



Rethinking Regional Attractiveness in the Italian **Region of Sicily**



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Rethinking Regional Attractiveness in the Italian Region of Sicily

2023

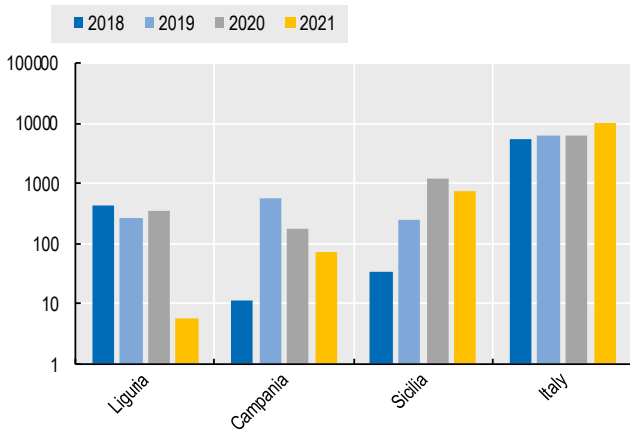


The impact of the COVID-19 crisis, compounded by the consequences of Russia's war of aggression against Ukraine and existing megatrends (e.g. climate change, globalisation, digitalisation and demographic change), continue to produce asymmetric effects within and between countries and regions, with the scope and scale depending on their unique characteristics.

The OECD's work on rethinking regional attractiveness policies in the new global environment, is undertaken with the support of the European Commission (DG REGIO) and is a priority activity of the Regional Development Policy Committee (RDPC). Working closely with 15 regions in 5 OECD member countries (Ireland, Italy, Portugal, Spain and Sweden), it aims to help regional and national policy-makers to better understand the position of regions in an evolving global context, including emerging challenges and opportunities, and identify the policy levers at their disposal to enhance the attractiveness of regions to the key international target groups of investors (including exporters), talent, and visitors. In doing so, it seeks to support regions transition towards new territorial development policies that promote inclusive, sustainable, and resilient development, while enhancing regional attractiveness.

A snapshot of Sicily in the world

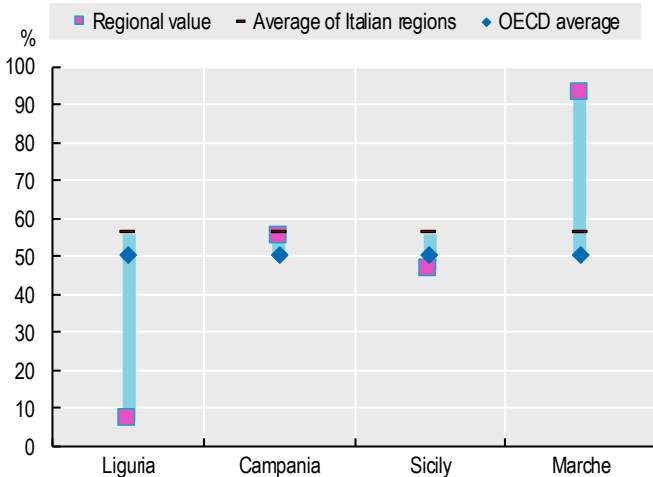
Greenfield FDI inwards by region (expenditure in US millions)



Note: fDI market database includes declared greenfield inward investments only.

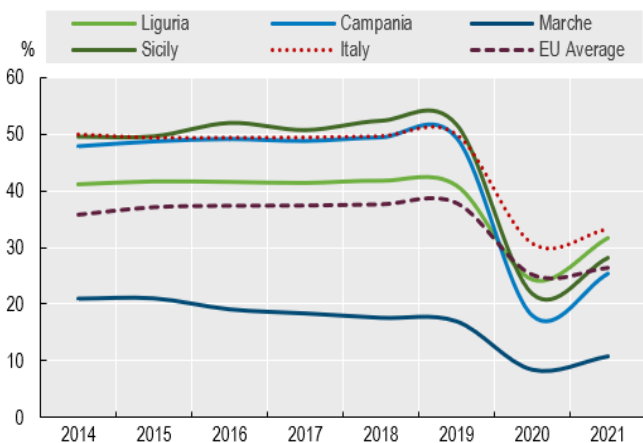
Source: OECD calculations based on fDI market database, 2022.

Share of renewables in electricity generation, 2019



Source: OECD Regional database (2022); OECD regions (TL2)

Share of nights spent by foreign tourists in accommodation establishments



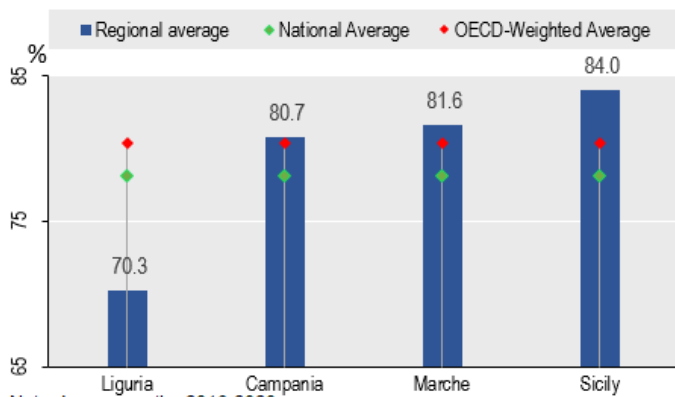
Source: OECD calculations based on I.stat database (2021); Eurostat (2021)

Sicily's Greenfield FDI inwards rose from USD 34 million (m) to USD 254m between 2018 and 2019 (+647%), before rising by 374% in 2020, a performance that defied global (-30%), OECD (-50%), and EU (-70%) trends, where Greenfield FDI inflows fell significantly. However, in 2021, the region recorded a sharp reduction (-40%), which on this occasion significantly underperformed against national trends, where a steep increase (66%) was recorded. After being a negligible proportion of total Sicilian greenfield inward FDI in 2018, this figure rose to 7% in 2021, demonstrating the region's growing attractiveness to international investors. However, disruptions in GVCs and rising energy prices could prove to be obstacles to the attraction of foreign investments for new projects, although their impacts on greenfield FDI vary significantly across Italian regions.

On the clean electricity production front, despite Sicily's share of renewables in electricity generation (46.4%) being below the OECD (50.2%) and national (55.9%) averages, the region does perform better than most in the EU. With 5019 GWh of green power produced in 2020, it represented 4.3% of total Italian production. Most of regional production depends on wind (55%) and solar power (38%).¹ The region's renewable energy production could be further strengthened and leveraged as a pull factor to attract international firms wanting to green their production, with positive spill over effects including job creation. In addition, it would help to mitigate climate change, reduce the emission of air pollutants, and improve energy security, all of which further increase the value proposition for investments in renewable energy production, and highlight the 'green' credentials of the region for talent and visitors.

In Sicily, the added value generated by tourism in 2021 was EUR 4.5 billion, 11% less than in 2019.² The share of nights spent by foreign visitors in accommodation establishments prior to the COVID pandemic (51.6%) was above both the national (50%) and the EU (37.8%) averages. The figure dropped by 30 p.p. in 2020, more than Italian average (-20 p.p.), but not unexpected given that many regions more dependent on international tourists were more heavily impacted. In 2022, tourism in Sicily is almost back to pre-COVID levels, according to Bank of Italy reports. From January to August 2022, overall arrivals grew by 63.3% and nights by 59.4%, compared to the same period of 2021. The recovery of international tourism was particularly impressive (with +207.7% and +177.8%, respectively). However, domestic arrivals and nights spent still account for a large majority (about eight out of every 10 in both variables), pointing to an untapped potential in international tourism.³

Share of population satisfied with opportunities to meet people and make friends

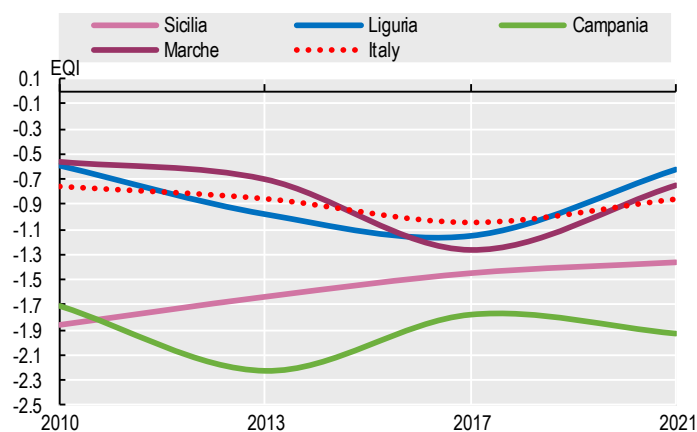


Note: Average on the 2016-2020 years

Source: Gallup World Poll

Indicators that capture participation in social activities can help to measure regional social capital and can illustrate an important relationship between higher levels of social well-being and regional economic growth. Social cohesion is a strong point for the region of Sicily, with the share of the population satisfied with opportunities to connect with others and make friends (84%) above both the OECD (80.4%) and national (78.1%) averages, and higher than for most regions in the EU. This result indicates that there is an opportunity for the region to build on this strength and further boost Sicily's attractiveness as a place to invest, live and visit, provided that further key drivers of attraction are duly enhanced.

European Quality of Government Index (EQI)



Note : The EU average is represented by the horizontal axis (zero line).

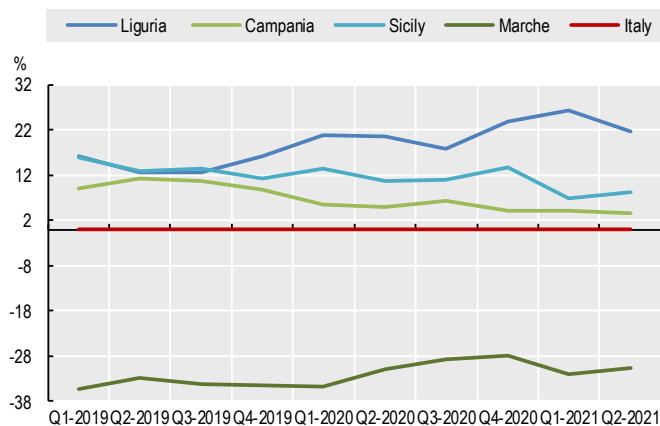
Negative values mean that the Government Quality Index is below the EU average.

Source: University of Gothenburg

Perceived quality of government can have serious implications for the attractiveness of territories, and in particular influence the decisions of potential investors and talent when choosing a preferred destination to set up a business or raise a family. European Quality of Government Index (EQI) captures, at the regional level, citizens' perceptions, and experiences in relation to corruption, quality, and impartiality of three essential public services – health, education, and policing. Sicily has experienced a slight but steady improvement in its EQI score from -1.87 in 2010 to -1.36 in 2021. However, this performance is below the Italian average (- 0.9), which remains among the lowest in Europe, and also well below the EU average value (0), and what the index categorises as a 'top-performing region (score greater than 1.1).

Download speed at the regional level

Download speed as a percentage deviation from national average



Source: OECD calculations based on Ookla database ; 2021 ; OECD TL2 regions

In relation to broadband download speeds, Sicily has performed above the national average in recent years, with a marginal decrease between Q2 2019 (13%) and Q2 2021 (8%). The region performs also quite well for the share of households with access to broadband connection (78%), which is slightly lower than for the EU (85%) but higher than the OECD (75%) average. Moreover, the index of access to internet of businesses with more than 10 employees (98.4.) is in line with national average (98.7).⁴ The Regional Digital Agenda places strong emphasis on digital literacy and inclusion as tools to address the socio-economic divides from which Sicily suffers.⁵

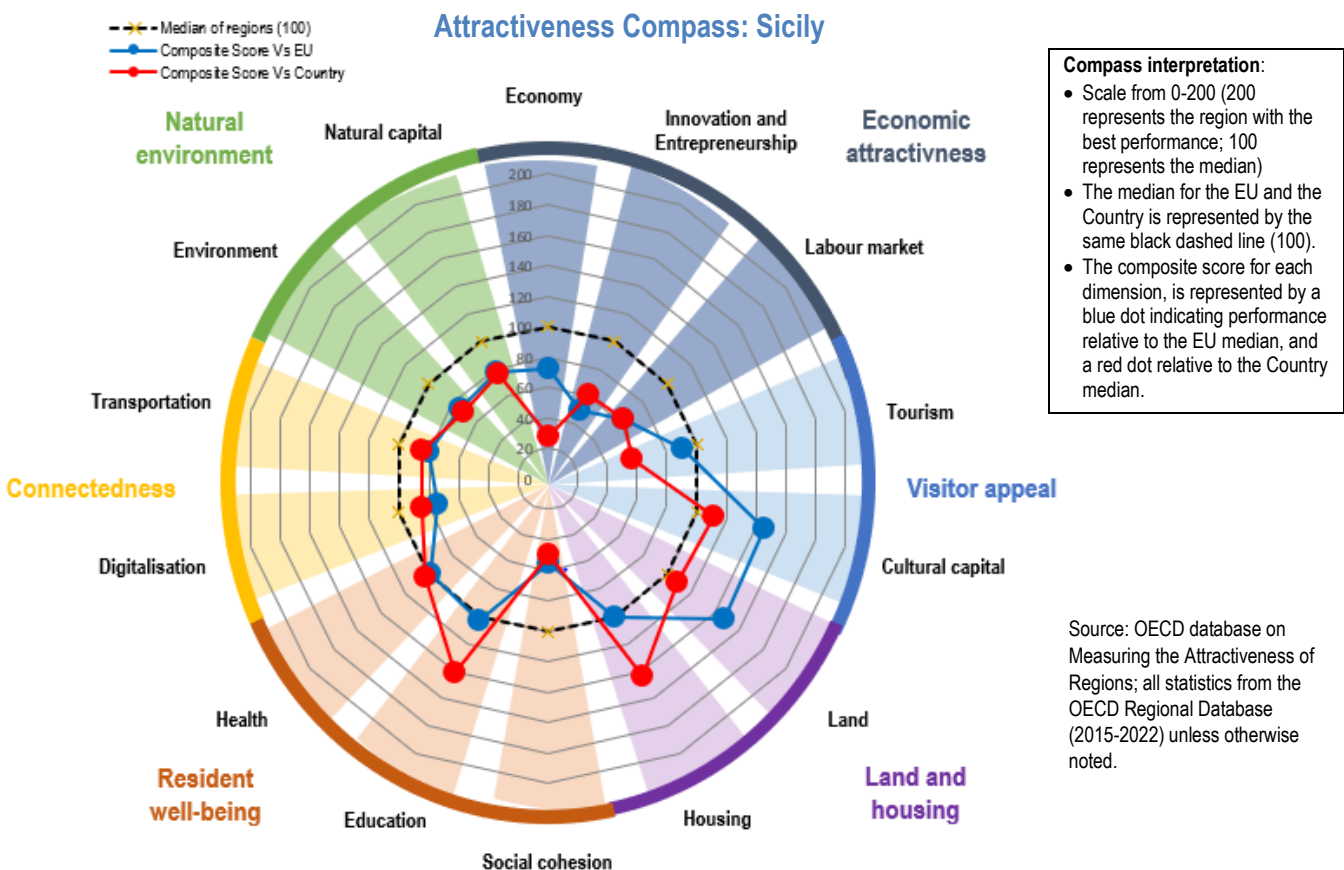
Attractiveness profile: Sicily

Sicily is characterised by its geographic isolation, which leads to economic, transport, environmental, social, and demographic characteristics that present both challenges and opportunities. The current situation underlines an objective disadvantage compared to continental mainland regions while regional attractiveness strategies are currently engaged to better exploit the region's assets and catch up with other EU and Italian regions. ⁶

The Sicilian economy is primarily driven by the service sector (55% - excluding Public Administration, which represent 27%) followed by industry (8%), agriculture (4%) and building sector (4%) of GVA; while exports represent 10% of the regional GDP in 2019 (among the lowest share in Italy)⁷, with oil and food products being the main exports. The region is still affected by strong structural weaknesses and a slowing economic in the South, leading younger generations to look beyond the island for opportunities.

Before considering the policy levers available to enhance the attractiveness of a region to international target groups (investors, talent, visitors), it is important to first understand the region's position in the world. To do so, the OECD considers four families of international connections: business, human, knowledge, and infrastructure. In the case of Sicily, on the **Business** front, the region shows a trade openness rate - a measure of the region's imports and exports as a share of regional GDP - of 21% which is below the national (38%) and EU average (47.4%). Concerning **Infrastructure**, the region shows relatively low air transport performance; on average, people in the region can access around 144 passenger flights per day within 90 minutes by car, far below the national (287) and EU average (321). When it comes to **Human** connections, nights spent by tourists in the region per sq. km (256) are far less than national average (784) and less than other EU regions (1125). Finally, in terms of **Knowledge** connections, the number of international scientific co-publications (904) in 2021, while lower than the EU (1531) and national average (1328), is up 70% in the last five years, in what is an important measure of a region's participation in the global research ecosystem.

The OECD's innovative and multidimensional approach to assessing **regional attractiveness** to investors, talent and visitors considers global engagement beyond international connections and purely economic factors. In total, the methodology considers more than 50 indicators to develop regional attractiveness profiles, covering 14 dimensions of attractiveness, across six domains (Economic attraction, Connectedness, Visitor appeal, Natural environment, Resident well-being, Land-use and housing).



The attractiveness compass highlights that in general, the region's performance across the 14 dimensions of attractiveness falls below the median of most EU and Italian regions, apart from in relation to Cultural Capital, Land, Housing, Education and Health. Sicily's performance across the six domains is considered in more depth, below. Nonetheless, the region has considerable assets to reduce the gap and seize the opportunities coming from the changing global environment.

Economic Attractiveness: In terms of economic indicators, such as GDP per capita (USD 22,062) and GVA per worker (USD 64,347), the region performs below the EU and national median. When focusing on innovation, the share of staff employed in R&D (1.32%) is below EU and national average (1.9% and 2% respectively) and the number of patent application per 1m inhabitants (9.8) remains far lower than for the EU (75.3) and the rest of the country (56). Moreover, Sicily is among the Italian regions reporting the lowest number of start-ups per 1000 inhabitants registered between 2012 and 2021 (11.8)⁸, perhaps reflected by its classification as a “moderate innovator” region in the 2021 Regional Innovation Scoreboard (RIS).⁹ On the labour market dimension, Sicily's overall employment rate of 32% (15yrs and over) is far below national (45.2%) and EU average (59%). The same is for youth employment: the rate is 51.2% for =15-24 yrs) which is about 20 p.p. below than national and EU average (74%).

However, in a study by the Sicilian Region titled "Estimation of the costs of insularity for Sicily", it was estimated that the disadvantage of being an island implies a loss of about EUR 6 billion, i.e. about 7% of regional GDP. This disadvantage is mainly attributable to being geographically isolated, and to the poor accessibility deriving from a low quality of the road and transport infrastructure, which entails higher transport costs and their impact on firms and the various industries, thus penalising the Region.¹⁰

Visitor Appeal: In terms of visitor appeal, Sicily performs below the majority of EU and Italian regions on the tourism domain, but above both in terms of cultural capital. In 2021 Sicily ranked 13th in Italy for both the total number of nights spent by tourists, and the number of nights spent by foreign tourists.¹¹ In 2019 the share of foreign tourists in accommodation establishments (51%) was above the EU (38%) and OECD (37%) averages. However, in terms of the number of tourist beds and overnight stays per 1000 inhabitants, Sicily underperformed against the majority of EU and Italian regions. Concerning cultural capital, the region reports a share of employment in cultural and creative industries (0.97%) below other EU and Italian regions, while showing an impressive amount of UNESCO heritage sites (7) and UNESCO elements of intangible cultural heritage (2). Despite its potential as a cultural destination, Sicily relies more on seaside tourism, which is partly due to structural infrastructure gaps. According to the national president of the National Tourism Federation (*Assoturismo Confesercenti*), while seaside tourism tends to be more static and localised in a specific single location, cultural tourism requires the efficient movement of visitors between multiple sites on the island, and something that is not guaranteed by the current state of the public transport network.¹² Different strategies, promotions and incentives have been implemented in the last few years to help spread the benefits of tourism and reduce seasonality in the Region (e.g. See Sicily), including better promotion of cultural and historical attractions, the development of alternative forms of tourism (e.g. eco-tourism, adventure tourism and wellness tourism), and improvements to transport infrastructure, and enhanced cooperation between the public and private sector.

Connectedness: In terms of connectedness, Sicily lags behind the majority of EU and Italian regions concerning digital and transport infrastructure. The share of population with access to broadband (78%) is well below that of most Italian and EU regions (85%). However, the percentage of fibre optic coverage (68%), is on par with EU and above most Italian regions, and for those that do have access to broadband, the average download speeds are higher than other Italian, EU and OECD regions. In addition, the index of access to internet of businesses with more than 10 employees (98.4%) is in line with national average (98.7%). When it comes to transport connectivity, Sicily performs below the majority of EU and Italian regions. This is partly due to its insular condition which, for example, affects transport costs – the highest among all Italian regions.¹³ As outlined above, the relatively small number of passenger flights per day accessible to residents within a 90-minute drive (144), trails the OECD (397) and EU (354) averages by some margin. On both road¹⁴ and rail¹⁵ performance, measures of accessibility and proximity, the region scores slightly above the national and EU averages. For example, on road performance, the number of people who can be reached by roads in Sicily within 90 minutes is 77.2 per 100 nearby inhabitants (within 120km radius), compared to other Italian (71.5) and EU (77.1) regions. Nonetheless, according to Open route service data (2019), Sicily is affected by a significant infrastructure gap in the rail and road network, which is characterised by a high degree of obsolescence. For example, double tracks represent only 16% of the total network (against 46% in Italy), while only 58% of the network is electrified (compared to 72% for Italy). The secondary road network is also in an advanced state of disrepair.¹⁶ Thus, it is not surprising that the rate of residents who are satisfied with public transport (23%) is far below the EU (60.3%) and Italian average (41.1%).

Therefore, improving the transport infrastructure is a matter of utmost necessity for the 4.8 million residents of Sicily, Italy's largest region by surface area.

Land and Housing: The land and housing domain is a relative area of strength for the region. The share of land converted to artificial surfaces between 2004-2019 (0.94%) is higher than EU median, suggesting that the region might have focused more on greenfield sites for projects and investments rather than on redeveloping brownfield sites. Sicily recorded in 2018 a land consumption of 7.2% of its territory (185,719 ha), slightly lower than the national value. Nonetheless, it should be noted that the Sicilian territory is highly vulnerable due to the presence of various factors, including morphological and structural features, depopulation, and the abandonment of the agricultural activities. Such phenomena are particularly salient in inner rural areas.¹⁷ When considering housing conditions, the share of residents satisfied with housing affordability (68.2%) is above EU and national average (50%), while housing expenses as a share of household income (33.6%) is on par with the rest of the country (34%) but higher than for other EU regions (25%).

Resident Well-being: In general terms, Sicily's performance in terms of Health is on par with other EU and Italian regions, while for Education it performs above the majority of Italian regions, and in line with EU regions, while it falls well behind both on the Social Cohesion dimension. For example, the poverty rate after tax and transfers in Sicily (41.4%) is more than double the EU (17.3%) and national (18.3%) averages. In 2019, the number of doctors per 1000 inhabitants (4.4) was slightly above the EU and Italian average (3.9 and 4 respectively). However, thousands of Sicilians each year have to emigrate to northern Italian regions to receive advanced care, pointing to shortcomings in the local healthcare system.¹⁸ When turning to education, the region performs well on access to primary and secondary schools. However, testing shows that primary and secondary school students lag far behind peers in other Italian regions in all the subjects surveyed.¹⁹ In addition, the share of people enrolled in tertiary education (22.5%) is lower than the EU (32.1%), but above national average (19.8%), while the share of foreign students in higher education (1.4%) is lower than EU (7.3%) and other Italian regions (5.2%).

Natural Environment: When looking at the natural environment, regional indicators are mostly below EU and national median. More specifically, regional share of renewables in energy production (46.4%) is below other EU and Italian regions, while share of recycled waste (42%) is below other EU (64%) and Italian regions (62.9%). In terms of natural capital, the region's tree coverage rate (8.7%) is below EU and Italian average (34%), while regional share of protected areas (20.2%) is also lower than EU (28.1%) and Italy (23.2%). Sicily is quite vulnerable to climate change, as according to data released by the Italian Association of Basin Authorities, 70% of Sicily's surface area is at medium-high risk of desertification. The island is also among the Italian regions with the highest risk of fire in the context of climate change.

From recovery to resilience

Sicily has adopted a dynamic approach towards its economic development, especially in the renewable energy sector, expecting "cascade" effects on employment and retention of young talent. Despite that, Sicily still suffers from a significant brain drain²⁰ and from gaps in the provision of essential services. It remains a "least developed region" in the EC classification along with the other Southern Italian regions and, as such, it benefits from greater access to structural funds than regions considered as "more developed". Additionally, the Italian 'National Recovery and Resilience Plan' and the National Plan for investments complementary to the PNRR (PNC), approved in the wake of the COVID-19 crisis, allocated EUR 5.8 billion, or EUR 1,190 per capita, to the authorities of the Sicily region.²¹ Thus, the region has access to significant financial resources to implement a transition in its development path and cope with the structural challenges that hinder its development, such as infrastructural gaps and socio-economic divides.

In terms of investment attraction, the Regional Programme for Internationalisation (PRINT) and the Regional Innovation Strategy, both included in the Regional Economic and Financial Document 2020-2022, include initiatives to support 'Made in Sicily', with the aim of encouraging the export of commercial and cultural products, increasing the international openness of the Sicilian production system. Moreover, as a "less-developed region" Sicily was eligible to create two Special Economic Zones (SEZs) in 2018 – one in Eastern and one in Western Sicily – as tools to attract investments in logistic and industrial agglomerations, through the provision of tax benefits²². The SEZs in Sicily cover an area of 6000 hectares, with 35% in the West and the remaining 65% in the East. At their creation, the regional administration intended to promote initiatives to support industrial reconversion towards the renewable energy sectors, without any areas earmarked for petrochemical plants.²³

Indeed, Sicily sees the green transition as an opportunity to create valuable career opportunities and to re-attract the Sicilian diaspora. An important project promoted by the region, with the help of private stakeholders and NRRP

funds, is the Sicily Hydrogen Valley project which aims to make the region a leader in the production of “green” hydrogen through electrolysis, a process with low CO₂ emissions. The region will also benefit from the EU TANGO project that will increase the production of the 3Sun Gigafactory of Enel Green Power, located in the “Etna Valley”, with positive impacts on local employment (approximately 1,000 jobs will be created by 2024) (Box 1).

Box 1. 3Sun Gigafactory: production of high-performance photovoltaic panels

The region stands out in the field of renewable energy, benefiting by the presence of the **3Sun Gigafactory in Catania**, on the east coast of the island, in the so-called ‘Etna Valley’, which hosts many firms specialising in electronics and semiconductors. Soon after its creation in 2010, it became Italy’s largest solar panel factory and one of the biggest in Europe, owned by Enel Green Power (EGP). In 2018 the Catania facility became the world’s most automated photovoltaic panel production plants and it started to produce heterojunction (HJT) bifacial panels (one of the most efficient techniques in the field). In April 2022, EGP and the European Commission signed a grant agreement, under the framework of the EU’s first *Innovation Fund call for large-scale projects*, that will contribute to the development of TANGO project, and with the aim of making the 3Sun Gigafactory Europe’s largest producer of high-performance bifacial photovoltaic modules. The factory’s expansion is set to result in a 15-fold increase in its production capacity to 3 GW per year from the current 200 MW. This will increase local direct and indirect employment by approximately 1,000 jobs by 2024. It will also act as a catalyst for the relaunch of the European PV value chain and contribute to the reduction of the continent’s energy dependency.

Source: [3Sun Gigafactory | Enel Green Power](#)

The aim is for the region to act as an essential hub for trade in renewable power between North Africa and Europe, benefiting from the strategic position of the island. In 2022, the European Commission announced it will disburse EUR 307.6 million to finance the construction of a 600-MW undersea interconnection facility between Italy and Tunisia that will create a renewable energy bridge between Europe and Africa. The high-voltage cable link will start from the Sicilian western province of Trapani. The scheme will help improve Italy’s energy security by facilitating the import of renewable power from Africa.²⁴ Furthermore, Sicily’s export capacity will increase thanks to the “Tyrrhenian link project” carried by Terna, the company that manages the national electricity transmission grid, and with plans to invest EUR 3.8 billion (with 50% provided by the European Investment Bank) over the next 10 years to strengthen Sicily’s electrical network and its international power transport capacity. The project involves the construction of four high-voltage direct current (HVDC) submarine cables. The eastern section will connect Sicily and Campania, while the western one will link Sicily and Sardinia. This is a strategic development for the Italian electricity system as it will allow for greater integration between the different market zones and a more effective utilisation of energy flows from renewable sources.²⁵

Acknowledging that the inclusion of young people in the labour market requires adequate training and is a key component of a resilient development model, Sicily collaborates directly with several companies across different industries to organise training programmes that will guarantee students a job at completion, while providing businesses with the human capital they need. For example, the cruise company, “Costa Crociere”, has asked the region to activate pastry courses, guaranteeing to hire young people after completion. In the electricity sector, the region has a partnership agreement with the Enel Group, which operates the electricity distribution network in Italy, to implement school-to-work programmes, with the support of the Ministry of Education, University and Research and the Ministry of Labour and Social Policies, and is working on a framework agreement to implement training in partnership with Terna, which manages the national electricity transmission grid.

Concerning tourism, the regional strategy for tourism has three long-term objectives: lengthening the tourism season, reducing territorial disparities, and enhancing sustainability. In the wake of COVID crisis, the region has actively sustained the sector through several projects. For example, the *See Sicily* project, aims to increase the length of tourist stays. The region has purchased services of the entire tourist offer (guides, hotels, restaurants, outdoor activities, etc.), coordinated the offer and made them available on the See Sicily digital platform, translated in 4 four languages. If tourists decide to stay for at least three nights, the region will offer them at least one additional night and one service of their choice. In addition, the region aims to further improve the

effectiveness of digital marketing and has created a geoportal showing all the paths through inland and lesser-known areas. Despite, experiencing challenges in the implementation stage, as a EUR 48 million project funded by the EC, See Sicily is a major initiative, with potential to positively impact both the visitor and island economy, however, the full impacts of which will only be known following an in-depth post-hoc evaluation.

Enhancing multi-level governance and coordination mechanisms

One of the main challenges shared across all Italian regions is the division of powers and the coordination between levels of government, along with often the limited capacity of subnational public administrations.²⁶ Considering EU funds management, the *Italian Recovery Plan* has been primarily managed by central administration, which has transferred significant funds to municipalities, while regions play an important role in the management of the *EU Structural and Investments* funds. To support public administration, the “Capacity Italy” programme has been implemented to provide specialised expertise and technical assistance to public entities at all stages of the implementation of NRP-related investments, as well as the “Capacity for Cohesion” programme, to help public administrations manage EU structural funds. Reflecting Sicily’s underperformance in terms of quality of government, there is a strong argument for greater transparency, accountability and shared evaluation concerning how funds are coordinated and controlled in the region. “There is the risk that the island loses a substantial portion of the funds allocated by the EU under the NRP”²⁷, due to limited capacity to secure funds and develop projects. In November 2022, the President of the Sicily region announced the establishment of a task force to monitor the funding already assigned and the applications submitted to participate in national calls for proposals.

Concerning the governance of two Special Economic Zones (one for Western and one for Eastern Sicily), each has a Steering Committee, chaired by a Specific Commissioner “*Commissario straordinario*” who is nominated by the national government, with other members including the President of the Port Authority, a representative of the region, a representative of the Presidency of the Council of Ministers, and a representative of the Ministry of Infrastructure and Transport. In this context the dialogue between all the levels of government is fundamental to enabling the SEZs to work properly and guarantee the coherence with EU and national programmes to facilitate investments. Each Steering Committee is also responsible for activities to promote the internationalisation of businesses.

Box 2. Attracting and retaining talent: Valencia’s Plan GenT and its impact on the diaspora

In the context of growing competition for talent and the increased mobility of high-skilled workers, the Plan GenT, launched in 2017, aims to attract from abroad, retain, and consolidate the careers of top-level international researchers in Valencia, Spain. The plan offers researchers the opportunity to develop their R&D projects in public universities and research centres in Valencia, in addition to their wage. To date, the regional government has invested more than EUR 31 million and has successfully attracted and retained 214 researchers. The aim is to attract and retain the Valencian diaspora from abroad, although all nationalities are welcome.

More specifically, the programme is mandated to:

1. Raise the level of excellence of Valencian R&D activities.
2. Increase the international presence of Valencian research activity and attract European funds to support research.
3. Retain young Valencian researchers and support the development of their research projects.

The plan also considers three possible candidates: CIDEAGENT (Researchers and Doctorates), CDEAGENT (Doctorates with international experience) and SEJAGENT (Junior researchers in the Valencian system)

Source: Generalitat Valenciana (2022), “¿Qué es el Plan GenT” [What is the Plan GenT?], <https://gentalent.gva.es/es/que-es> (accessed 4 August 2022).

Concerning the regional innovation strategy (S3-Sicily Strategy) the highest governance body is the Research Coordination Committee JRC - Steering Group S3 Sicilia, including representatives from the university sector²⁸,

which has been set by the Regional Department of Productive Activities. Due to the significant impacts of brain drain felt in the region, there needs to be a regional focus on talent attraction and retention bringing together universities, research centres, businesses and all the level of governments. An interesting example of a regional strategy attracting diaspora from abroad is the “Plan GenT”, launched in 2017, which aims to attract, retain, and consolidate the careers of top-level researchers in Valencia, Spain (Box 2).

In relation to tourism, in the framework of the initiative “See Sicily” aimed at promoting the tourism sector in Sicily in the wake of the pandemic, the regional Department of Tourism, Sport and Entertainment has experienced an interesting form of collaboration with private sector, and more specifically the Travel Agencies/Tour Operators. Indeed, the latter acted as intermediaries between the Department and the final beneficiary (tourist) by creating packages composed of vouchers, through which tourists will be able to take advantage, free of charge, of the services purchased by the Region (overnight stays, entrances to places of culture, guided tours). All the operators involved were monitored through questionnaires submitted to the recipients, to enable the Regional Administration, to ensure the high-quality of the intervention²⁹

Policy considerations

The following policy considerations are intended to help policy makers to enhance the impact of attractiveness strategies of the Sicily Region vis-à-vis investors, talent, and visitors, and provide guidance to improve multi-level governance frameworks and co-ordination mechanisms. Considering the lagging situation of the region, its wealth of existing assets and the bulk of EU budget to make its development happen, there is a window of opportunity for Sicily to transition towards more inclusive and sustainable development. In this regard, the Region should prioritise interventions aimed at improving the local physical and institutional infrastructure, a key driver of development whose cross-cutting nature could generate positive externalities across different sectors. Further productivity-enhancing measures should aim, amongst others, to foster the inclusion of women and the youth in employment, raise firms’ R&D intensity and improve workers’ skills. Added to this are structural challenges such as promoting the formalisation of undeclared work, ensuring better waste management and environmental protection (including by promoting renewable energy production), and promoting the rule of law.

- **Build regional and local administrative capacities.** As highlighted by the region itself, regional and local administrations lack adequate human capacity, while they are expected to allocate an unprecedented amount of funds (NRP and EU structural funds) within short time frames and in line with strict guidelines. In compliance with good practices in public sector HR, it would be necessary to recruit new staff and provide specific training to adapt to the new challenges of globalisation, in the first instance, digitalisation, as well as to improve EU funds management. The attraction of skilled public servants in Sicily, both in the urban poles and hinterland, is also an objective to be supported with appropriate incentives, such as ERDF specific programmes for administrative capacity (CAPCOE and PRIGA).

The European Quality of Government Index shows that the Sicily Region has already made some progress in its institutional and administrative capacity and is on a positive path of development in this field. However, as the case of the SEZs show, the need for continuous and effective co-ordination among different bodies and agencies is gaining in importance in the light of the greater role played by innovative governance models. In this regard, particular attention should be given to strengthening the collaboration between different levels of government and between public and private actors. Better quality in government would boost the region’s attractiveness vis-à-vis tourists, talents and investors, as Sicily would be perceived as a better place to visit, to settle and to do business.

- **Strengthen physical infrastructure to improve internal and external connections.** One of the most significant challenges for the region is its geographical remoteness from the rest of the country. The region should improve green and clean transport connections with the rest of Italy and other countries. In addition, Sicily needs to improve internal connections, especially coastal-hinterland links, developing inland public transport networks, roads and railways. NRP and structural EU funds provide Sicily with an excellent opportunity to support long-awaited investment in infrastructure networks, that will contribute to enhancing connectedness. Improvements in transport infrastructure could generate positive spillover effects across different sectors, beyond the obvious benefits for trade and manufacturing. For example, such improvements could foster a more even distribution of visitors across Sicily’s numerous destinations, creating more

favourable conditions for longer stays, and potentially helping to address the issue of seasonality. Improved transport infrastructure could also help to attract remote workers from other Italian regions and abroad by leveraging the island's existing competitive digital infrastructure and housing market. Shorter commuting times could also contribute to improving the matching of labour supply and demand, with potential gains in productivity.

To maximise Sicily's strategic geographic position and fulfil its aim to become a hub for trade in renewable power between North Africa and Europe, will require significant investment in both electrical infrastructure. To effectively implement such a strategy, however, will require effective multi-level coordination and public-private partnerships, including between firms and universities, to meet skills needs. Such a strategy will also need to take into account the unique geographical vulnerability of the Island, while its implementation and impact will also need to be strictly monitored.

- **Support SMEs to access capital and international markets.** Many Sicilian SMEs struggle to access capital and to create links with buyers abroad. While this is generally true for all firms, including the most established (and not exclusive to Sicily), start-ups face even greater obstacles in raising the necessary funds for their growth, in particular venture capital, which can often stifle the development prospects of the local entrepreneurial system. As such, the region should develop and implement strategies to assist SMEs to access financial markets, while strengthening the promotion of the “Made in Sicily” brand abroad, focusing on characteristics such as high-quality and green production. Given the focus on tourism, the Sicily Region could try to leverage synergies between this sector and its manufacturing base, promoting events such as international trade fairs that could positively impact both the openness to trade of the region and its hospitality industry.
- **Implement a sound strategy for talent attraction, retention, and integration.** The combination of a shrinking working-age population, lagging level of tertiary education, and an ageing population, make it essential for Sicily to retain and attract talent, especially among the young, with the tourism and renewable energy sectors demonstrating particular promise. More broadly, technology-intensive and other sectors in demand of skilled labour should be devoted particular attention, given the potential impact on productivity. In all these cases, an effective collaboration among different stakeholders would be essential to achieve ambitious results. In renewables, the region could facilitate the establishment of a public-private partnership, including firms and universities, to provide local students with targeted training and to implement strategies for talent attraction. Attraction strategies should consider the needs of employees and their families, for instance by expanding access to childcare during working hours. Fostering migrant integration could play a key role in tackling demographic decline and addressing labour shortages.
- **Undertake monitoring and evaluation of measures and policies introduced to attract investment, talent, and tourists.** This will allow the region to understand both expected and unintended impacts of initiatives, such as the possible widening of territorial inequalities, while guaranteeing a higher transparency to public action and so trust in government. Such assessment of priorities, monitoring and evaluation of regional attractiveness policies can build on the OECD attractiveness compass indicators, as well as indicators included in the ERDF programme for Sicily. Policy monitoring and evaluation activities can help increase internal capacity and institutional resilience, ultimately supporting the Region in navigating the constantly changing environment in which it operates.

Notes

The data on which these graphs are based comes from several different sources covering the period 2015-2022. Most of it is extracted from the OECD database and EUROSTAT ensuring the same source is used for as many countries and regions as possible. Where and when data is missing, it is extracted from databases available through national statistical offices. For some dimensions, the data comes from specific databases, such as the Oorkla database for indicators linked to digitalisation. The data are selected using the most robust, available, and frequently collected data at the adequate geographic level (TL2 or TL3). With certain indicators, calculations are done in order to present the indicator at the most relevant and comparable unit of analysis.

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