

Next Generation Smart Specialisation: putting places at the core of transformation policies

Smart specialisation (S3) has been a key driving policy concept of European regional policy since 2014, but as new challenges appear, it needs to evolve to a broader policy framework able to promote place-based innovation and a range of initiatives to advance a wider overall transformation in the EU (within a region and between regions). This note examines S3's potential to shape a pan-European innovation model for deeper transformation that enhances both resilience and technological sovereignty. This model requires a combination of top-down European strategic direction with a process of bottom-up discovery of territorial opportunities, enabling jointly coordinated initiatives to address national, regional and local challenges.

Integrating smart specialisation at the core

*Friends of Smart Specialisation (FoSS)*¹ - an informal expert group established in 2018 - has consistently argued that smart specialisation needs to be mainstreamed as a multi-level methodology to include a place-based approach to improve the implementation of the wide range of EU transformation policies. This role requires a wider understanding of the role of S3, going beyond its traditional function within EU Cohesion policy, and evolving into a framework for 'place-based transformative innovation' across diverse policy domains and levels.

S3 should therefore be considered as a fundamental feature of a European governance model for transformation. S3 should play a strong role in the political economy of the transition towards an integrated European innovation system, comprising a range of territorial innovation ecosystems. The present climate, pandemic and security threats have stimulated the rise of new transformative policies both at national and EU levels. However, these policies are often seen as complex², overlapping, and based on silo approaches. With many regions lacking the relevant capacity, resources and governance structures, the result is often confusion and inertia. But with every problem comes an opportunity and this is where S3 can play an integrating role at the core of transformation policies.

The role of places in transitions

The European growth model – for a green and digital transition – requires a combination of European-wide deliberate and planned transformations as well as capacity building to enable transition and increasingly build resilience. Capacity building for resilience and transformation does not take place in a vacuum but in differentiated 'places' - there is no size fits all solution. The challenges are global but the overall capacity to respond has a 'local' dimension before it scales up into a more integrated result through interregional partnerships. Therefore, top-down strategic directionality also needs bottom-up discovery of place-based opportunities to coordinate and valorise investment in future growth which also addresses local challenges. This is where smart specialisation plays a strong role through its 'entrepreneurial discovery process' identifying regional research and innovation priorities based on a realistic assessment of regional resources - research, innovation and economic structures, skills and investment potential. Priorities then have to be implemented at the local or regional level and monitored to assess their impact. More than ever, in times of complex challenges, smart specialisation can play a role as an integrating mechanism in European value chains – contributing to economic restructuring throughout the single market via a decentralised investment decision framework. This also requires appropriate political leadership bringing a territorial perspective to higher level and long-term European goals and objectives.

New industrial policy as a driver

The new industrial policy for transformation has been stimulated by the impact of the green and digital revolution combined with greater geopolitical awareness. These trends have inspired two 'models' which can play an influential role in the shaping of the next generation of smart specialisation:

- The Green Deal Industrial Plan³, now anchored in the Net-Zero Industry Act, is a response to the IRA⁴ in the US, as well as Chinese threats to European industrial capacity in major domains for the green transition. The plan promotes speed to market via a predictable and simplified regulatory environment and faster access to funding.

¹ <https://friendsofsmartspecialisation.eu>

² *New EU policies often require new strategies, project submissions, matched funding, regional partnerships, political support, adequate resources and skills at the regional level...so capacity is an issue.* ³ [Industry 5.0 - European Commission \(europa.eu\)](https://ec.europa.eu/industry50/)

³ [The Green Deal Industrial Plan - European Commission \(europa.eu\)](https://ec.europa.eu/industry50/)

⁴ Inflation Reduction Act (U.S.)

It also recognises the need for enhanced skills and resilient supply chains where regions can play a strong role in promoting net-zero industry valleys⁵.

- A new model for industrial development (Industry 5.0⁶) that builds on a stakeholder rather than a shareholder model of economic development. Although in its early stages, it complements the existing 'Industry 4.0' approach by specifically putting research and innovation at the service of the transition to a sustainable, human-centric, competitive and resilient European industry. It acknowledges the currently poor connections for transformation between EU innovation ecosystems, where complementarities need to be constructed.

Connecting places

Although less prominent in new policy approaches, smart specialisation strategies still play an important role, but must evolve. Smart specialisation as a concept not only has to break out from the confines of cohesion policy (limited to ERDF⁷ funding) but also from the confines of an inward-looking approach limited to a particular territorial unit (e.g. NUTS-regions). Smart specialisation can cater for local innovation ecosystems, a 'functional region' approach (e.g. Ruhr) and support cross-border collaboration between regions such as in the new 'regional innovation valleys⁸ programme. 'Smart specialisation partnerships' have paved the way for this approach. Flexibility is needed to mobilise relevant actors in and between relevant places as synergies in policies and instruments are operated in places and customised for places, effectively completing missing links in value chains and providing opportunities for scaling up. Thus, smart specialisation becomes a delivery framework for EU industrial and innovation policies as identified by the New European Innovation Agenda flagships on innovation ecosystems⁸.

Post 2025?

Taking all of the above into account, how can next generation S3 be promoted to a place-based transformative policy and thus play a stronger role in strategic European policies for future sustainable growth?

This new synthesis requires an interrelated two-way dynamic in a better orchestration of European policy-making across several key levels and domains:

- **Top-down supporting European transformation policy:** by giving S3 a more explicit strategic directionally; by offering European 'top-ups' only for interregional partnerships that contribute directly to identified strategic value chains e.g. IPCEIs, industrial alliances, missions, etc.; by promoting 'smart complementarities'; by supporting actively place-based synergies and combinations of European instruments;
- **Bottom-up by empowering local ecosystems:** through political leadership and by pursuing local challenges, local leaders should try to put their unique places on the European map; leading-by-example in demonstrating new industrial capacities and co-investing with others in common European value chains; in fully mobilising the co-creation power of clusters and innovation ecosystems; and connecting strong S3 partnerships.⁹

Key ideas for discussion

- 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?

If you want to be part of this discussion, join our mailing list by contacting: richardtuffs@gmail.com

⁵ 'Net-Zero Acceleration Valleys' are an instrument to create clusters of net-zero industrial activity and further streamline the green transition in industry.

⁶ [Industry 5.0 - European Commission \(europa.eu\)](https://ec.europa.eu/industry/eu50/)

⁷ ERDF, European Regional Development Fund

⁸ https://ec.europa.eu/regional_policy/whats-new/newsroom/24-09-2023-regional-innovation-valley-matchmaking-map-now-available_en ⁸ New European Innovation Agenda: Accelerating and strengthening innovation in European Innovation Ecosystems across the EU and addressing the innovation divide. See [The New European Innovation Agenda - European Commission \(europa.eu\)](https://ec.europa.eu/innovation/index_en)

⁹ JRC Innovation for place-based transformations <https://s3platform.irc.ec.europa.eu/en/w/innovation-for-place-based-transformations>