

THE CHALLENGES OF ECONOMIC TRANSFORMATION AT THE LOCAL LEVEL

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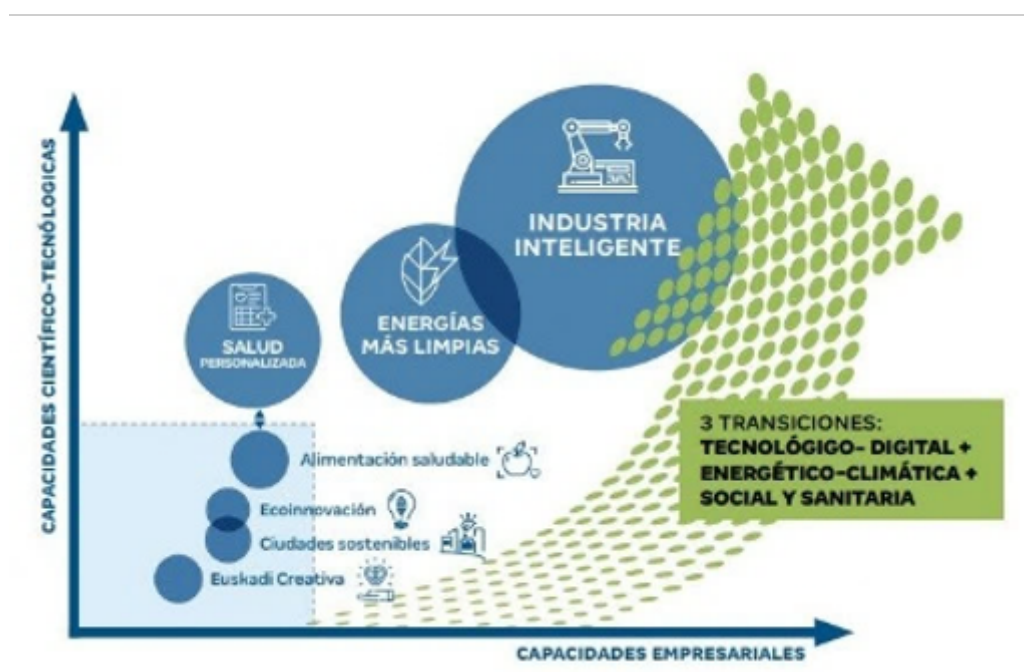
The economic transformation processes of municipalities, counties and regions are **complex processes in which different factors and instruments interact**. It is a **continuous process**, where **uncertainty** is a **constant** and **external factors** beyond our control have an influence.

The global is relevant at the local level. Global or supra-municipal trends, strategies and policies directly influence the implementation of policies, projects and other initiatives at regional and local level.

Decisions and guidelines generated at the global level have a major impact on how local challenges are addressed and how opportunities are seized. Smart" alignment is therefore essential for effective community development at the local level. Here are some of the main challenges that characterise economic transformation processes:

Content-related challenges

The concept of **Smart Specialisation** (RIS3) came onto the scene about a decade ago and became firmly established within the reformed European cohesion policy, becoming the reference framework for European territories to address economic transformation processes. The underlying principle behind smart specialisation strategies is **to seek out territories of opportunity and exploit them through the concentration and agglomeration of capacities** in these areas. The policies needed to drive economic transformation processes based on smart specialisation must therefore **take into account the local context, resources and opportunities**, in order to find transformation processes that are sensitive to these factors.



Dealing with tensions between generic and more specific principles

Balancing the need for region/county/municipality specific strategies with generic principles can be challenging. Generic principles may include conditions and criteria set at a policy level that regions must meet in order to align. These conditions can sometimes conflict with the diversity of regional/county/municipal needs and contexts.

The processes of economic transformation are constant

The economic and technological landscape is constantly evolving. New opportunities and challenges may arise that require regions to adjust their Smart Specialisation strategies. Regions may need to address issues related to digitalisation, sustainability and resilience in their updated strategies. In addition, socio-economic conjunctures or unpredictable events may disrupt the functioning of policies and strategies. Regions may need to adapt their Smart Specialisation approaches in response to these external factors, often facing capacity and resource constraints.

Systematising evaluation and evidence-gathering processes

Having systematised evaluation protocols, both ex-ante and ex-post (at least ex-post), makes it possible to accumulate evidence on the results and learning obtained and to continuously improve the content and direction of the strategic commitments made at the local level.

Challenges related to participatory strategy processes

Having to tailor the content of strategies to the local context requires participatory processes (or, as it is called from Europe, Entrepreneurial Discovery Process - EDP). The intensive emphasis on participatory processes and on the content of strategies emerging as a bottom-up process requires the development of collaborative instruments and tools.

Being able to mobilise actors

Mobilising stakeholders is a fundamental part of implementing smart specialisation strategies and making it a bottom-up process. In particular, it involves involving and coordinating a variety of actors, such as businesses, educational institutions, science and technology centres or citizens in the implementation of the strategy. This capacity is essential for the success of the strategy, as it implies the collaboration of multiple stakeholders in the achievement of common innovation and economic development objectives.

Aligning different interests

Ability to coordinate and reconcile the interests and objectives of multiple actors and stakeholders, which may include companies, educational institutions, public administration or scientific-technological centres among others. Alignment of interests is essential to ensure that all participants work in the same direction and contribute effectively to the smart specialisation strategy. It can be challenging, as different actors may have different priorities and agendas, and ways need to be found to motivate collaboration and mutual commitment. Active participation and consensus building among these actors are key elements to overcome this challenge and make the strategy truly bottom-up and effective.

Having technical capabilities

To effectively engage in participatory processes related to policy implementation both among different parties (business, science and technology centres, public administration, educational institutions), the lack of skills in government, intermediary organisations and other relevant actors limits the efficient outcomes of the discovery process. To overcome the lack of stakeholder skills and reinforce the importance of capacity building highlighted in the cases analysed, countries and regions should implement specific measures to help stakeholders develop the necessary skills to participate in the smart specialisation process.

Challenges related to governance and coordination of strategies

Generally, specialisation strategies and the policies needed to boost them do not address the role of sub-regional actors, especially at provincial and municipal levels. This is an important challenge, given that these institutional levels play a crucial role in regional development and innovation policies. Understanding how the multi-level governance framework within RIS3 should be constructed and managed is an important aspect of effective policy implementation.

Leadership and institutional stability over long periods

Institutional stability is crucial to ensure that regional policies and strategies have continuity and can deliver results over time. If the institutions responsible for implementing these strategies change frequently due to changes in political leadership or lack of continuity in planning, this can result in disruptions and lack of coherence in policy implementation.

Coordinating different institutional levels and fields of action

The implementation of specialisation strategies requires coordination between different institutional levels (local, regional, national and European) and policy areas (industrial land management, education, innovation etc.). Ensuring alignment and cooperation between these levels and policy areas is a persistent challenge.

Finding the right balance between flexibility and achieving goals

Policy makers and regional authorities need to strike the right balance between providing sufficient flexibility for regions to adapt their strategies to their unique contexts and ensuring that certain general innovation policy objectives and principles are met.

