Algarve: Towards a RIS3 Strategy

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Algarve’s expectations from the Peer-Review Workshop

For this Peer-Review Workshop we expect to:

- Exchange experiences about how RIS3 activities are being developed in other regions in particular regions specialized in tourism
- Capture new thoughts for stakeholders’ involvement
- Understand monitoring and evaluation perspectives for RIS3 implementation
- Have feedback on Algarve’s approach towards smart specialization
- Learn from Algarve’s case? a mature tourism destination and consolidation of a young research university
Questions we would like peers to discuss

- How to ‘smart specialize’ in a region already specialized in tourism?
- What advanced areas can benefit from tourism specialization in the perspective of ‘related variety’?
- From these areas, what are the ‘niches of excellence’ where the Algarve may be smart?
- How to guarantee an effective model of governance in RIS3 in the lack of administrative regions?
- How to overcome ‘economic turbulence’ constraints in the short-term for a longer term strategy implementation like RIS3?
- Feedback on our proposal for Algarve RIS3?
Regional population growth around 28% in the last 20 years

- 52.49% of the population in 2011 lives 2 km from the southern shore (12.61% of the regional territory)
- 48.33% of the population living in 11 towns in the region (Any town has more than 40,000 inhabitants)
Algarve’s Statistical Overview

*Population* - 451 006
*Unemployment Rate* - 17.9%
*Young Unemployment* - 40.3%
*GDPpc* - 16 774€ (2010)
*R&D in % of GDP* - 0.45% (2009)
*Active population with Higher Education* - 17.3%
*Number of companies* - 57 821 (2010)
*Main economic sector*: Tourism and related services (around 2/3 of regional economy)
*Tourism products*: sun and sand; golf

Source: INE (data for 2012 if not indicated otherwise)
Algarve’s Statistical Overview

Gross domestic product per inhabitant (index; 1995-2011)
Algarve’s Statistical Overview

Unemployment rate (1998-2011)

Portugal

Algarve

quebra de série
Algarve’s Statistical Overview

Unemployment by Economic Activity (Registered at year end)

Unemployment rate by Economic activity (source: IEFP)
Introduction of Algarve’s work on research and innovation

- **Status of work on Algarve’s RIS3**
  - The Algarve has previous experience with innovation and research policy: ETTIRSE (RIS), Inovalgarve (Innovative Actions), Regional Innovation Plan (2007).
  - This past experience is being incorporated into the new RIS3 by rethinking the strategic rationales and lessons learnt from successes and failures.
  - Regional Innovation Plan is a particularly relevant document to the current RIS3 process as it indicated areas for economic diversification that are being used as a departure point for the discussion of smart-specialization.

- **Blurred situation:** RIS3 are being developed at regional scale but also at national level FCT (Fundação para a Ciência e a Tecnologia) with a limited degree of multi-level coordination until present date.
Introduction of Algarve’s work on research and innovation

- Strategic vision

"Transforming the Algarve in 2020 in a dynamic, inclusive and sustainable region, capable of generating more and better jobs, produce goods and services with high added value, using innovation and scientific knowledge, the regional socio-economic potential and shared governance as instruments to strengthen the regional companies, anchored in the field of Sea and leveraged by the tourism sector to stimulate economic competitiveness and social and territorial cohesion."
Governance

- In the Algarve the RIS3 design process is coordinated by the CCDR, that has develop a regional partnership (formal agreement in October 2012) with the main regional stakeholders
  
  Private bodies (main sectoral associations) + municipalities association + University of Algarve (key actor in the analysis and strategic process)

- Relevant actors were identified, approached, included and engaged in the development of the strategy by a series of open workshops and closed meetings.

  Meetings were often thematic (areas of societal challenges), sectoral (domains of economic potential, e.g., tourism and maritime cluster) and general (related to structural funds governance and strategy).

- Decisions about RIS3 priorities

  Priorities departed from previous strategic exercises and were debated/filtered in workshops
Governance

Institutional coordination (strategic level orientations)

Implementation at partnership level of innovation stakeholders (validation and support to decision about strategic orientations)

Operational coordination
- Networking and animation of innovation actors (development of projects)
- Management of the regional innovation system
- Assessment and evaluation of the implementation of the Plan

Innovation Forum (Orientations and Opinion)

Representatives of innovation actors

Public administrative bodies

Supply side actors: university and R&D

Network of actors

Firms

Other demand

Operational body
Governance

The SRIIDT / Algarve
Regional System Research, Technological Development and Innovation

Commission for monitoring strategic
(With representatives of companies, organizations, society and external personalities)

Permanent innovation
Governance

ARIDA - The Regional Agency for Innovation and Development of the Algarve
Overcoming gaps in the process of dissemination knowledge!

The Regional Agency:

- A core tool in implementing RIS3 Algarve, especially in the process of diffusion of knowledge and continuous innovation
- A platform for meeting and sharing between different stakeholders
- A structure of support and promotion of applied research (especially in the areas identified in RIS3), to support entrepreneurship, innovation, promotion of internationalization and attract investment.
Building the evidence base for RIS3

Main steps of the process that Algarve region went through.

1. Documental analysis (PR1Algarve)
2. Academic research on regional innovation
3. Stakeholders’ meetings
4. Interviews to experts in the context of ongoing projects
The scientific expertise of the Algarve is mainly in areas related to the sea, the Fisheries, the Biosciences / Biotechnology and Technology.
Building the evidence base for RIS3

**Strengths and main competitive advantages**

- Gradual improvements in innovative behaviour
- Propensity of tourism sector to adopt ICT
- Existence of potential for cluster consolidation
- Reputation of Algarve destination with various units of excellence operating on Tourism and Leisure
- Research in the University of the Algarve, especially in niches related to Sea
- Innovation policy experience at regional level, with Ettirse, INOVAalgarve and also under Regional Operational Programmes
- Good natural conditions for the production of alternative energies
- Inserting the region in European networking of cultural events and professional sports
Building the evidence base for RIS3

**Weaknesses and main current challenges**

- Excessive dependence on tourism
- Unemployment level
- Insufficient capacity of the university to generate marketable knowledge
- Current R&D expenditure (public and private)
- Employment in medium/high-tech activities
- Labour productivity
- Level of education
- Value added and exports in High-Tech Industries
- Insufficient technological support for SMEs
- Scale of Venture Capital
- Lack of skills in technology and international marketing
- Inexistence of some key-actors for a regional innovation system
- Poor connection between RIS actors
Building the evidence base for RIS3

Opportunities for future regional development

- Awareness of the growing relevance of innovation
- New activities and technology-based industries and knowledge-intensive leveraged by the Tourism sector
- Consolidation of technology transfer activities in the University of Algarve
- Opening of firms to the Information Society
- Development of maritime cluster that have some innovative content
- Growing demand for tourism products with higher added value, associated with the sea, the environment, culture, heritage, health tourism and wellness
- Introduction of new technologies to revitalize traditional industries
- Levelling international innovative SMEs through contacts with international partners
Building the evidence base for RIS3

Threats the region is facing

• Economic turmoil prevents private investment in innovation
• Economic turmoil reduces public engagement in innovation measures
• Difficulty in retaining and attracting highly qualified resources compared to major competitors
• Qualified Human Capital leave the region because of unemployment
• Low demand for innovation by regional business
• Constraints to University-Industry mobility weakens private companies
• Situation of remoteness of the region
• Increasing difficulty in attracting FDI
• Disappearance of advantages based on factor prices
• Firms do not find managers with knowledge to compete globally
Looking beyond Algarve’s boundaries

- Analysis take into account the external context, national/international
  - Regional Innovation Scoreboard 2012
  - Comparison with other regions – academic studies
  - External knowledge is a critical factor for innovation within Algarve (circulation of ideas and mobility of researchers)

- Algarve’s work on Research and Innovation *vis-à-vis* other regions?
  - Learn lessons from other regions?
    - Border regions – high level of cooperation with Andalusia, and specially with the province of Huelva
    - Other regions from your country – CCDR Algarve and inter-regional debates, regional comparison
    - Regions in other EU Member States: Tourism destinations [CompetitivTUR]

The relevance of European *cooperation projects* in benchmarking [4 examples: KIMERAA, HARVEST Atlantic, ShareBiotech, INOLINK]
Looking beyond Algarve’s boundaries

Algarve, a region in progress on innovation in the national and European context, but with high deficits on:

- R&D focused on market and results;
- R&D investment compared to the other Portuguese and European regions;
- Support conditions to stimulate innovation and entrepreneurship.

Source: European Regional Innovation Scoreboard 2012
Looking at entrepreneurial dynamics

Assessing entrepreneurial dynamics in Algarve:

- The ‘entrepreneurial process of discovery’:
  
  Three recent examples:
  - CCDR– open meetings with regional stakeholders
  - CRIA: ‘ideas contests’, ‘innovation expositions and fairs’ and ‘thematic focus groups’
  - FINICIA Regional Platform Experience

Involvement of entrepreneurial actors in your region:

- Business community
- Research and academic organizations
- Bottlenecks to participation and collaboration and how to deal with them?
Main objectives of RIS3

Main socio-economic objectives to achieve through Algarve’s RIS3

- Reduce the dependence of tourism sector on the seasonal ‘sun and sand’ with other complementary products
- Develop ‘niches of excellence’ in advanced areas that benefit from ‘related variety’ with tourism
- Explicit the potential of maritime cluster in Algarve
- Diversify the economic base of the region creating value added and jobs

These objectives are clear stakeholder needs and societal challenges
Algarve’s RIS3 Priorities

Consolidated sectors – **Tourism** and **Sea**.
Sectors recognized by their economic significance, capacity to create and sustain jobs, and in which the region possess a solid R&D basis and other important resources.

Sectors displaying potential at the regional level (e.g. natural resources, enterprise expertise, or excellence R&D at the University of Algarve), yet displaying systemic failures that do not allow for the provision of a strong economic basis for development, and that do not yet have the capacity to drive a Smart Specialisation Strategy per se. Furthermore these sectors are providers of Enabling Technologies (e.g. for Blue Biotech, support to Tourism), and other resources for the consolidated sectors, and therefore should link and support this latter group, as they have also a horizontal nature with transformative potential.

‘**Wild cards’**
Algarve’s RIS3 Priorities

The key criteria for the definition of priority areas were:

- the existence of key assets and capabilities for each of the areas proposed and, the potential for ‘related variety’ within the intersections of different sectors,
- the potential of these areas for regional diversification,
- the existent critical mass or critical potential within each area,
- the relative position of the Algarve as a node in global networks.

Participatory processes.
Flexibility in place for resource allocation if priorities are reinforced or discarded?
Why these priorities?

The importance of the cluster "Tourism / Laser":

- **Tourism is the cluster that dominates the regional economy** (currently has a weight of 54% of companies, 65% of employment and 69% of GVA);

- **By the year 2020 it is estimated also growth of this cluster, however small** (1% increase in the share of firms, weight maintenance and employment growth of 1% in weight GVA);

- **Given the high degree of specialization of the regional economy, it is intended to improve the relationship with the other value chains** to generate positive synergies for all.
Why these priorities?

But the smaller value chains can grow much more, generate employment and add more value to the regional economy!!!
Why these priorities?

Inter-sectoral flows and ‘Related Variety’
Digital growth priorities

- Have we developed (or planning to) in your RIS3 an explicit strategic policy framework for digital growth? NO(?)

- Does (or will) it include budgeting and prioritisation of actions through a SWOT analysis consistent with the **Scoreboard of the Digital Agenda for Europe**? NO(?)

**Please note that:**

1) the Algarve has implemented successfully the Programme Algarve Digital, has a Regional Development Agency focused in Information Society (Globalgarve) and,

2) One of the priorities of RIS3 is ICT what will relate directly to Digital Growth Agenda.
Implementation and budget

- Priorities underpinned by concrete action plans and roadmaps
- Tools and budgets in Algarve to implement its RIS3
  - Does Algarve have the necessary tools and budgets to succeed with the implementation?

- The strategy and its implementation intends to integrate and exploit the synergies between different policies and funding sources (ROP+others).
- Relevant stakeholders and partners are thought to be involved in the implementation stage of RIS3 (see ‘Governance model’).
- RIS3 will stimulate directly private R&D+I investments even if the approach being designed also benefits from DUI mode because of the relevance of the tourism sector.
- CCDR Algarve is the responsible body for the RIS3 implementation.
Implementation and budget

- EU and Other funds managed at national level
- Investment attraction (e.g. foreign investment, venture capital...)
- RIS3 Algarve Financing
- Regional Operational Programme
- Other R&D funds (e.g. Horizon, Cooperation programmes)
- Funds from Firms or other users
Measuring progress

- Mechanisms planned for monitoring and evaluation of the strategy’s implementation
- Outcome indicators to measure the success
- Review of the strategy based on evaluation outcomes to weed out non-performing investments
Algarve’s self-assessment
Summary and next steps

- The implementation of RIS3 in Algarve is a big challenge
  - Tourism linkages to other areas need to be ignited to smart specialization occur
  - It is critical to create the adequate policy-mix and governance tools to facilitate the implementation of the process
  - Algarve needs support in defining the adequate monitoring schemes and controlling mechanisms to guarantee the governance of the RIS3

- How aware of the processes and supportive are your politicians, the regional/national administrations, the business community in your region, your national government?...
  - In periods of austerity and economic slowdown, priorities can easily change…
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