





# Local Skills Matter: Entrepreneurial Communities and Smart Territories

## Conference summary

### Smart territories: bridging and bonding thinkers and doers

This ambitious event, arranged by the ETF and hosted by the European Committee of the Regions, set out a wide-ranging agenda for ETF partner countries, EU member states, and international organisations. The hypothesis they sought to test is that skills can act as a bridge and bond actors – specifically, between the local partnerships explored in the ETF’s Entrepreneurial Communities Initiative on the one hand, and smart territories as a broader approach, on the other. Smart territories includes elements of the EU’s regional innovation and development framework known as smart specialisation, and places human capital and innovation at the heart and as drivers of integrated territorial development. The growingly used entrepreneurial discovery process may ground VET, skills and innovation with integrated territorial development in novel ways in order to build on the territorial strengths and comparative advantages.

ETF Director Madlen Serban introduced the opening plenary by highlighting the significance of action, remarking that “skills are achieved and used at local level, not in policy and strategy papers. Without implementation on the ground, nothing can happen.” For Serban, the key to implementation is partnership. “Our call is for action, in a coordinated, partnership-based way,” she stressed, adding that while technology is a vital part of the answer, to be an enabler it must be truly accessible.

Committee of the Regions President Markku Markkula then welcomed delegates, outlining the Committee’s remit and the importance of the ETF’s work in that context. He particularly noted that “the ETF has very successfully turned the concept of multi-level governance into practice beyond the EU borders, with the concrete target of creating incubators for innovation and entrepreneurial spirit.” These are pre-requisites for the open, innovative future envisioned by the Committee’s membership, which is made up of mayors, regional presidents, regional ministers, and local councilors. While their primary role is giving voice to regional concerns within the EU legislative process, they also strive for tangible change at local level. Echoing Serban’s emphasis on partnership, Markkula called for

“concrete, agreement-based strategic alliances” to support territorial development, accompanied by a willingness on the part of local and regional authorities to simplify processes and move towards more experimentation and rapid prototyping of solutions.

Jordi Curell, Director, Labour Mobility, at DG Employment, Social Affairs and Inclusion, pointed out that “skills are a cross-cutting issue” because “they matter for jobs, growth, and investment”. While the challenges in ETF partner countries are considerable, Curell also referred to the scale of the problem within the EU, where one in five citizens still struggles with basic literacy, and where numeracy and digital skills lag even further behind. Endorsing the encouragement of entrepreneurship and entrepreneurial learning, he pointed out that “self-employment and entrepreneurship have the potential to create jobs and to strengthen youth innovation capacity”. The role of education and training systems, he suggested, is not to create job seekers but job shapers.

Alessandro Rainoldi, Head of Unit, Knowledge for Growth, at the Commission’s Joint Research Centre, explored the concept of smart specialisation. Since it was first introduced by the scientific community in 2009, smart specialisation has become so important that it is now “an ex ante conditionality for the use of structural funds for research and innovation”; funds that run to €40 billion at Commission level. This is because smart specialisation has proven so powerful as a driver of innovation in scientific research and regional economic transformation. While avoiding formal definitions, Rainoldi shared his understanding of smart specialisation as “a collection of elements of common sense, scientifically applied to public policy”. He emphasised the open, inclusive nature of smart specialisation, citing this as a factor in its applicability across different policy arenas. Within smart specialisation, the entrepreneurial discovery process – whereby all actors adopt an entrepreneurial spirit – supports priority-setting. Urging delegates to take this into consideration in their own countries, Rainoldi highlighted “the adaptability of human capital and skills to the potentials and priorities that each region or country puts forward in its vision of smart specialisation”.

### Successful communities pay attention to territorial potential

Entrepreneurial communities are voluntary, forward-thinking, innovative, territorially anchored partnerships that are overturning employment prospects by building on local assets. They analyse and exploit available assets, and improve the local labour market by identifying skills needs and supply, pooling resources to develop skills, stimulating entrepreneurial talent, etc. In doing so, they downplay the strict hierarchical systems of governance and replace them with a myriad of stakeholder engagement and participatory action. They are dynamic and forward thinking, and offer an easy alternative to improving existing governance arrangements and to improving the efficiency of skills policies.

Pirita Vuorinen, ETF Regional Development Specialist, introduced entrepreneurial communities of Algeria, Belarus, Georgia, Israel, Kazakhstan, Moldova, and Montenegro, each preceded by a video revealing the core potential of their respective partnerships influencing territorial governance of human capital and skills policies on a broader scale. The stories are inspiring, but Vuorinen cautioned against wholesale copying of good practice. And while access to local authorities seems to be a common element that helps to guarantee sustainability in these partnerships, meaningful links with local authorities can remain elusive. The entrepreneurial communities demonstrate the potential of human capital development being part of an integrated and open approach to integrated territorial development.

Delegates questioned the speakers on a number of issues, and commented on the immediate take-aways that they had picked up, as these extracts show:

### Albina Buchek (Russian Federation)

Thanks for sharing, we'd like to take advantage of this expertise – on the job learning is vital. We loved the idea of business schools in colleges, and I think we will use that.

### Dragan Milovic (Bosnia and Herzegovina)

The experiences we have heard are very inspiring. We will try to implement some of these ideas.

### Zain Majali (Jordan)

I work in an SME support organisation, it's my first job after graduating. Our director is Hana Uraidi, who was part of the ETF Entrepreneurial Communities advisory board. Inspired by the potential that could be uncovered, we invited ETF to be part of our board, and we have customised the initiative to better fit Jordanian culture and context.

## Detecting potential boundary spanners through entrepreneurial discovery

To delve deeper into the entrepreneurial discovery process, Madlen Serban introduced Octavian Popa, Project Expert at UEFISCDI, Romania's Executive Agency for Higher Education, Research, Development and Innovation Funding.

He presented examples of case use of entrepreneurial discovery as a stakeholder engagement, consultation, and idea selection method, mentioning policymaking, developing future-oriented strategies, and speeding up the smart specialisation process as examples. UEFISCDI has produced a national strategy for research including smart specialisation priorities. However, the main obstacle is some government departments' fear of losing funding – the irony being that it would be an entrepreneurial step in itself for government to adopt a more flexible attitude to risk. Popa was quick to stress the central role of skills, placing another marker for the accuracy of the conference hypothesis: "Whatever the latest technology is, people need the skills to use it. So the future is not project driven, it's community driven. Put what skills you've got on the map," Popa advised, "to put your region on the map."

## Putting policy into practice, and practice into policy

A panel made up of representatives from three EU member states and two candidate countries, moderated by ETF Head of Systems Policy/Country Analysis Unit Eva Jimeno-Sicilia, discussed their respective experiences of implementing smart specialisation.

Hale Gülbaz, Head of Unit, East Marmara Development Agency, outlined East Marmara's explained how the design of regional plans in a results-oriented way was the trigger by the smart specialisation approach to regional planning. Asked to identify the 'core' of the process, Gülbaz named the region's workforce and its role in creating a skills-matched future.

"We are designing sectoral priorities via 20 indicators in four main headings," Gülbaz revealed,

"then looking at the spatial dimension". The governance of the priority-setting process is reviewed by two working committees, one advisory and one technical, which ensures healthy partnership between the different actors.

Branislav Bugarski, Provincial Secretary for Interregional Cooperation and Local Self-Government, Serbia, presented how in 2003 the regional authority in the Autonomous Province of Vojvodina analysed the region's prospects and created a strategy to bring development in line with EU objectives, setting very precise goals for the region. By taking an integrated approach to territorial development, "we are able to combine our traditional agricultural industries with the future – IT", said Bugarski. With areas such as environment, energy, innovation, and R&D infrastructure forming horizontal priorities, the Province identified common points where they combine in specific instruments for financial assistance to R&D and start-up activity, which in turn meets intended economic and social aims.

"For us, the IT element comes from a bottom-up approach," Bugarski noted, and with universities helping to improve the quality and relevance of the local VET and skills offering, governance initiatives provided the necessary support to close out-of-date courses and promote future-oriented subjects.

Norbert Höptner, Commissioner for Europe of the Minister of Finance and Economics of Baden-Württemberg, Germany, elaborated on how it had been possible to ensure bottom-up initiatives actually become part of government policies and actions in the region. "We rely on a dialogue process initiated by the local government in 2011. It does have a technocratic element, because the Chamber of Commerce directs VET policy, not the government. The Chamber is private sector led so they know what skills they need, and they provide input directly to VET curricula, while the state delivers certification." Although initiatives might start bottom-up, they then need to be picked up by institutions to reach policy level and a government commissioning framework set up some twenty years ago created an environment

# Entrepreneurial Communities

## Good practice

### GEORGIA

The Georgia entrepreneurial community, based in a district of Tbilisi, is fighting against the stereotypes of those living with a disability. The partnership exemplifies the way a policy of inclusive education is getting off the ground. A local vocational education and training facility has broken the silence and stigma that surround disability, and created a positive learning environment where students with and without disabilities, and from varying age groups and educational backgrounds, not only learn together, but also participate in initial and continuing vocational education and training, work-based learning, and apprenticeships together.

### KAZAKHSTAN

The entrepreneurial community in Karaganda, Kazakhstan, is an illustration of the voluntary mobilisation that the implementation of human capital development policies requires at the local level. Here the private sector and vocational education and training providers have joined forces to re-establish a modern version of the link between education and business that once existed. Together they are driving regional transformation through an expansion of the local private sector built on an integrated approach to territorial development. Recognising and exploiting the transformative power of vocational education and training, this community is laying the foundations for a thriving local economic and learning ecosystem.

### MONTENEGRO

The Montenegro entrepreneurial community in Budva showcases how a network of partners, connected to the National Bureau of Employment, has maximised and utilised the opportunities for local economic growth. By applying a human capital-centred approach, employment prospects in Budva have been transformed. A virtuous cycle of visionary leadership and innovation has shaped this partnership of nearly two decades and made an important contribution to shaping the adult education system and policies, as well as the professions in the hospitality industry and industry as a whole.

### ISRAEL

The Israel Entrepreneurial Community's aim is to impart innovative and creative thinking skills in the Hadera Multidisciplinary School and attract them to stay in Hadera by exposing them to the real-life local business cycle in application development and biomed. The complex partnership led by Amal, a non-governmental organisation, includes local and national government, local and multinational-companies, research groups, parents, kindergarten and many more.

To see the videos, visit the ETF YouTube channel:  
<https://www.youtube.com/playlist?list=PLYK8JpvJRLjjaZJts7falk19Y7o5hhZe>

## ALGERIA

The Algeria Entrepreneurial Community consists of a community of small farmers/breeders in Laghouat, a town on the border of Sahara. The partnerships is centred around three key objectives: (i) working in groups to identify potential skills and inform and train fellow farmers to improve their performance, (ii) simplify farming methods for the illiterate farmers, (iii) motivate youth in daily tasks, (iv) multiply contacts with other associations and groups of farmers to widen scope and exchange experiences.

## SERBIA

The Serbia Entrepreneurial Community was established in 2012 under the lead of a local farmer in order to qualify for donor funding. The partnership brings together local authorities, VET provider, and a non-governmental organisation. The initial focus on creative learning for children in the Magical Village where women received training and could obtain seasonal employment soon grew into a collective effort to activate provision of adult secondary VET in Mionica.

## BELARUS

The Belarus Entrepreneurial Community, the bees-in-hive is a business incubator based in Minsk. The incubator provides a framework for continuous learning based on a cycle of knowledge sharing from the more experienced to the less experienced, and mobilisation of a variety of efforts. At the incubator professional assistance is provided by more experienced multidisciplinary "business bees" and local government representatives.

## MOLDOVA

The Moldova Entrepreneurial Community was formed in 2003 as a result of funding from the EU's TACIS programme. Key partners include the Mayor's office, the District, and the Ungheni Entrepreneurial House consisting of four non-governmental organisations. The partnership channels the economic potential of local businesses towards community development objectives. It provides capacity building and growth assurance, performance management and supports internationalisation of businesses.

## LEBANON

The Lebanon Entrepreneurial Community brings together schools and private sector in Beirut through a collective effort led by Injaz Lebanon, a non-governmental organisation. The partnership has been running entrepreneurial learning programmes where students are introduced to the business world and experience a real-life situation of creating a company with guidance from a corporate volunteer from the local private sector since 2001.

## JORDAN

The Jordan Entrepreneurial Community consists of a partnership between two businesses MENA Apps and Oasis500, and Intaj, a non-profit, private organization promoting Jordanian software and IT services industry. The partnership (i) accelerates start-ups and entrepreneurs, (ii) connects start-ups to mentors and other players in the eco-system, (iii) opens doors for start-ups to grow locally and internationally, (iv) provides training and guidance for good governance and execution of companies, (v) empowers youth and women in the MENA region.

in which bottom-up initiatives could work. "It's not easy," he conceded, "but it is successful".

**E**nrico Macii, Vice Rector for Research at the Politecnico di Torino, shared the story of Torino's transformation from industrial powerhouse driven by the automotive industry, to a city with a global reputation for education, tourism, sport, and creative industries. This transformation was, said Macii, "not a choice, but a necessity. We had no choice. Dramatic changes were occurring around us, so we had to undertake radical change ourselves".

**N**evertheless, Torino worked hard to keep hold of people with manufacturing skills and know-how. Therefore, there are now a lot of small and medium-sized enterprises conducting high-skilled, high-tech manufacturing, "but not for a single customer any more" Macii continued. "Our customers are world-wide, we have become more international and known for more than Fiat." Enabling factors in this successful urban makeover Macii cited to be "stability first and foremost. And good use of structural funds, investing in strategic sectors that boost the local economy".

**A**lexandru Tulai, Executive Director, Cluj Innovation City Foundation, Transylvania, the centre of Romania's IT industry. The proposition in Cluj has been mainly based on technology outsourcing, which is not sustainable, and the sector is looking for market destinations based on its owned intellectual property.

**A**ccording to Tulai, Cluj has "used innovation as an engine" for smart specialisation. The task now is to share the experience gained from partnerships between local IT companies and their counterparts elsewhere in Europe, to support the development of other vertical sectors. "Proximity is key. It's important to have a mixed team at the table to promote knowledge transfer – universities, businesses, community representatives, and end users".

**J**imeno-Sicilia reminded everyone that there are clearly many different routes to smart specialisation, both as an end in itself and as part of a smart specialisation strategy. The trick is to identify strengths, and figure out the right processes for each context. The journey from entrepreneurial communities to smart territories involves scaling up in a way that ensures there is something for everyone in the outcomes.

**S**timulated by these practical and informative ideas, delegates were again keen to add their questions and perspectives:

#### **Yousef Shalian (Palestine)**

*Everyone says IT is the future, and we're investing a lot in that area, along with renewable energy. But we're forgetting other sectors – it's hard to find a good plumber these days!*

#### **Vukica Jelic (Montenegro)**

*Our country is too small to have 'smart specialisation'. Why can't the whole country be 'smart'?*

#### **Khaled Ghedira (Tunisia)**

*The gap between the research world and the social and economic world is what we call the 'valley of death'. If Torino didn't have Fiat, would the city have been able to avoid this problem?*



**Arman Toskanbayev (Kazakhstan)**

*A 'smart' process seems to be a system-wide process. But can it be compressed and transferred from one region to another?*

**Tal Lotan (Israel)**

*To have a VET and general education system that is future-oriented we must understand what will be needed 10 years ahead. How can we define now the skills, professions, and industries of the future?*

### **Feeding the concept of smart territories**

Splitting into three workshops, delegates took to breakout rooms to delve more deeply into some of the issues raised.

### **Participatory governance**

led by ETF expert Pasqualino Mare, the group looked at participatory governance of human capital and its potential impact on skills. The group agreed on the importance of teaching students to be thinkers, and involving them and other non-traditional actors in governance, to promote creative skills. Citing the experience of the Algerian entrepreneurial community, participants highlighted the skills-acquisition opportunities in long-term structural partnerships, the importance of relevant qualifications, and the risk of loss of 'traditional' occupations that are in fact still relevant.

### **Integrated territorial development**

Pirita Vuorinen, ETF expert, focused on integrated territorial development. Here, an immediate agreement was reached on the fact that no one size could fit all and that the concrete approach and tools would vary depending on the local context and capacity. The approach was seen as an opportunity to co-create, action bottom-up multi-level governance, and work more closely with the demand side for skills – the private sector, that holds the information on existing market opportunities; and for the government to organise decision-making processes in a more open, transparent and inclusive way to create favourable conditions for innovation, competitiveness and growth. Issues to consider in implementation were raised e.g. lack of tradition and experience of decentralization and collaborative policy-making, limited capacity of sub-national actors, size issues such as small economy, lack of means and tools, requirement for long-term commitment for credibility across diverse groups whose active participation is needed to deliver integrated regional and territorial growth. The group concluded "We need to act! We must roll up our sleeves and start making our territories smart!"

## Innovation and competitiveness

ETF policy analyst Manuela Prina led the group that looked at how the vision for smart territories can incorporate competitiveness and innovation. The discussion focused on ways to bring innovation into the education system, developing skills for innovation that drive competitiveness, and anchoring skills provision according to the territorial potential and innovation drive. The discussion then moved onto how to action innovation and competitiveness: identifying each region's unique potential, broadening dialogue into actors that drive innovation and have a vested interest in digging deeper into skills needs, overcome the temptation to analyse skills needs based on the past, and move forward a common vision and participation. In order to discuss a concrete case, participants opted to discuss the case of Georgia "How can we identify what is unique in each region with highly diversified needs?" The experience of Esen Caglar from The Economic Policy Research Foundation of Turkey was used to establish recommendations. Caglar described how in Turkey where within a policy cycle a virtue is made out of diversity and serves as a platform to further explore and expose potential for innovation and competitiveness.

Simon Mordue, Director for Strategy and Turkey at DG NEAR, outlined the challenges and policy responses that set the context for EU member states and for the enlargement and neighbourhood areas. These are difficult times in many ways, he observed, but at the same time new thinking and new methodologies can create tremendous opportunities for cross-regional and trans-national cooperation. "One thing that we tend to associate with a successful smart specialisation strategy is the ability to change the mind-set and tear down some of the, at times artificial, barriers across all economic development sectors," said Mordue. "It's about bringing science, academia, public authorities, and industry together, and enhancing the collaborative approach."

The role of innovation in smart specialisation strategies applies more widely than just to the 'usual suspects' in the technology sector. "Investment in innovation also means investment in the human aspects such as the introduction of new management techniques, social policies, marketing processes, and design. These are all outputs of investment in

human capital, but they're also factors that can give a competitive advantage to a company, a region, or a country." He concluded with the hope that delegates would return home motivated and ready for action, and reiterated the Commission's commitment to the ETF's remit. "We would encourage you strongly to continue your work with the ETF on this, with the Committee of the Regions, with the Commission, with the Joint Research Centre, with the Economic and Social Committee, and learn from our member states," he said, before recommending partner countries to register on the Joint Research Centre's Smart Specialisation Platform (<http://s3platform.jrc.ec.europa.eu/>) where they can access a wealth of information, contacts, and resources to support their quest to give their own region the smart territories edge.

The President of the Economic and Social Committee (ESC), Georges Dassis, warmly commended the conference for its efforts, noting that the ESC is – and should be – open to all social organisations, and that as an advisory institution it has a representative, if not a decision-making role. Moreover, he told the conference in what he described as "breaking news"; the ESC will draft a new text for the Charter of Fundamental Rights. The ESC approach to smart territories is based on "cross-cutting dimensions that drive competitiveness and growth"; he said. "We pay attention to cities as technological incubators – where we can find new ways to produce energy, new ways of transportation – but we also represent citizens wherever they live."

Emphasising the blight of youth unemployment, in member states as well as in partner countries, Dassis described it as "a constant worry. We support the creation of new businesses and the efforts of entrepreneurs to create long-lasting and decent jobs," he said. Finally, he pointed out that "It is not new for us to work with the ETF and we will continue to provide you with technical means and support. You can count on us, and I congratulate you on this collaboration."

Thanking him, and all the speakers, contributors, and delegates, Serban added her final thoughts on what had been an intense, but rewarding two days. It may seem obvious, but it's worth restating the absolutely vital task of maintaining dialogue. "Dialogue is an indispensable ingredient in any democracy,"

Serban declared. "Answering systemic problems with systemic solutions requires dialogue, for one single side could not put in place systemic approaches."

If it is the case, as everything we had heard at the event suggests, that smart territories are increasingly guiding economic development; and if there is an opportunity for proactive input from the human capital development sector, "then that is the invitation, and we must do it! We must trust the entrepreneurial continuum –made of people, institutions and whole communities".

The entrepreneurial continuum must include governance, Serban added. Governance works across the horizontal and vertical axes, not just bottom-up or top-down, that's why we talk about multi-level governance," Serban said. "It's about cooperation at different levels, about trust among actors, and transparent mechanisms for coordinated action and shared responsibility."

With that in mind, Serban ended with sincere congratulations for all 10 of the entrepreneurial communities and their truly inspirational journeys. Those journeys continue, now with the prospect of becoming part of the new world of smart territories.



The ETF is an EU agency that helps transition and developing countries to harness the potential of their human capital through the reform of education, training and labour market systems in the context of the EU's external relations policy.

