

## Innovation Policies and Industrial Districts. Evidencies from Italy

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## Regional Government laws

- **Regional Governments** are playing an increasing role in supporting the industrial districts, particularly in the technological innovation field
- The **incremental innovative attitude** and the **made in Italy** brand are not any more enough to face a tough global competition
- From the early '90ties the Regional Governments gain more and more importance in dealing with the industrial districts, starting from the law **317/91**.
- In **1997** the first economic document recognizing the industrial districts is approved by the National Government (Delibera CIPE 21/3/97) followed by the Law **266/97** (Legge bersani), covering up to 50% of ICT investments of the districts.
- The Law **140/99** simplifies the criteria that industrial districts have to match in order to be recognized. The Regions may finance innovative projects launched by the local industry within the district
- The Law **112/98** defines that the industrial policies – benefits, grants, incentives – for the industrial sectors are responsibility of the Regional Governments
- At **2005** more than half Regions have developed policies for the industrial districts (12 Regions, 8 in CentroNord, 4 in the South)

### key highlights

- The increased role of the Regions has proved to develop a **more tailored approach**, as well as an higher degree of flexibility
- On the other hand **lack of governance and strategy** have characterized the first years of implementation
- The **industrial districts policies** are not yet linked with the **R&D policies** focused on the Universities

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## The 2005 national budget law recognizes the districts

- The national budget law 2005 points out the role of the **industrial districts**, defined as *free territorial and functional aggregation of companies*, and defines policies to develop the relevant territories and sectors, as well as their organization according to subsidiarity principles and involving the entrepreneurs associations

### Guidance framework for:

- **Fiscal policies:** tax income may be determined at the district level, the *district* may forecast and agree with the local tax office an overall tax budget to be paid by the companies, and then split the budget among the companies according to principles of mutuality and transparency
- **Administrative policies:** the *districts* may manage the relationships between their companies and the public administration. The *districts* may start administrative procedures on behalf of their companies. The *districts* may sign collective agreements with banks and financial institutions as well as sign contracts in relevant areas
- **Financial Policies:** the districts are allowed to develop a wide variety of financial policies (securitizations, guarantees, development of investment funds, etc.) on behalf of their companies
- Launch of a **new Agency** for the development of new technologies and innovations in the districts and SMEs environment, directly reporting to the Premier Cabinet

Will the national policy be able to integrate with the regional policies for the Districts?

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## Regional Policies for Industrial Districts

- The Regional Policies for the industrial districts are mainly focused on: a) **networking of companies** (consortia, agencies, associations); b) **territorial context development** (infrastructures, training)
- The key action plan is the **Regional Development Plan**, the framework that allows the implementation of the specific programs, negotiated with local governments and industry associations
- **Each Region has a peculiar policy** as far as the **district boundaries** are concerned: in Emilia Romagna, for example, the boundaries are not defined ex ante, and the local actors may organize the programs without constraints. The design of the program defines the areas involved
- Core activities funded are in primis the development of **Agencies and Centers**, usually providing support services such as innovation and trading services. Seldom these Agencies develop real R&D activity, usually the target is just technological dissemination and marketing
- Other core activities in most of the Regional Policies are the **refurbishment of the industrial sites**, the **environment issues**, the **vocational training** plans, the **telecom services** for districts and the **partnerships** among companies.
- Most of the Regions have implemented the **District Committees** (Comitati di Distretto), to determine objective and priorities for the local industrial policy, monitor the processes as well as refresh the political agenda
- The **key differences across the Regions** are due to the: a) presence of EU subsidies in the area, b) strength of the SMEs representatives at the local level, c) institutional cohesion, d) quality and relational skills of the local universities and research centres

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## Piemonte

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- The Region has recognized in 2001 **27 Districts**, a network system of over 543 local governments in six industries
- Goals: foster industrial innovation and develop networking strategies, improving the overall district organization and internal relationships
- Public and private consortia may apply for funding projects in the fields of service agencies, telecom services, R&D labs, refurbishment of industrial sites, etc.
- The Region has funded projects for **30 Millions Euro** (1998-2003), co-financing investments for 81 MEuro (61% international development, 18% certification processes, 5,6% R&D activity, 8,5% telecom services and infrastructures, 5,3% one stop shop info offices)
- 95 projects funded

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## Lombardia

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- The first Regional law for industrial districts dates back at 1993. In 2001 a new Regional Act recognizes **16 Districts**. Together with the traditional Districts, based on territorial and industry characters, the region recognizes also **tematic districts or metadistricts**. In the metadistricts the physical contiguity is less important, network effects and industry-research relationships play a more significant role.  
Biotech, fashion, design and new materials are the selected *metadistricts*
- An annual call for proposal funds projects submitted either at single SME or network level. Main eligible areas are : technological innovation, at both levels, network services, international cooperation
- The SMEs joining the Districts get extra credits in the projects ranking versus the SMEs not joining any District. Furthermore, part of the budget is reserved for the District SMEs
- A Regional Committee of the Districts, creating a roundtable among the regional and local actors, should play a planning and monitoring role

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## Emilia Romagna

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- Emilia Romagna, due to the nature of the local industries, **does not recognize the boundaries** of its Districts, which are determined by the local actors networking on development projects
- The Regional Development Plan determines every three years the key areas of commitment, currently Industrial Research (precompetitive R&D, research centers, regional R&D network)
- SMEs are encouraged to develop contracts with research centers, the territorial environment becomes relevant as **repository of core competencies for the companies**
- The projects are submitted annually to the Region
- The regional R&D network initiative is focused on getting an easy access for the SMEs to the research labs

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## Veneto

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- In 1999 the Region recognized **19** areas matching the District criteria
- In 2003 a new Regional law states that a key feature of a District is the empowerment of local public and private bodies towards a **strategic planning activity**. The related "*Agreement for the District Development*" is the core developmental tool agreed by the actors involved at the local level
- The Agreements have to comply with the Regional planning goals and procedures
- In 2003, for example, **116** Agreements were approved, funded by the region with 15 Millions of Euro
- Every year Provinces and Chambers of Commerce contribute to negotiate new or re-negotiate old Agreements, which are then submitted for approval and funding to the Regional Government

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## Lazio

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- The regional law n. 36/2001 defines the framework for the District Policies and the set of incentives available
- In **2002 and 2003, three Districts** were recognized in the provinces of Frosinone and Viterbo
- High tech activities, such as the audiovisual productions in Rome, are among the next candidates
- The Region relies upon the *Agenzia Sviluppo Lazio* to accomplish the local development policies
- The annual budget for the District Policies is growing, even though still quite small (15 MEuros)

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## From Industrial Districts to Technological/ Design Districts

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- The last few years have been characterized by a **crisis** of the traditional District model, based on incremental innovation and strictly territorial relationships. The role of **technology and design** has ramped up in agenda of the industrial policies for the Districts.
- This institutional and political agenda led recently to the development of specific initiatives in the field of **technological districts development**.
- Even though less characterized as a territorial entity, the technological district policies represent a real challenge for the national and regional institutional levels as far as the new policies for local development are concerned
- The real challenge is to **foster effective relationships between industry, local governments and public research**, in a context where industry is mainly SMEs and public research often focused on internal goals (eg. academic careers)  
Early stage finance and soft institutional mechanisms for R&D transfer (eg. Patent policies, bridging processes)
- The Technological Districts are launched by the **Regional** Governments, and approved by the **National** Government, also in order to help the funding processes
- The Technological Districts initiative is today at a *very early developmental stage*, and just a few examples are reported here. Substantial development will occur in the next 3-4 years

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## Torino Wireless in Piemonte

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- Starts in **2003** as a consequence of a framework agreement among the ministry of research, the region, the province, the municipality, the research institutions, key local companies and industrial association, the major banks. Torino Wireless is a Foundation
- Five years project (2004-2009), budget of **130 MEuros** (35M for R&D, 25M for translating research into industry, 70 for a start up venture capital fund)
- **Goals:** from 2000 ICT researchers up to 6000, attract ICT investments, foster local SMEs of the ICT sector, create at least 50 start up in the ICT field, increase substantially the relative weight of the ICT industry in the Region
- Within the framework of Torino Wireless specific initiatives for SMEs have been launched, among which a target project to *ease the access to the research results and a seed capital fund* (small minority equity investments for SMEs ranging from 100.000 to 1.000.000 euro)

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## Biotech District in Lombardia

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- Ministry for Research-Region framework agreement in **march 2004**, to develop the Biotech Technological District
- **Key actions:**
  - Funding for supply of risk capital (up to 1 MEuro)
  - scouting of biotech projects and assessments of entrepreneurial relevance
  - development of *getekeeper professional profiles*
  - support to *precompetitive local R&D*
  - new evaluation methodologies
  - support to biotech start up companies
  - R&D for biotechnologies applied at the food industry
- A strong value of the initiative is to group a wide variety of incentives, from different baskets, into a **single policy umbrella** for biotech

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## Hi-Mec District in Emilia

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- Project launched in **2004**. Three years initiative funded 50% from the Ministry for Research and 50% from the Region, each contributing with 25 MEuro.
- Focus on **advanced mechanics**. 1600 researchers involved
- The goal is the development of a **cooperation platform** at the regional level, that might support the development of the local SMEs as well as accelerate the development of new firms
- The governance is based on a **District Committee**, for the planning activity, a **Consortium** of the research centers for all the network R&D activities, and the single **network labs**, where the research is performed. Management of the initiative is run by **Aster**, the regional agency for development
- The process was designed to highlight the **micro-sectors** of technological leadership. 8 micro-sectors highlighted.
- Each micro-sector is linked to a network lab, that gathers all the relevant research centers. The 8 micro-sectors have been gathered into 3 **technological clusters**, to exploit economies of scale
- Risk capital fund

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## Nanotechnologies District in Veneto

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- Framework agreement with Ministry of Research signed in **2002** by the Region, the local governments, industrial association, key companies and all the relevant actors in the research field
- **Goals:** attract young talents, develop infrastructures for nanotech experiments, supply nanotech opportunities to the industry, launch start up companies in the relevant industry
- The budget of the 5 years program is in the order of **60MEuro** (50% national, 50% regional/local)
- The initiatives of the District and the bidding processes are managed by **Veneto Nanotech**, a company created for this specific purpose, run by the university and the industry association representatives (2003).
- The formal start up of the project dates back to **march 2004**, when the Government and the Region committed formally their resources

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## Aerospace District in Lazio

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- The aerospace district of Lazio was launched in **2003**, according to the planning activity of the Regional Government that highlights the cluster of competencies available in the Rome area
- In **2004** the Region and the Government signed the agreement defining the mission of the District
- **40 Millions** euro finance the first 5 years of activity, co-financing a public-private investment of almost 90 MEuro
- **20** more MEuro already planned for investment in the District by the Government
- **Expected results:**
  - successful development of at least 25 technology transfer processes towards SMEs
  - launch of at least 10 high level training projects
  - start up of at least 100 business in the relevant industry
  - 200 patents
  - attraction of at least 10 aerospace investments in Lazio
  - arrive at 2009 with most of the actions (80%) able to further proceed with slight or no public funding

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## Summary of the key actions

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- **Technological Mapping of the District.** Surveys, Committees, Panels, shortlisting of companies
- **R&D Cooperation.** Development of co-funded labs, virtual communities, *university-industry mobility, co-funding of doctoral fellowships*
- **District global focus.** Partnering with other technological hubs, participation to EU Calls, global talent mobility
- **Projects funding and evaluation.** Panels of experts preparing the R&D tenders, according to the technological foresight. Ex post projects evaluation and international dissemination
- **IPR.** Development of legal frameworks and soft institutional arrangements, IPR support services to reduce patenting and licensing costs
- **Funding for new companies.** Development of easy access funds for spin off and start up companies, involving local universities. Attraction of venture capitalists
- **SMEs support.** Bid processes to grant R&D incentives, credit lines for precompetitive research, technological support
- **Monitoring.** Development of consortia for the management of the policies, target setting and monitoring

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## Tentative evaluation of the technological districts

**Torino Wireless.** *Strong governance (Foundation)*, clear focus, strong public-private partnerships, strong commitment to patenting and licensing, strong commitment to SMEs. On the other hand the project does not specifically address a public-private research labs agenda

**Biotech District.** Based on existing tools, focused on biotech, rather than new ones. Partnerships and potential cooperations hampered by the lack of a central bridging institution for the governance of the whole project. Still to be further developed the IPR tools. *Good performance of the financial tools.*

**Hi-Mec District.** *Efficient process of scouting and clustering technologies.* Effective design of new network labs to match the needs of the industry. Effective use of technology foresight tools. IPR and venture capital initiatives not yet fully implemented

**Nanotech Veneto.** Very early stage of development. Strong technological competencies in research, industry core skills not fully overlapping. Challenge is develop new start up companies from the technological initiatives, as well as attraction of global talents and participation to global networks

**Aerospace Lazio.** Very early stage of development. Challenge is to create a critical mass to attract further investments for the industry. Need for an institution in charge of the management of the overall plan

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## What about the innovation policies of the traditional mature industrial districts?

- The regional policy for Districts in regions such as Tuscany is focused on the so called "mature industries". Which kind of policies for the "*mature districts*" ?
- A *first* policy consists of melting **new technologies**, such as digital contents, with **mature industries**, such as the fashion industry.  
Example: **Stanze della Moda**, the fashion project of the Province of Florence, developed in collaboration with the Massachusetts Institute of Technology.
- A *second* policy consists of creating the new and appropriate **roundtables** to join around the topic of innovation the university, the industry and the local governments.
- Example: The launch of the **Research Foundation** in Florence. Difficulties and opportunities
- A *third* policy may be focused on the not fully exploited opportunities linked to the **design concept**
  - Focus on the **immaterial and estetic functions** of the products and services
  - Investing in design means investing in the increasing role of district **leader companies** (eg. Alessi) as well as communication and design **professional communities** (eg. TrevisoDesigners)
  - Develop an environment attractive for the **creative professional communities** (eg. **Wireless Florence**)

A strategic **design policy agenda** for the mature industrial districts should at least deal with:

1. Product planning: product families at the district level. Component innovations
2. Design and product life-cycle. Value from services
3. District "Corporate Identity". Developed at the cluster level
4. Design and universities/training.

*It's innovation - notably design innovation- that develop clusters, not viceversa!*

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## Conclusions

- This presentation, partly based on the results of the *2005 Cotec Foundation Report*, highlights that the regional policies during the '90ties focused on the territorial boundaries of the districts, seldom effectively dealing with the **governance** and the **innovaton** critical issues
- Starting in 2001, **new policies for technological districts** are designed and implemented. The technology focus, rooted in the core competencies of each local environment, influences highly focused innovation policies
- The regional policies for the technology districts may help solving three critical problems of the italian innovation system:
  - *inadequate size* of the companies,
  - small and difficult *access to financial markets* for start up companies,
  - inadequate *relationships* between industry and research
- **Some first lessons:**
  - develop systems of mapping and recognizing the core competences and the key technological actors
  - private equity, seed capital and venture capital help the size growth process of the start up companies
  - strengthen access to the international technological hubs
  - develop a clear assessment and evaluation policy at regional level, within national guidelines
  - foundations or consortia should play the management role of the District initiatives, providing services
- Develop **design and peculiar technology based policies** also for traditional industrial districts

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# Thank You

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