CLOSING THE CIRCLE: SMART SPECIALISATION, LOCAL DEVELOPMENT AND SUSTAINABILITY

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BETTER POLICIES FOR BETTER LIVES

Content

o Introduction

o Smart Specialisation in evolution

o Addressing sustainability and societal challenges

o Smart Specialisation and challenge oriented innovation policy

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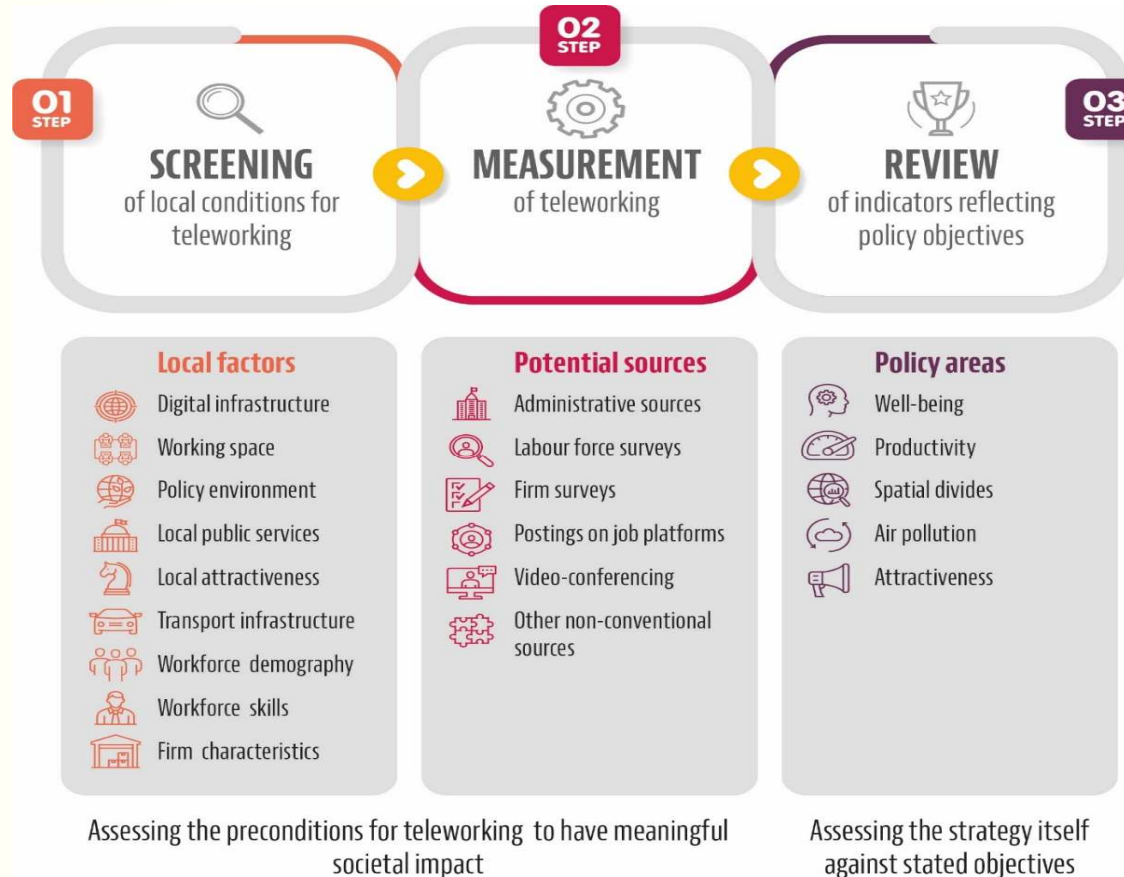
- ✓ Unleashing the potential of cultural and creative industries
- ✓ Building capacities for cultural and creative industries
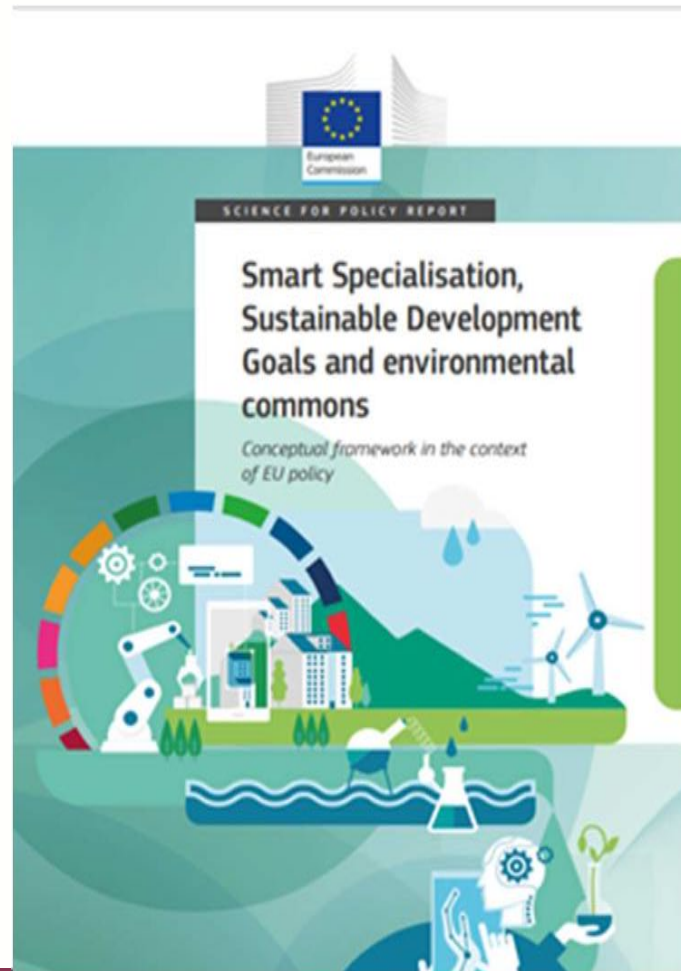- ✓ Preparing for Winter Olympics 2026: apply the OECD Recommendation

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 (Radosevic, 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
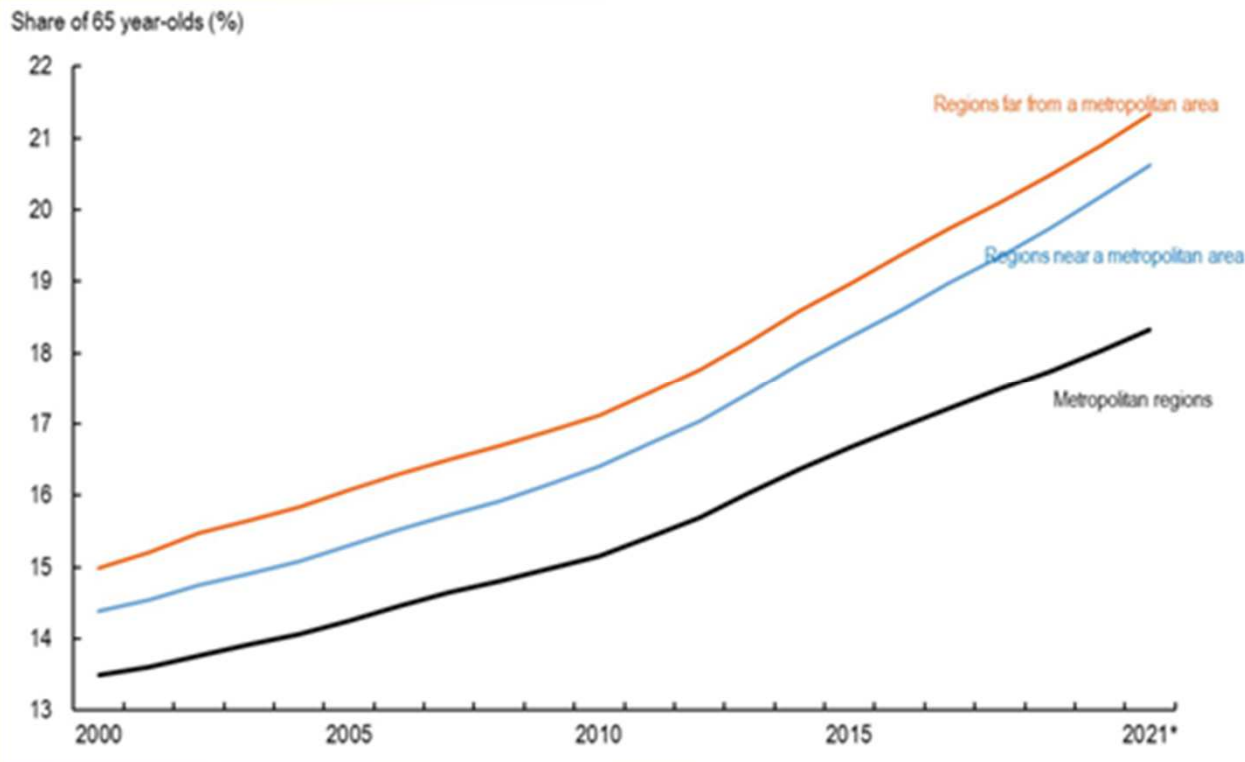
2013-2020 'Region at the core'

- 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

Share of 65 year-olds (%)

Regions far from a metropolitan area
Regions near a metropolitan area
Metropolitan regions

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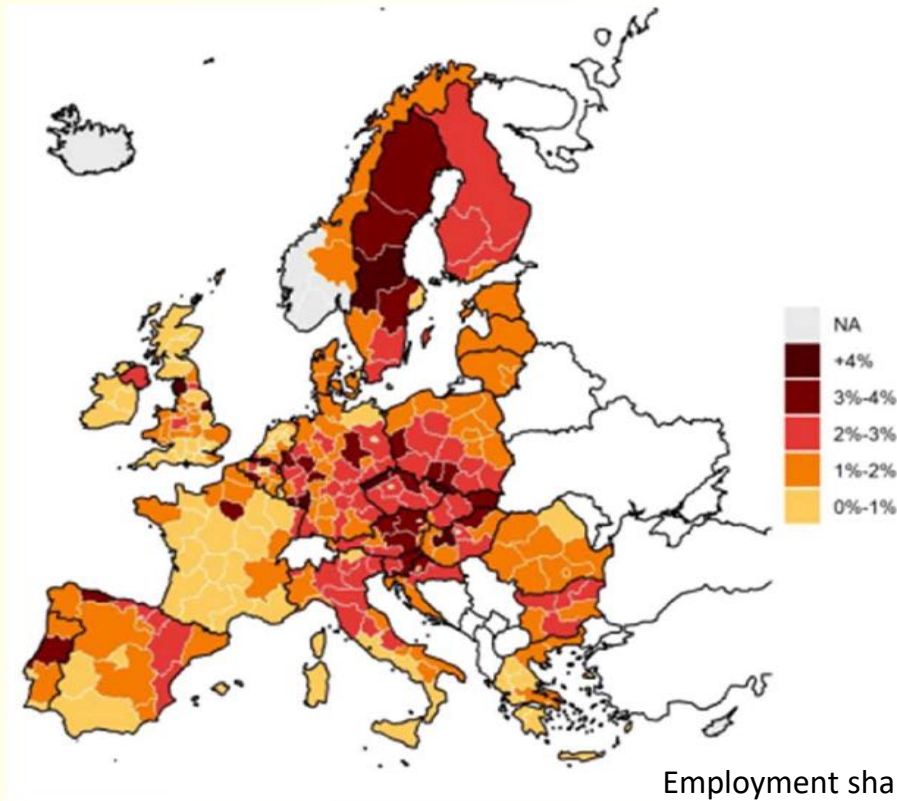
Employment shares of the most gas-intensive manufacturing sectors are largest in regions of Central Europe, Northern Italy, Sweden and Finland

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

NA
+4%
3%-4%
2%-3%
1%-2%
0%-1%

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):

o   establishing priorities: getting the level of granularity right

o   developing transformative activity within the framework of the established priority: integrated vision of the transformative activity including both the technological and non-technological dimensions

o   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

o RRI at regional level is a young research field

o RRI offers an ethical dimension of innovation to Smart Specialisation, where Smart Specialisation can bring geography to RRI

o RRI can help to incorporate social dimension across the S3 process and avoid a 'simplistic' economic approach to competitiveness

o Foresight methods: map and anticipate the risks and opportunities of alternative transition pathways

o 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.

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

Thank you for your attention

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