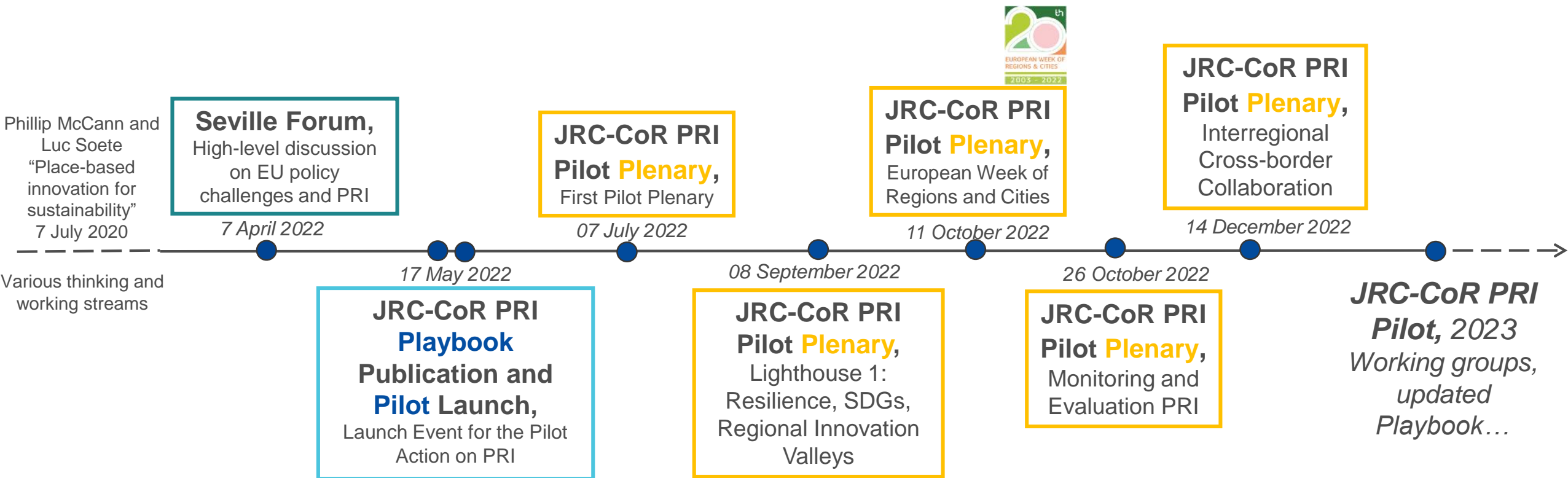
- Single region
- Multi-level and cross-border regions
- Cross-border regions
- Multi-level and multi-region
- Multi-region
- Member State

Main objectives



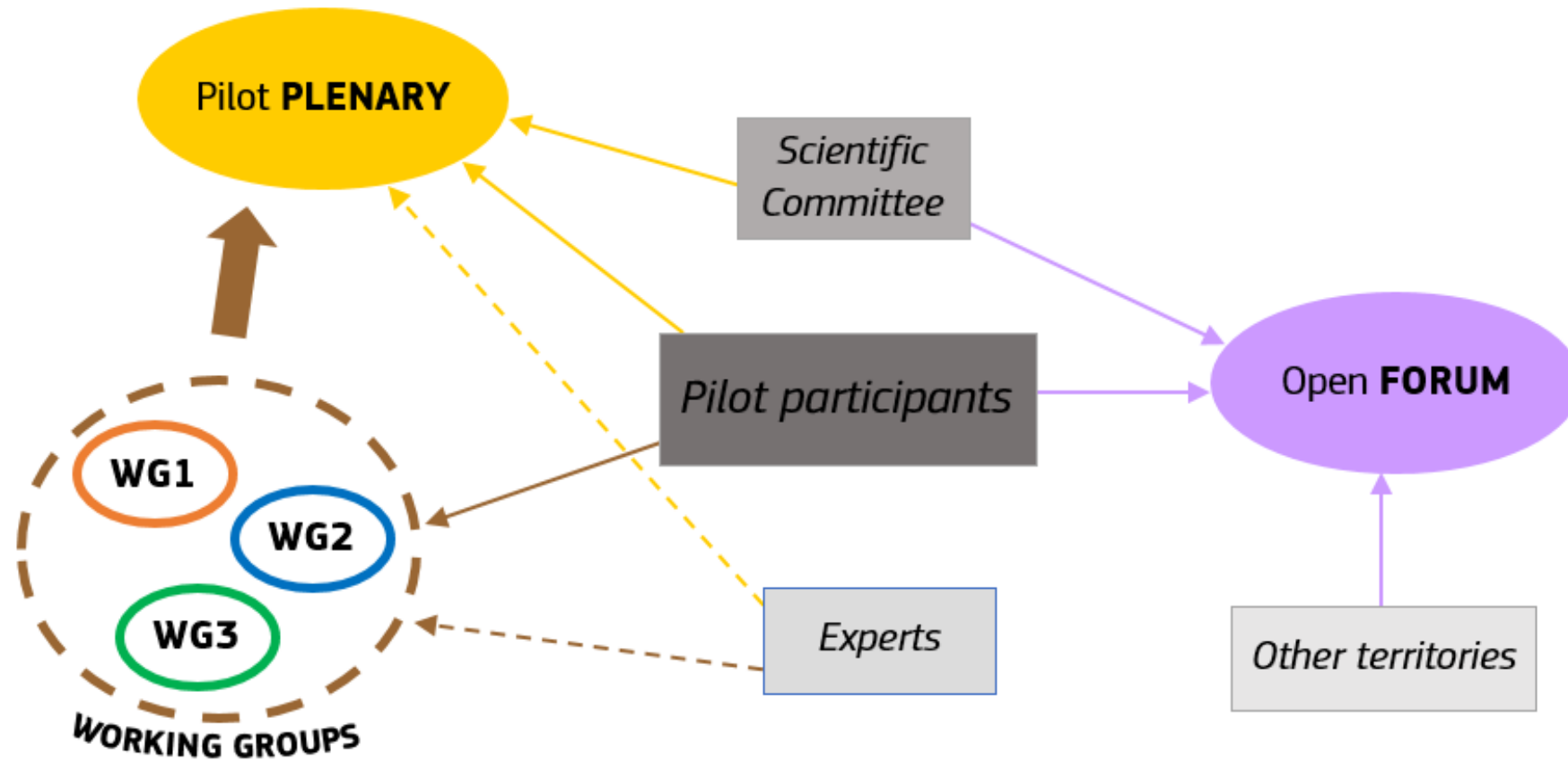
- A **revised PRI Playbook** for PRI design and implementation
- New **monitoring and evaluation** approach in line with PRI and SDGs
- Supporting the implementation of the **New Innovation Agenda for Europe**
- Increased capacity through **collaboration** and **learning**

Timeline 2022



Regularly updated information here:
<https://s3platform.jrc.ec.europa.eu/pri>

JRC-CoR Pilot Organisation



PRI Playbook

Purpose & Scope

- Document leading thinking and practice on **innovation**
- Initial **guidance** for JRC-CoR Pilot (not prescriptive)
- Facilitate **exploration, experimentation, learning & co-creation**
- Toolbox**, structured around highly-visual **68 fiches** (on concepts, principles, practices, methodologies etc.)
- Pluralistic yet eclectic** drawing from state-of-the-art
- Inputs and support** from JRC and Scientific Committee



LEVELS OF GOVERNMENT Regional, National, European	LEVELS OF RESPONSIBILITY Regional, Developing resources strategies	GOALS Priority Areas: Stakeholder engagement	COMPETENCES Work transversally, build for sustainability, work with others, be creative
<h3>5 European start-up village forum</h3> <p>Purpose: To promote entrepreneurship in rural areas Use: To identify local problems and create sustainable multiple value</p> <p>On 30 June 2021, the European Commission set out a long-term vision for the EU's rural areas. This vision identifies several areas of action towards stronger, connected, resilient and prosperous rural areas by 2040. The vision recognises the role of innovation to help tackle challenges and reap opportunities for wellbeing and growth in rural areas and includes a specific flagship action on research and innovation for rural communities. The European Start-up Village Forum is part of this flagship action.</p> <p>The Forum complements knowledge exchange and cooperation activities, and work as an open space where institutions and stakeholders can meet, discuss and shape actions and tools for innovation in rural areas. By bringing science-based and community-based knowledge and experiences together with high-level political traction, the Forum explores the different dimensions of rural innovation ecosystems and discusses insights on the challenges and potentials for start-up creation and development in rural areas.</p> <ul style="list-style-type: none"> Do you have similar initiatives in your region? Do you support idea generation among different types of stakeholders? <p>Think about how such an initiative could help identify local social problems and deliver multiple value in cooperation with stakeholders involved. Explore more below.</p> <p>Find out more: Long term vision for the EU's rural area: https://ec.europa.eu/ruraltopologies/2019-2024/en/psd01-european-democratic-long-term-vision-of-rural-areas_en The European Start up Village Forum: https://eustartupvillageforum.eu</p>			
<h3>6 Sustainable development as a transition</h3> <p>Purpose: To embrace socio-technical systems change Use: To think of transitions as complex multi-level processes</p> <p>Dominant socio-technical systems are characterized by individuals, norms, institutions, infrastructures and technologies, which are intertwined and reinforce each other. This leads to lock-in, path dependency and resistance to change in current systems. Technological green fixes can hide the urgent need for transitioning from current business models to socio-technical systems in line to achieve the SDGs. To this aim, transformations, or transitions that are more ambitious are needed. For example, new socio-technical systems should enable citizens to engage and contribute to the SDGs beyond their buying choices.</p> <p>A socio-technical system transition involves social, behavioural and technological change in an interrelated way, so that the end result is change in all elements of the old production and consumption configurations. Can you think about socio-technical systems that require</p> <p>Diffuse, edge cases</p> <p>The two steps model addresses to: (1) name pioneers, (2) connect them and form networks, (3) get access to resources and organise, (4) create new resources and vocabulary towards the new.</p>			

Toolbox

- Gathers **68 Fiches with tools** for *diagnosis, policy design* and *implementation*
- Links each tool to the development of **competences**
- Supports **experimentation** and **PRI co-creation** in the Pilot

Format & Scope

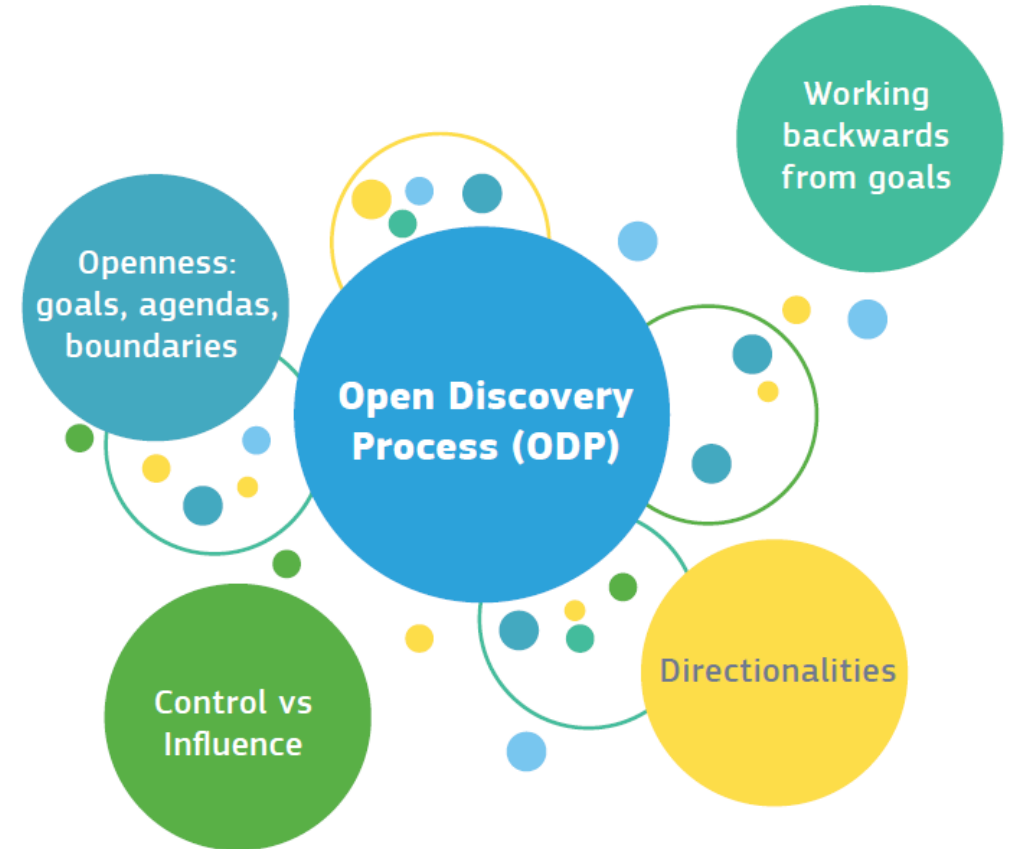
- Unconventional, structured around highly-visual **fiches**
- Fiches on **key** concepts, approaches, tools, principles
- **Entry point** to demanding tools and approaches

Process

- **Inputs and support** from JRC units and Scientific Committee
- **First edition:** May 2022 (Playbook + supporting “Concepts and Rationales”)
- **Co-developed further** through the JRC-CoR Pilot

PRI Open Discovery Process (ODP)

- **New vision on the participatory governance approach** established under S3, to meet **sustainability goals**
- New ways of **working across silos, working backwards** from desired economic, societal and environmental goals
- **More engagement with stakeholders**, including vulnerable groups affected by the transformation, users, grassroots and civic society organisations
- **Local missions** to coordinate actions under a coherent directional logic, enabling exploration of policy mixes for system-level innovation



Tools in Open discovery process

27	Participatory governance and EDP
28	Open Discovery Process (ODP)
29	Working backwards to create multiple value: the case of NutriAlth3D
30	International dimension of ODP
31	Science-based ODP building on the Seville process
32	Digital Tools for the ODP
33	Challenge-led system mapping
34	Small-scale experimentation for transitions
35	National and regional science for policy ecosystems for innovation
36	Co-creation for policy
37	Engaging citizens in innovation and innovation policy
38	Contribution of civil society organisations
39	Citizen science
40	Network intelligence: the EIT

PRI Pilot

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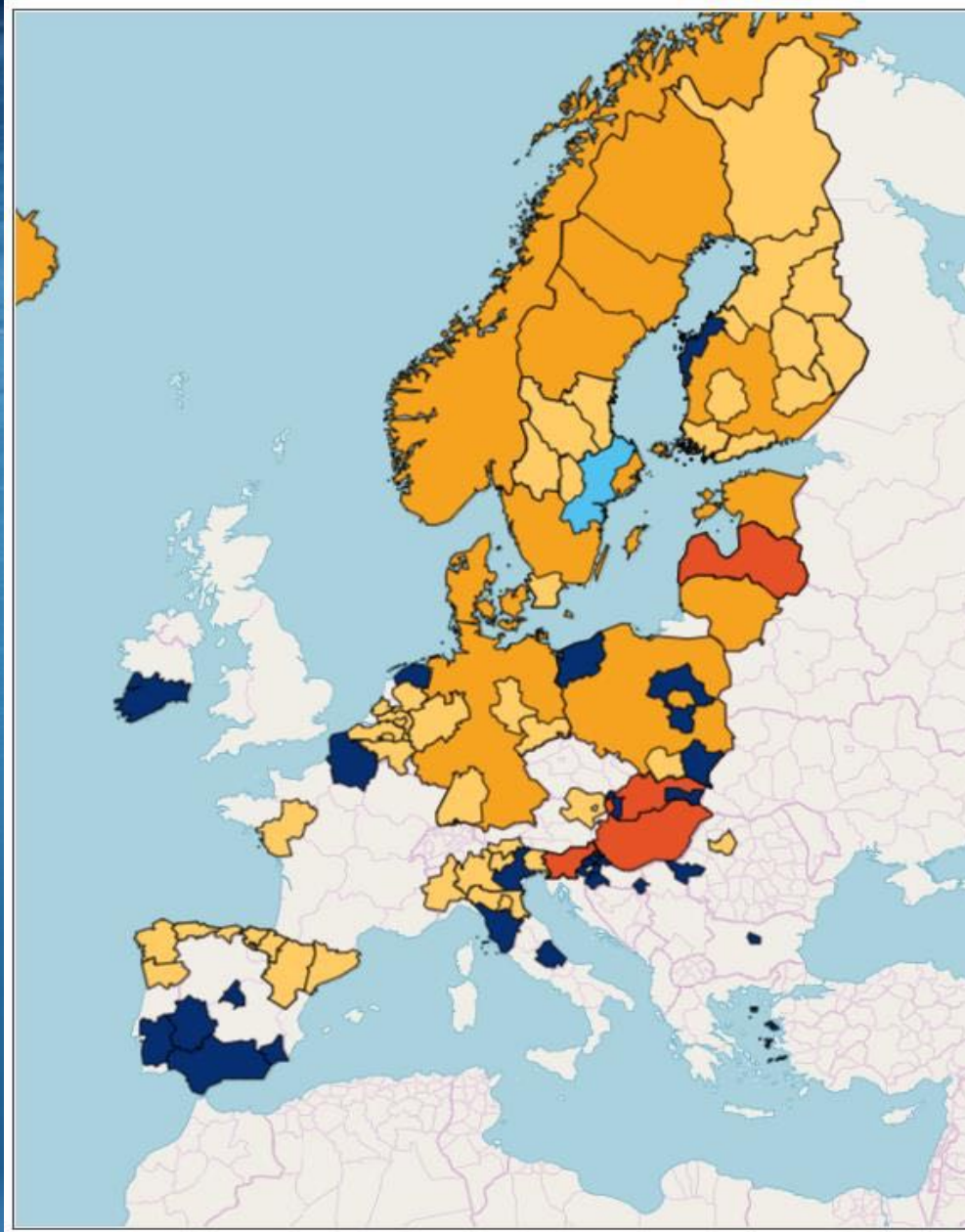
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Co-creating public value

*“It is about shaping a different future: co-creating markets and value, not just 'fixing' markets or redistributing value. It's about taking risks, not only 'de-risking'. And it must not be about levelling the playing field but about **tilting it towards the kind of economy we want.**”*

Mariana Mazzucato

Rethink public policy & innovation

Co-create innovation
(inter-sector, inter-actor, inter-disciplinary)

Achieve public value



Thank you

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← The **PRI Playbook** can be found here

News on PRI can be found here →

