

Smart specialisation – where from, where now, and where to and why?

**Friends of Smart Specialisation (FoSS) five-year celebration
15th May 2024, Brussels**

Summary of the workshop

Part 1: Setting the scene

Four presentations provided a backdrop on current and potentially future thinking on smart specialisation, its policy and implementation support structure, and financial support structures via the recent European Commission Initiative on Regional Innovation Valleys¹.

Smart Specialisation (S3 or RIS3) is a structured process aiming to identify the areas of intervention of greatest strategic potential in every territory. A 'place-based' development strategy includes not only what is known as the entrepreneurial discovery process, where the potential of every territory lies, but also develops a governance structure involving multistakeholder mechanisms in order to set strategic priorities and systems of intervention (see Midtkandal and Sörvik, 2012)².

Smart specialisation first came to fore as a policy concept in the EC Innovation Union Communication of 2010³ which was reacting to the global financial crisis of 2008. Member States were advised to improve their use of existing Structural Funds for research & innovation projects, while the EC set to establish a "smart specialisation platform" by 2012, including further support for the emergence of world class clusters. This led to Member States preparing post-2013 Structural Fund programmes with an increased focus on innovation and smart specialisation. Smart specialisation strategies (S3) were then developed by almost every region in the EU. These strategies were intended not to look at the comparative advantages of the past but at competitive positioning in the economy of the future and aligning resources as effectively as possible based on place-based entrepreneurial opportunities triggered by a shared European vision. Every region is different and so S3 required tailored policy mixes and the integration of innovation policy in the broader set of education, training, regulation and infrastructure policies to make it work. This should involve an Entrepreneurial Discovery Process (EDP) engaging the triple helix partners with a further call to move to a quadruple helix with an increased involvement of citizens (civil society).

But FoSS argue that smart specialisation has not reached its full potential. This is to a large degree due to the continuous fragmentation of innovation and transformation policies in the EU between the different policy domains at the regional, national and European level. S3 is mainly linked to Cohesion policy and lacks a wider bandwidth inside Commission policy centres. S3 strategies may have poor EDPs, inward-looking trends at the regional level and a lack of capacity to develop, implement and monitor growth strategies as a full part of their economic development policies.

Currently, the Smart Specialisation Community of Practice (S3 CoP)⁴ is the central node on guidance, networking, support and peer-learning on S3, covering its conceptual development and implementation. It is a one-stop for S3 with three key components:

- Creating and mobilising a community of practitioners
- Addressing the key challenges in implementing S3
- Offering targeted support to regions where needed.

Three Working Groups (WGs) on innovation diffusion, industrial transition and interregional collaboration composed of S3 practitioners from the regions collect knowledge and good practices, identify common needs and challenges and co-develop solutions with the regions while supporting and monitoring their deployment.

Smart specialisation has influenced the development of new European innovation instruments such as Regional Innovation Valleys which are part of the New European Innovation Agenda published in 2022⁵. The aim of Regional Innovation Valleys (RIV) is to bring together innovation ecosystems across less and more innovative regions with a view to addressing the most burning challenges facing the EU. The Commission aimed to identify up to 100 regions who are committed to enhance the coordination and directionality of their R&I investment and policies, at regional level. Now with more than 150 regions signed up⁶, the aim of the RIVs is to enhance the coordination and directionality of the region's R&I investment and policies, at the

regional level in support of key EU priorities such as the digital transition and the Green Deal. In terms of smart specialisation, regions should build on shared or complementary parts of their strategies engaging in interregional collaboration to develop innovation, including deep-tech, and thus strengthen and connect their regional innovation ecosystems. Two programmes support the deployment of RIV. The Interregional Innovation Investments (I3) Instrument is part of the European Regional and Development Fund (ERDF) and aims at supporting interregional innovation projects in their commercialisation and scale-up phases giving them the tools to overcome regulatory and other barriers and bring their project to investment level⁷.

The European Innovation Ecosystems (EIE)⁸ complements and seeks synergies with the European Innovation Council (EIC), European Institute of Innovation and Technology (EIT) and innovative activities across Horizon Europe and other EU funding programmes to improve the overall ecosystem for innovation in Europe. The EU aims to create more connected and efficient innovation ecosystems to support the scaling up of companies, encourage innovation and stimulate cooperation among national, regional and local innovation actors.

Figure 1 EIE and I3



The S3 CoP provides support for smart specialisation strategies and the I3 and EIE programmes provide financial support to link regions and their smart specialisation strategies together via the recent regional innovation valleys concept. However, there is still much debate linked to the future of S3 as the EU is developing new policies for the next funding period 2028-2034.

As noted above, there are many positive aspects for S3 but as the global context changes⁹, new thinking

is needed. This new thinking would include more European directionality but linked to bottom-up innovation ecosystems. These stronger top-down and bottom-up linkages would recognise the multi-level role of 'places'.

S3 should also be more focused on 'transformation objectives' within the S3 priorities and integrate all relevant policies and instruments, tailored to places and encourage mutual alignment with a greater focus on an outward-looking S3 both looking up towards a stronger EU policy dimension that would include a more coherent industrial strategy and looking across for regional collaboration around shared priorities and transformation strategies.

'Transformative innovation policy' is becoming a reference framework for priority-setting in R&I investments, of all relevant policy levels and policy domains, for enhancing the growth opportunities and transformation potential in places. A common thread in all policy development around smart specialisation is the growing importance of interregional partnerships to increase impact. Another important policy objective has been to operationalise 'place-based' policies with integrated and tailored instrument mixes. S3 has been used as a policy space to experiment and learn (e.g. missions, industrial transitions)¹⁰.

Part 2: Panel discussion

The panel discussion involved a range of experts from consultancies, regional networks, European institutions and Brussels' regional offices. Panellists and the 30-strong audience were invited both to reflect on the following questions and the previous interventions. A rich and varied discussion followed.

- *How to expand S3 from its confines within cohesion policy into a recognisable policy framework for place-based innovation and economic development policy, promoting resilience and technological sovereignty?*
- *What governance models are needed to integrate S3 strategies into a broader European strategic framework for sustainable and inclusive growth, combining top-down strategic directionality with bottom-up local challenges and initiatives?*
- *What is the role of innovation ecosystems to bring places into the heart of transformation policies and how they interact with existing clusters?*

One of the first points made was that S3 needed a better methodological framework. S3 strategies were all too often inward-looking. S3 also needed to be connected into a wider EU innovation policy, which raised the question – just how smart are smart specialisation strategies? Despite being in place from 2014, smart specialisation strategies in less developed regions have done little to bridge the innovation divide between

eastern and western Europe as well as south and northern Europe¹¹. This may be because all too often smart specialisation strategies were 'copy paste' documents and this might be influenced by the trade-off between complexity and capacity.

There was wide agreement regarding the need for a stronger directionality but also worries that the discussions around the future of EU Cohesion policy were taking longer than expected. Concern was raised regarding the apparent lack of preparation documents concerning Cohesion policy for the next Commission after the June elections and the possibility of Cohesion policy being administered by Member States and not regions replicating the recently popular model of Next Generation EU and the Resilience and Recovery Facility (RRF)¹² which compromise the bottom-up principles of smart specialisation. Cohesion policy started as a redistribution policy to compensate unequal growth in the Single Market (SM) for less competitive regions. But does this still hold in a new SM, that is more than a SM? (See Letta Report, 2024).

Most panellists agreed that S3 was there to promote strong place-based innovation ecosystems and there was a need to encourage collaboration between these systems. As previously noted, the changing global context also requires S3 to evolve, already encouraged by discussions carried out under the banner of the partnerships for regional innovation (PRI)¹³. There was certainly some scope to incorporate a more societal dimension into S3 and even re-brand and re-think the concept as in Ricardo Hausmann's ideas of smart diversification¹⁴. S3 is certainly important for industrial modernisation. Panellists stressed that new focused actions were needed combined with a constant need for policy learning which also needs to identify what is not being learned.

Other speakers noted the S3 was developed under the Innovation Union Communication in 2010 and it was taken under the Cohesion policy wing from 2014. Possibly the original intention of the Innovation Union was to mainstream S3 across all EU policies but now S3 is much more associated with Cohesion policy. Moreover, over the past few years, there has been less visionary thinking around its future dimension and a lack of attention to the smart specialisation thematic partnerships which started in 2015¹⁵.

Thematic partnerships were supposed to increase external collaboration and one regional speaker pointed out that more outward-looking S3s were needed while noting that the Regional Innovation Valleys could play a strong role in achieving this aim and possibly strengthen the existing four thematic partnerships. However, returning to the need to reform S3, there was also the plea not to change too much and work within current institutional frameworks. S3 has a common language and the concept of priorities is easy to understand and hence is visible at the local level and can help attract inward investment to the regional priorities. Whatever the framework, political will and commitment was a key ingredient of success. As one speaker pointed out 'places are where people live and elect local politicians'. However, this pertains more to regions with legislative powers as the rest may have ambitions but not the decision making power to steer developments.

S3 has the value of helping people to think and choose within a multi-level governance model, so the EDP is a key aspect that needs to be strengthened. S3 thus should focus on economic transformation through innovation while not ignoring an increasing attention to sustainability and now most recently security¹⁶. Next generation Smart Specialisation has to better tune in with climate policies and their impact on local development, finding a balance between adaptation and mitigation.

S3 has the potential to shape a pan-European innovation model for deeper transformation that enhances resilience and technological sovereignty. This model requires a combination of top-down European strategic direction with bottom-up discovery of territorial opportunities,

Figure 2 Gartner's Hype Cycle



Finally, it was noted that the debate had not covered the increasing influence of China and global trade patterns, neither the rise of artificial intelligence (AI) nor its potential positive or negative impacts. A lot of new aspects and dimensions have to be considered as technologies and global politics and economies change. One of the speakers noted the link between the evolution of S3 and Gartner's hype-cycle for new technologies where we went from inflated expectations to the trough of disillusionment, to reach later a maturity stage, where best practice will guide policy choices.

This two-hour workshop, with many regional development and S3 experts and regional academics and politicians in the room, provided rich insights into our initial questions;

S3 where from, where now and where to? A welcome glass of wine ensured the animated discussions continued...

Thanks

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<https://friendsofsmartspecialisation.eu>

References

¹ Call for expression of interest for Regional Innovation Valleys is now open(https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/call-expression-interest-regional-innovation-valleys-now-open-2023-03-28_en)

²Lindqvist M., Midtkandal I., Sorvik J., Harmaakorpi V. "Smart Specialisation for All Regions?", Nordic Council of Ministers, Nordregio,2012, Series Nordregio News, ISSN 2001-1725 ; Issue 5, 2012 [FULLTEXT01.pdf \(diva-portal.org\)](#) https://www.diva-portal.org/smash/record.jsf?dswid=-1391&pid=diva2%3A700302&c=1&searchType=SIMPLE&language=en&query=Midtkandal&af=%5B%5D&aq=%5B%5B%5D%5D&aq2=%5B%5B%5D%5D&aqe=%5B%5D&noOfRows=50&sortOrder=author_sort_asc&sortOrder2=title_sort_asc&onlyFullText=true&sf=all

³The "Innovation Union" – turning ideas into jobs, green growth and social progress [Top margin 1 \(europa.eu\)](#)

⁴ See Website https://ec.europa.eu/regional_policy/policy/communities-and-networks/s3-community-of-practice_en ; Twitter @S3Cop_EU; https://twitter.com/S3Cop_EU

⁵ [The New European Innovation Agenda - European Commission \(europa.eu\)](#)

⁶ [Inforegio - Regional Innovation Valley - Matchmaking map now available \(europa.eu\)](#)

⁷ [Interregional Innovation Investments \(I3\) Instrument - European Commission \(europa.eu\)](#)

⁸ [European Innovation Ecosystems - European Commission \(europa.eu\)](#)

⁹ See Letta Report [Enrico Letta - Much more than a market \(April 2024\) \(europa.eu\)](#)

¹⁰ European Commission, Joint Research Centre, Reid, A., Steward, F., Miedzinski, M., Aligning smart specialisation with transformative innovation policy – Lessons for implementing challenge-led missions in smart specialisation, Publications Office of the European Union, 2023, <https://data.europa.eu/doi/10.2760/359295>

¹¹ See discussion in [A new European innovation agenda \(europa.eu\)](#)

¹² At the Bruegel discussion Online | Economic choices for Europe: EU leadership debate 2024 on May 21, 2024. Eur. Commission President Von der Leyen noted that '*Cohesion Policy is at the core of the EU but it needs more incentives, more reforms - you can always improve - and EU may take a look at NextGenerationEU.*

¹³ [PRI - Smart Specialisation Platform \(europa.eu\)](#)

¹⁴ [Ricardo Hausmann on Growth, Inequality and Preventing the Next Financial Crisis, Dec. 2015, Harvard Kennedy School, Mossavar-Rahmani Center for Business and Government, https://www.hks.harvard.edu/centers/mrcbg/programs/growthpolicy/ricardo-hausmann-growth-inequality-and-preventing-next](#)

¹⁵ [Inforegio - Thematic Smart Specialisation Platforms \(europa.eu\)](#)

¹⁶ [An EU of Heightened Security: What role for the future of Cohesion \(epc.eu\)](#)