

Does Smart Specialisation improve innovation subsidy effect on regional productivity? The Portuguese case

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ABSTRACT

Smart Specialisation is a place-based approach to innovation policy that underpins a significant amount of European Union funding. Following more than six years of implementation, this paper contributes to the evaluation of the Smart Specialisation approach based on the case of Portugal. This is done using the country's main instrument to support corporate Research, Development and Innovation (RDI) that was launched in 2007 and adapted to accommodate Smart Specialisation in 2014. Using aggregate corporate data at NUTS 3 level from 2008 to 2018 and spatial econometric analysis, the results display a positive effect on regional productivity from the RDI subsidies over the two programming periods under analysis (2007 to 2013 and 2014 to 2020), and a higher return of subsidies in the second period, suggesting that Smart Specialisation was able to generate an additional effect. We also found that Smart Specialisation has only been able to generate this additional effect in regional productivity when the Research & Development funding instrument is combined with other types of innovation subsidies.

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1. Introduction

Smart Specialisation is a place-based approach to regional innovation policy where priorities for public investment are 'discovered' through analysis and dialogue with the innovation and entrepreneurial communities. The origin of the concept itself followed an analysis of the transatlantic productivity gap, explained by the much more widespread application of general-purpose technologies in North America compared to Europe (McCann and Ortega-Argilés 2015). The EU operationalised Smart Specialisation by requiring Member States to have a Smart Specialisation Strategy (S3) at national or regional level as an 'ex-ante conditionality' for spending the European

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