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InnovatiVE
SMART SPECIALISATION STRATEGY
VENETO

Dieci anni di specializzazione intelligente regionale:risultati e nuove sfide

La Strategia di Specializzazione Intelligente dall'ideazione alla implementazione

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Palazzo del Bo - Padova

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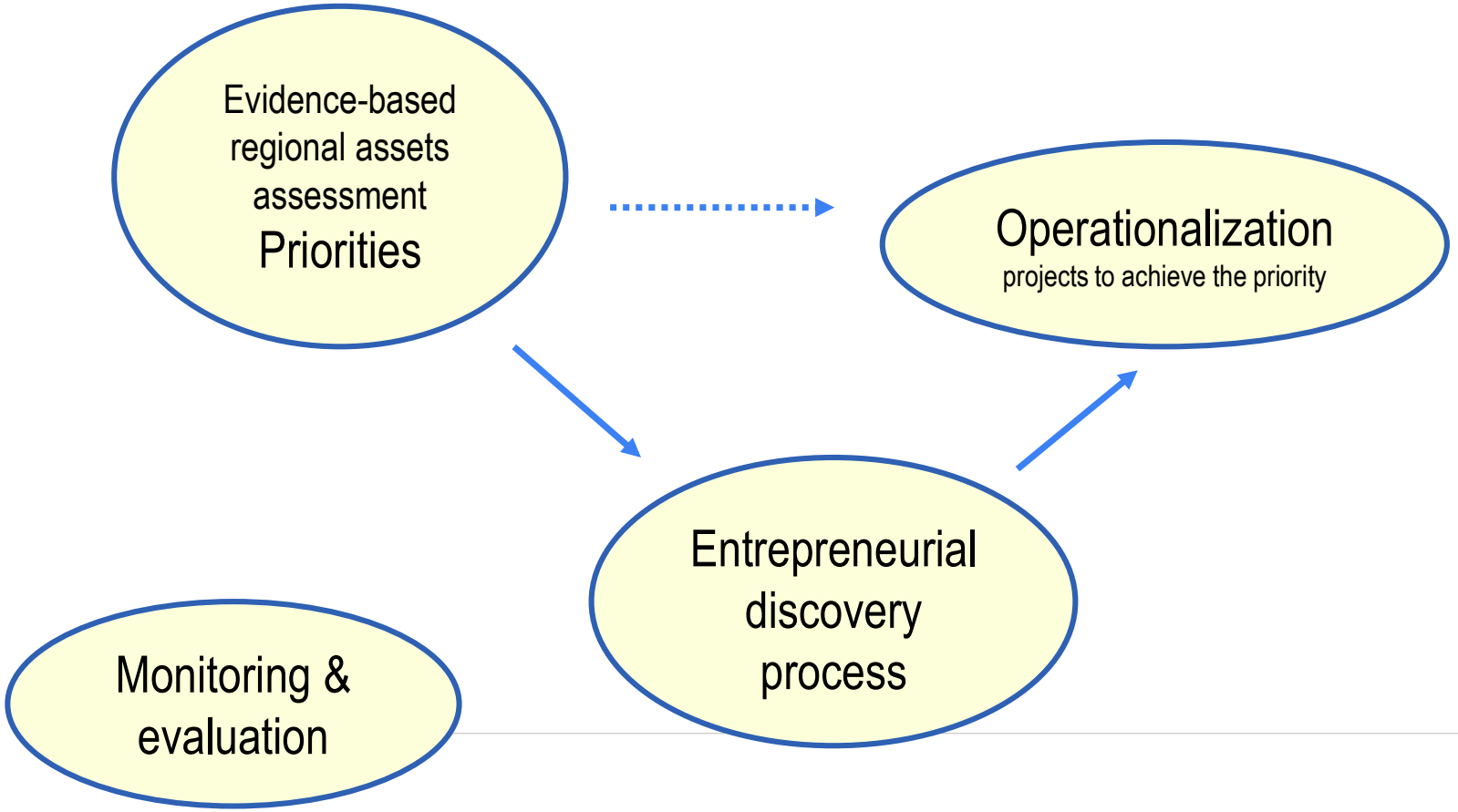
Smart Specialisation – The Concept

Dominique Foray[1], Paul A. David[2] and Bronwyn Hall[3]

For those who have missed the S3 class ☺

- **A 3-steps strategy to support the transformation of prioritized economic structures within a given place:**
  - i) the identification of place-specific assets – sectors, cross-sectoral activities, industries or natural & cultural resources – which are important for the region and show opportunities for transformation towards certain goals (competitiveness, sustainability, resilience)
  - ii) the identification of transformational goals associated with the specific assets
  - iii) bottom up and decentralized processes to identify goals and action plans : the EDP

S3 Script – a simple set of essential rules (*ex ante* conditionality)



Competitiveness was the only objective in 2014 – now the situation is different (sustainability, grand challenges) but the S3 rationale is intact – even stronger

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- Smart specialization has evolved significantly since its inception. Looking back what do you see as the most surprising or impactful way the concept has been interpreted and implemented? Three ideas!
- How do you envision the role of S3 to support regions facing existential challenges?



First, enormous progress in design and implementation

- This was not obvious from the start since S3 challenged *policy as usual*
  - *Coffee for all* – no preferential interventions *versus* prioritization
  - Top down and centralized decisions *versus* EDP
  - Undifferentiated recommendations for undifferentiated practices *versus* differentiation, don't replicate what the others do
- Prioritization and the EDP are now common language – regions have improved their capacities and capabilities to design and implement a regional S3

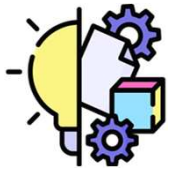
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Improvement

Vision without execution is hallucination!

Translating priorities into projects



164 projects out of 752 addressing **circular economy**



€ 17,7 MLN of public resources out of € 82 MLN

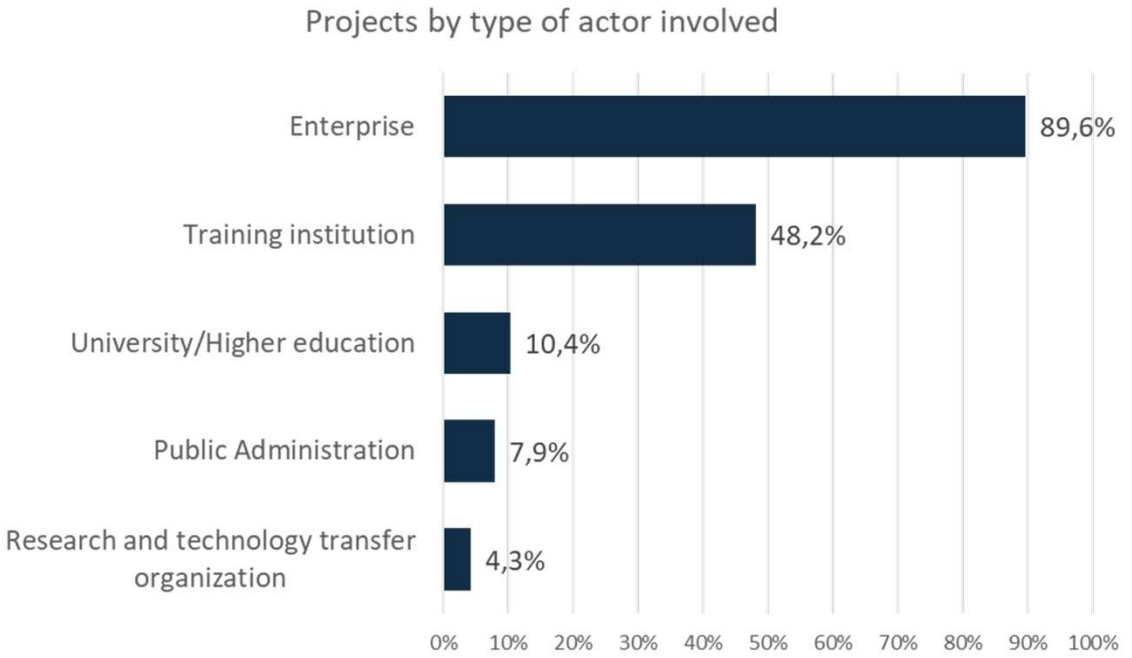
Green transition driven by projects addressed to the **industrial sector**, and in particular aimed at developing technologies:

- for the innovation of manufacturing processes with a view to self-sustainability;
- for the renewal of product life;
- for the reduction of waste, the increase of energy and production efficiency.

Improvement

Recognizing multiple determinants of transformation and innovation and including the business sector

(S3 is not Horizon!)



Source: Elaboration of Research, Innovation and Energy Competitiveness Department on data from the Veneto Region - October 2024

First idea, enormous progress in design and implementation

- ‘’*The adoption of S3 has triggered learning processes and has supported efforts of RIS building [...] It also seems to have set in motion a process towards changing routines and norms based on top down approaches in governance and may strengthen the policy making capabilities at the regional level in the longer term. Thus, S3 has triggered institutional change processes*’’ (Trippl et al.)

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Second idea, regions have re-invented the concept continuously – ''S3 policy is running ahead of theory''

- Shifting from pure technological and industrial priorities to mission and systems of activities
- Shifting from pure vertical priorities to combining vertical and horizontal interventions
- Proposing a more realistic concept of EDP – improving EDP methodologies

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2014- 2020 → 2021- 2027

Re-invention

Shifting from pure technological and industrial priorities to mission

from a policy tool to guide **industrial transformation**, **digitalization** and innovation to increase regional **competitiveness**…

to a policy tool to address global challenges, including the **sustainability** and **social inclusion** goals.

But a small warning!

Re-invention
Combine horizontal and vertical interventions

Should priorities being ‘’generic’’ (on the general conditions of the ecosystem) or ‘’specific’’ (on particular industries, sectors)? Horizontal or vertical?

Regional advantages do not depend only on generic criteria that many regions satisfy (highly educated workforce, infrastructure). Not a guarantee for region specific advantages

Additional criteria: regional specific activities that in combination with generic criteria create a uniquely favorable region for some sets of industries or sectors

	Smart agrifood	Smart manufac	Smart health	Culture	Energy	Bioeco-nomy	Space
Digitalisation							
Green transition							
Human capital							
Innovatio services Business models							

- Such a re-invention pattern by stakeholders and practitioners is rare in the history of innovation policy – an explanation of S3 vitality and survival
- Compare with much more sophisticated policy ideas (Kremer, Romer) – elegant but too rigid
- Paul David prophecy

Third idea, S3 is pulling non progressive sectors in the innovation economy

Tourism – a sector never ''treated'' by any innovation policy

- Low or no R&D
- No high tech
- Was a place where ''innovation did not happen''
- A non progressive sector prone to the *Baumol cost disease*

But many regions made it a priority and then had to answer to the question: what to do within the priority area? Is there any innovation agenda?

Example of a roadmap for an S3 tourism priority

- Tools for the green transition of tourism business
- Tools for measuring and forecasting tourism flows
- Tools for the dematerialisation of processes in the hotel sector
- Project for the innovation business models for saside businesses
- Tourism, cultural heritage and innovation: project opportunities to support the internationalisation of business

Source: M.Colavito, Emilie Romagna

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A pulling policy

Tourism, healthcare, social sectors (aging society), culture

A very important contribution since GDP and future progress depend less and less on the sectors we have found relatively easy to advance

prices decrease and sector's GDP shares decline even if quantity rises

and increasingly on sectors that continue to be hard, which make up a growing share of the economy



- Smart specialization has evolved significantly since its inception. Looking back what do you see as the most surprising or impactful way the concept has been interpreted and implemented?
- How do you envision the role of S3 to help regions facing existential challenges?
  - S3 and competitiveness
  - S3 and true sustainability
  - S3 and resilience
  - S3 and the multiple injunctions formulated from the top

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Competitiveness

Key ingredients in regional economies

*Vocational education and training – close to labor market needs - productivity

*University of applied sciences – teaching practical knowledge, doing applied research – regional focus

*Transfer of technologies and provision of specialized services to SMEs

*Entrepreneurship – access to capital, advice and education, ecosystem

*Anatomy of regional social capital

*Cluster – industrial co-location and relatedness

*Regional strategy to reflect specific challenges and transformation opportunities, to manifest intentionality and focus, to encourage coordination and alignment

The rationale of S3 prioritization is intact



S3 and "true" sustainability

S3 plays a significant role to support regions in their quest for sustainability

Through green priorities..regions are increasing the economic efficiency through which natural resources are transformed into final products and services

All things being equal, increasing eco eff is likely to decrease the regional ecological footprint (e.g. regional demand for natural resources).

3 Optimization of nutritional status and eco-sustainable phytosanitary defense of crops	4 Recovery of by-products deriving from the production/processing activities of the agri-food supply chains	5 Innovative and more sustainable packaging for agri-food products	6 Development of innovative systems for food processing	9 Microbiome for improving agricultural production
13 Innovative processes for the treatment and/or reuse of industrial waste	15 Sustainable supply chain tools and green energy solutions for manufacturing processes and product life renewal	17 Development and production of innovative materials		
37 Innovative solutions and materials for living	43 Improvement of waste management capacity, in particular development of innovative plants	47 Intelligent mobility systems for the territory		

S3 and ‘’true’’ sustainability

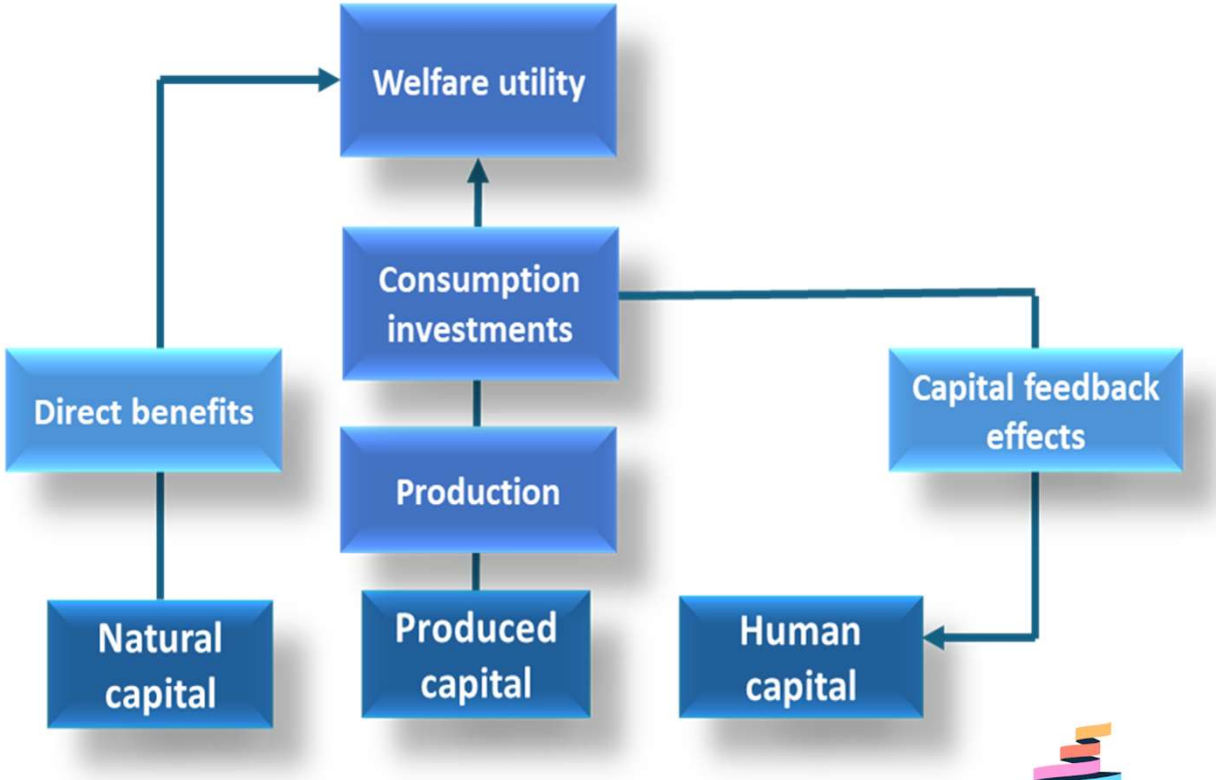
- S3 plays a significant role to support regions in their quest for sustainability
- But this is only partial sustainability and it is not enough because eco eff cannot be increased indefinitely and no amount of human ingenuity can make it unboundedly large
- S3 needs not only to decrease regional demand (for natural resources) but also to improve regional supply of natural resources
  - Investing in Nature to improve natural capital stock and regeneration rate
- Being truly sustainable involves both actions on demand (essentially eco eff) and supply (investing in Nature). This means that Nature needs to be included (internal) to the strategy

S3 and ‘’true’’ sustainability – the case of tourism

- First S3 period – tourism priority essentially deals with new services, business models and digitalization – Nature is external to the strategy
- Second S3 period – tourism priority involves the complementarity between technologies and human capital (skills, competences) and green innovations and transformations
- Third S3 period – an integral vision of tourism development – including produced, human and natural capital

A truly sustainable S3 is based on an integral vision of development

New economic instruments to measure the value of natural ecosystems (asset's social productivity)
New trade-offs between investments in produced capital and investments in Nature
New financial tools to finance passive investments such as protected areas
New mechanisms to enable local communities to reap benefits from investing in Nature
New EDP including more long term vision and new mindset and values



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S3, security and resilience

- Security (defense) is becoming a top EU priority
  - Regional security in a narrow view (defense) makes sense for border regions in North and East of EU
- For all regions – it makes sense to broaden the concept of security to resilience strategy
- Given multiple crisis, it is not efficient to optimize on security in the narrow sense
- The point is therefore to evolve from a narrowly designed security strategy to a broader resilience strategy to develop capacities and capabilities enabling regions to address different types of crisis
  - New types of agencies to incentivize technological win-wins across multiple objectives
  - Developing data and analytics **predictive capabilities**
  - Promoting **multiple use technologies** (rather than dual use)
  - Incentivizing and managing **crisis innovation**



Regions are exposed to multiple injunctions formulated from the top

- Competitiveness (Draghi report)
- True sustainability (Green Deal)
- Defense, security, resilience (new EU security pact)
- First, regional policy and strategies translate top down priorities into regional specific transformational goals – taking into account the specific assets, problems and opportunities of the region
  - Examples
- Second, economics is about allocating resources where these resources will be used in the most efficient (cost effective) way
  - In what sectors, actions towards sustainability will be the most effective, in what other sectors actions towards competitiveness will be the most effective, in what others coupling sustainability and competitiveness will be effective?
- S3 can help to optimize regional portfolios of priorities according to regional specific circumstances and the analysis of: for what sectors what actions (towards sustainability, competitiveness, resilience) should be undertaken to have the highest economic/societal return

GRAZIE PER L'ATTENZIONE!

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