Smart Specialisation in Europe
And in Latin America

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INTRODUCTION: new models for global trends

GENERAL TREND

GLOBALISATION + knowledge economy

= importance R&D+I

- Competitive sophistication and differentiation
- Innovation as an open process (open innovation models)
- From local to global value chains ("globalization" and complex productive systems)
- Specialized diversification as a base for future development

The ROLE of TERRITORIES and public POLICIES HAVE CHANGED

New TERRITORIAL SPECIALISATION approaches

Focus on VALUE ADDED and R&D+I

Focus on GOVERNANCE and STRATEGIES
The reforms agreed for the 2014-2020 period are designed to maximise the impact of the available EU funding.
Concentration of investments on 4 thematic priorities (ERDF)

- Research and Innovation.
- Information and Communication Technology (ICT).
- Competitiveness of Small & Medium Sized Enterprises (SME)—greater use of Financial Instruments.
- Transition to a low CO₂ emissions economy (energy efficiency & renewable energies).
INTRODUCTION: opportunities from collaboration

Since global challenges are shared across the world, the possibility of profiting from mutual learning and transferring arises.

The example of UE-LAC interest in territorial development approach

LATIN AMERICA

• Interest in Latin American countries to overcome dependence on commodities, and need to respond to competition from lower-wage countries = productive diversification

• Not possible top-down; Hence interest in decentralization (via to create adequate environments to develop more added-value activities)

• At the same time there is the need to remove obstacles created by national borders. There are administrative divisions that in the 21st century hamper development and contribute to marginalization.

EUROPE (EU)

• Great interest in European experience in regional development policies:
  - diversification based on innovation and competitiveness
  - Cross-border cooperation

• The new model of international diplomacy is different from a traditional one based on development aid: Today it is based on processes of technical collaboration (e.g. multi-level governance systems).

• This also leads to new processes of triangular cooperation, to facilitate the acceleration of processes of appropriation of the technical and methodological skills.
INTRODUCTION: some background on cooperation

- There are very positive experiences in many countries in different projects, some financed by UE (DEVCO), but others thanks to the support of the European Parliament.

- Priorities under this cooperation have been different on different continents, including issues of sustainability, urban development and cross-border cooperation.

- An additional issue is that of Smart Specialisation Strategies (RIS3).

- USA is now promoting its RIS, Australia its RIS3 (Region Capitals, Hunter Region), as is the case in some parts of East Asia. And there is a particular demand in Latin American countries.
### SMART SPECIALISATION: concept and strategies

#### The path of European learning experience in regional strategies...

<table>
<thead>
<tr>
<th>CONTEXT</th>
<th>CHARACTERISTICS</th>
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</thead>
<tbody>
<tr>
<td><strong>1990…</strong></td>
<td>Technological innovations generating new products and processes as well as incremental improvements in them.</td>
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<tr>
<td><strong>2000…</strong></td>
<td>Implementation of a new or improved product (products/service) or process, marketing technique, organizational model within the organization or regarding external relations</td>
</tr>
<tr>
<td><strong>2010…</strong></td>
<td>THE BROAD CONCEPT OF INNOVATION, based on research and business models, design, brand image and value for end-users, taking into account the different stakeholders within the innovation cycle</td>
</tr>
<tr>
<td><strong>2015…</strong></td>
<td>Europe 2020 Innovation Union (2010)</td>
</tr>
<tr>
<td><strong>2020</strong></td>
<td>SMART SPECIALISATION</td>
</tr>
</tbody>
</table>

#### ORIENTATION
- Building-up an innovation system: innovation tied to R&D and technology, stakeholders around the system, S&T policy definition

#### INSTRUMENTS
- R&D+T support
- Infraestructures
- Quality
- ICT investments
- Sensibilization

#### ORIENTATION
- Innovation system dinamization: triple helix, cooperation networks, R&D+I policy integration, broad innovation

#### INSTRUMENTS
- Clusters & networks
- R&D+I collaboration
- New sectors
- NTBF
- Transference

#### ORIENTATION
- Sustainable knowledge society: specialised diversity, global focus, socio-environmental sustainability

#### INSTRUMENTS
- New sectors
- Intermediate agents
- Public procurement
- Key Enabling Technologies (KET)
- Social & networks
RIS 3 designing process

1. Global trends
2. Analysis
   - Regional industry
   - Regional RDi system
3. Consensus
   - Contrast
   - Debate
   - Interaction
4. Identify innovation and technology sources (local and international)
5. Identify technological and innovation needs
6. Regional weaknesses and opportunities

RIS 3
SMART SPECIALISATION: concept and strategies

Smart Specialisation Strategies (RIS3)

**STRATEGY**
- Sound territorial competitive analysis
- Sectors and technology prioritization
- Strategic definition
- Operative definition
- Resources and commitments
- Monitoring and evaluation mechanisms
- Participatory governance setting

**SUCCESS FACTORS**
- Long term focus/vision
- Leadership engagement for the process
- Adequate management structure
- High level of social capital and trust
- Broad participatory processes in definition and implementation
- Open mind at all levels: absence of risk aversion

**STAGES in building an STRATEGY**

From reflection to action and improvement...

**BASIS of the strategy**

**STRATEGY AND ACTIONS**

**FINANCING**

**MONITORING**

**GOVERNANCE WITH A PARTICIPATORY PROCESS BASIS**

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SMART SPECIALISATION: concept and strategies

3 KEY AXIS in Territorial Smart specialisation

How is specialization inserted in a global perspective?
Search of the differentiating elements that, given the window of opportunities in the global context constitute a comparative advantage.

What specialization characterises the region?
Those activities and/or technology domains to prioritize as part of the bet to reach a competitive advantage.

What if the range of the smart specialization in the region?
The areas of specialization mean a related variety which intersection may house entrepreneurial discoveries.

SMART SPECIALIZATION as a continuous process generator of employment and wealth for the territories.

+ JOBS
+ WEALTH

SMART SPECIALISATION
The mechanism of the specialised diversification

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ENTREPRENEURIAL DISCOVERY: Theoretical approach: the concept

What is entrepreneurial discovery? (I)

“the creative combinations of different knowledge (technological and/or no technological), transverse to various economic sectors and that, from a window of opportunity, generate a new market activity susceptible of being exploited commercially, that contribute to a specialized diversification.”

Who are those entrepreneurs?

Entrepreneurial in a “wide” sense and as result of the interrelations between:

- Enterprises
- Associations and clusters
- CyT Parks
- Technological Centres
- Social Agents
- etc.

RIS3 Guide. IPTS 2012
European and Latin American starting point

- Interest in regional innovation and competitiveness increased during the last decade in LAC.
- Most of the countries has initiated a policy definition process and decentralization (some cases).
- European Union experience in RIS attracted the interest of many LAC, but the implementation of this methodology differs across the continent.
- EU financed a number of projects focused on technical assistance on regional policy, strategy, governance and innovation.
- LAC and EU regions/countries differences (economic structure, technological level, institutional setting) in the framework of globalization results in collaboration opportunities for both sides.

EUROPEAN EXPERIENCES OF INTERNATIONAL COLLABORACION ON REGIONAL POLICY

INTERNATIONAL COMPARISON: the LAC case

Existence and sophistication of RIS in different Latin-American countries...

- Prioritization effort on most competitive niches (low tech in general/ commodity export pattern)
- Focus on economic transformation (diversification)
- Search for positioning in international markets
- Lack of sound governance models
- Low levels of social capital

INTERNATIONAL COMPARISON: the EU case

A new framework from the old RIS was defined and implemented in Europe since 2014: Smart Specialisation Strategies...

- Prioritization effort on most competitive niches (high tech)
- Search for positioning in international markets
- Focus in governance consolidation and evaluation/monitoring
- Challenges on implementation: changes in designing and delivering the policy (from financing to services).

<table>
<thead>
<tr>
<th>Sector prioritized in RIS3</th>
<th>Number of regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>76</td>
</tr>
<tr>
<td>Construction</td>
<td>46</td>
</tr>
<tr>
<td>Creative, cultural arts &amp; entertainment</td>
<td>57</td>
</tr>
<tr>
<td>Energy production &amp; distribution</td>
<td>135</td>
</tr>
<tr>
<td>Human health &amp; social work activities</td>
<td>158</td>
</tr>
<tr>
<td>Information &amp; communication technologies (ICT)</td>
<td>107</td>
</tr>
<tr>
<td>Manufacturing &amp; industry</td>
<td>488</td>
</tr>
<tr>
<td>Mining &amp; quarrying</td>
<td>12</td>
</tr>
<tr>
<td>Public administration, security &amp; defence</td>
<td>22</td>
</tr>
<tr>
<td>Advanced Services</td>
<td>72</td>
</tr>
<tr>
<td>Tourism, restaurants &amp; recreation</td>
<td>79</td>
</tr>
<tr>
<td>Transporting &amp; storage</td>
<td>74</td>
</tr>
<tr>
<td>Water supply, sewerage, waste management &amp; remediation activities</td>
<td>37</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Author based upon the data of the EYE@RIS3 tool [http://s3platform.jrc.ec.europa.eu/map](http://s3platform.jrc.ec.europa.eu/map)
**INTERNATIONAL COMPARISON: the EU case**

Characteristics in depressed regions of Latin America for the definition of regional innovation strategies

<table>
<thead>
<tr>
<th>RESOURCES</th>
<th>STRENGTH</th>
<th>OPPORTUNITIES</th>
<th>WEAKNESSES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TECHNOLOGY</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
<td>-</td>
</tr>
<tr>
<td>FUNDING</td>
<td>-</td>
<td>LOW</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>TERRITORY</td>
<td>HIGH</td>
<td>HIGH</td>
<td>LOW</td>
<td>MEDIUM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAPACITIES</th>
<th>STRENGTH</th>
<th>OPPORTUNITIES</th>
<th>WEAKNESSES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRAINING</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>SOCIAL CAPITAL</td>
<td>-</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>GOVERNANCE</td>
<td>LOW</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
</tbody>
</table>

Source: Author, based upon the final Report of the CBRIS project

The overall analysis of main strategies exercises and projects in LAC resulted in the identification of **5 areas** shared by most LAC territories and linked to Smart specialisation.
SOME CASE EXAMPLES: Chilean case

- An interesting concrete example has been the “Proyecto Red” (Network Project) in Chile (2010-2013). Under the RED, the EU has worked with the Chilean government and regions, to develop regional innovation policies through the use of the EU’s RIS methodology (in practice RIS3).

- Regarding the RED, the results have helped in the improvement in the definition of regional public policies to support innovation, particularly in the use of the regional part of the Fund for Innovation and Competitiveness (FIC-R).

- In this legislature the Government of Chile in its Agenda for Productivity, Innovation and Growth has launched various Strategic Programmes for Productive Development based on the principle of Smart Specialization, with national or regional dimension.

- They have been supported by the skills and orientations generated in the regions by the RIS, which continue to influences public spending priorities in different regions.
SOME CASE EXAMPLES: Peruvian case

- Peru is embarked on its own policy with the National Productive Diversification Plan, which among other objectives intends to "reduce regional productivity gaps".

- In that country, the EU (REGIO) has supported in different regions the definition of regional policies and programmes to support innovation.

- In the Peruvian regions of Cusco and Puno EU support helped to define the needs in promoting competitiveness global markets and exploiting value chains in camelids (alpaca) and coffee, including prospects for future cross-border cooperation with Bolivia.

- The recommendations are being carried out in other project funded by the CAN (Comunidad Andina) INPANDES.
SOME CASE EXAMPLES: Cross border cooperation

- The Amazon triangle between **Colombia, Peru and Brazil** is distant from major markets with many logistics problems, energy supply and telecommunications. It is also an area where illegal production and environmental exploitation represent a challenge, requiring solutions involving economic development and new sources of employment.

- In this case, the EU (REGIO) project helped to identify aquaculture as sector with development possibilities, and at the same time compatible with environmental sustainability in an area that is critical to the conservation of the planet.

**SMART SPECIALISATION** as a shared input for the triple frontier
**SOME INSIGHTS ON SMART SPECIALISATION IN LATIN AMERICA**

General competitive gaps in Latin America, elements of smart specialisation and possible instruments

<table>
<thead>
<tr>
<th>COMPETITIVE GAPS</th>
<th>SMART SPECIALISATION (degree of relevance for the element)</th>
<th>Some possible MECHANISMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SPECIALISATION</td>
<td>DIVERSIFICATION</td>
</tr>
<tr>
<td><strong>LACK OF CONNECTION</strong> between knowledge generators and training providers and the private sector</td>
<td>HIGH</td>
<td>MEDIUM</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td><strong>WEAKENING OF COOPERATIVE STRUCTURES</strong> due to inefficient management</td>
<td>HIGH</td>
<td>HIGH</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
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<tr>
<td><strong>BOTTLENECKS</strong> between different segments of the value chain</td>
<td>VERY HIGH</td>
<td>LOW</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td>Very low level of <strong>MODERNIZATION</strong> with an impact on productivity</td>
<td>HIGH</td>
<td>LOW</td>
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<td></td>
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<tr>
<td><strong>LOW LEVEL OF TRAINING AND CAPACITY-BUILDING</strong> of technicians and managers in production plants</td>
<td>HIGH</td>
<td>MEDIUM</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Lack of an <strong>ENTREPRENEURIAL AND INNOVATIVE CULTURE</strong> and interest in differentiation and added value</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little or no <strong>INFORMATION AND TRANSPARENCY</strong> in the system</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited <strong>LEADERSHIP</strong> (political and business) to transform the system</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical situation (poverty and development) of <strong>PRODUCERS</strong></td>
<td>HIGH</td>
<td>MEDIUM</td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

Source: generalisation based upon the final report of the EU-PERU “Cooperation on Regional Innovation Systems in the framework of Regional Policy” project.
The EU (REGIO) projects have had considerable added value in Latin America.

1. A key contribution of the European experience has been first to convey the idea that **REGIONAL DEVELOPMENT** is only possible through **STRATEGIC THINKING** on a long-term approach and **ADDRESSING SYSTEMICALLY THE DIFFERENT CHALLENGES** to regional competitiveness.

2. It has contributed to developing **SOCIAL CAPITAL** in areas that have carried out EU supported projects. So that once the project is finished **THE ACTORS** who were mobilized, **CONTINUE TO SEEK WAYS THAT ALLOW THEM TO FURTHER DEVELOP** the approaches previously defined.

3. The projects have promoted, with involvement of the regional firms, concrete alliances with European regions, and with European institutions and enterprises, **creating NEW COMMERCIAL-TECHNOLOGICAL OPPORTUNITIES on each side**.
Another lesson is the **IMPORTANCE OF COORDINATION AND INTER-INSTITUTIONAL COOPERATION**, mobilizing REGIO alongside the external relations services of the EU, with the support of the European Parliament, in order to deliver more effective international diplomacy in regional and urban development policy.

### The Next Possibilities in the Future

- Renewal of existing instruments and implementation of a new one:
  - *European Parliament Preparatory Actions*
  - *Partnership Instrument (FPI/EEAS)*
- Increase the scale and the scope of the technical cooperation across the world (commercialization, technology, global value chains, etc.).
- Internationalization the scope of some instruments such as S3 Platform
- Coordination of the different efforts in international cooperation within the EU Commission

**EU world leadership in territorial Smart specialisation approach**