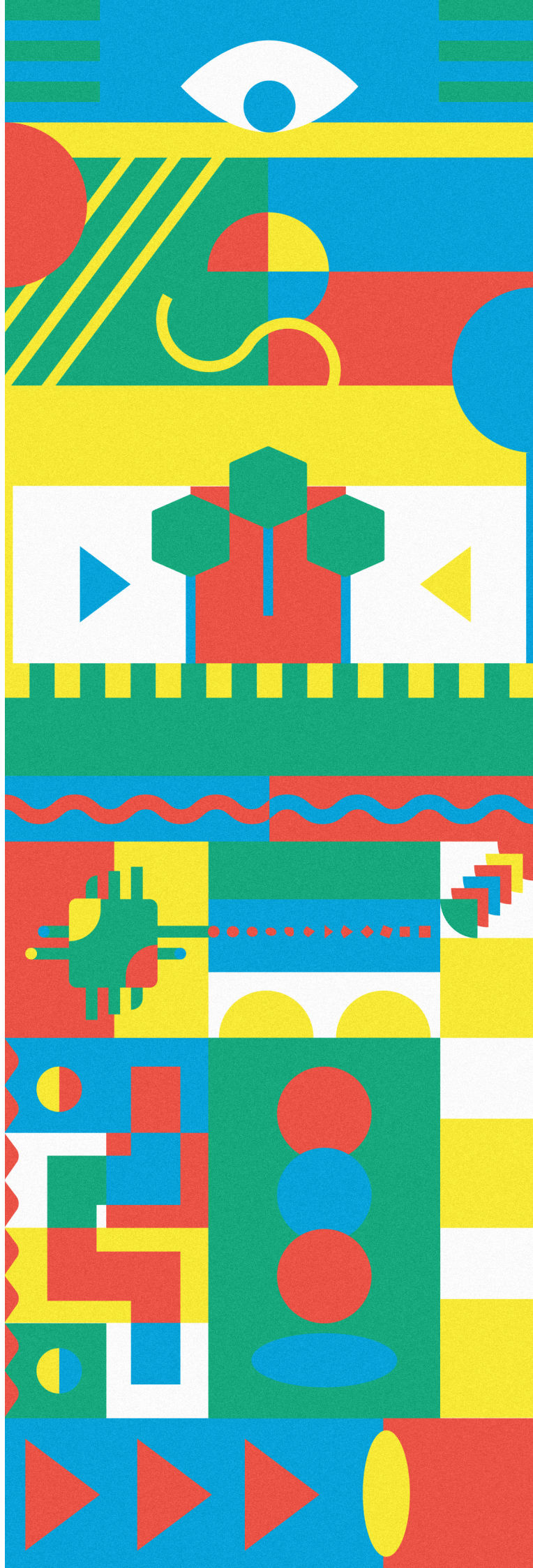


WORKING GROUP PAPER

Leveraging funding for Interregional Collaboration



Authors

Claire Nauwelaers, Richard Tuffs, Federico Bley and Vincent Duchêne

With contributions from the S3 CoP Working Group members:

Agatha Filimon (*North-East Romania, Romania*)

Alexia Attard (*Malta*)

Ana Keregyarto (*ECRN*)

Carolina Guimaraes (*Norte, Portugal*)

Elodie Marpinard (*La Réunion, France*)

Florence Hennart (*Wallonia, Belgium*)

Francesca D'Angelo (*Tuscany, Italy*)

Hanifah Locate (*La Réunion, France*)

Harri Kuusela (*Päijät-Häme, Finland*)

Jose Carlos Caldeira (*Norte, Portugal*)

Lucila Castro Rovillard (*Extremadura, Spain*)

Monika Banka (*ECRN*)

Peter Friberg (*Jönköping, Sweden*)

Philippe Holstein (*La Réunion, France*)

Pirita Lindholm (*ERRIN*)

Valeria Bandini (*Emilia-Romagna, Italy*)

Wim de Kinderen (*South Netherlands, The Netherlands*)

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List of Acronyms

AKKE	Aluekehitysrahoitus - Regional development funding in Päijät-Häme
ARDIA Net	Alpine Space Research, Development and Innovation Area
CPR	Common Provisions Regulation
DIH	Digital Innovation Hub
EAFRD	European Agricultural Fund for Rural Development
ECRN	European Chemical Regions Network
EC	European Commission
EIT	European Institute of Innovation and Technology
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ERA	European Research Area
ERA-NET	European Research Area Network
ERRIN	European Regions Research and Innovation Network
GBARD	Government budget allocations for R&D
I3	Interregional Innovation Investments
IC	Interregional Cooperation
KIC	Knowledge and Innovation Community
MA	Managing Authority
NE RDA	North-East Regional Development Agency
POSTEP	Interreg Spain-Portugal Programme
R&D	Research and Development
R&I	Research and Innovation
RTO	Research and Technology Organisation
S3	Smart Specialisation Strategy
S3 CoP	Smart Specialisation Community of Practice
SII	Strategic Innovation Initiative
SME	Small and Medium-sized Enterprise
SoE	Seal of Excellence
TSSPs	Thematic Smart Specialisation Platforms
TRL	Technology Readiness Level
WG	Working Group



Executive Summary

This paper outlines the key findings and lessons learned from the 2024 activities of the S3 Community of Practice (S3CoP) Working Group (WG) on Interregional Cooperation (IC). The initial work in 2023 highlighted the need for building adequate capacity towards a structured institutional framework for IC and the importance of leveraging funding sources for IC. This paper focuses on how domestic funding sources can support Interregional Collaboration.

Through an inventory of available instruments in 12 EU regions, the WG identified in 2024 a broad range of national support tools that could promote IC at each stage of collaboration—from initial capacity building to project implementation and support of ongoing instruments.

A targeted pilot action, focusing on four specific types of funding mechanisms, further highlights how partnerships between regions—especially those with complementary S3 priorities—can yield tangible benefits from coordinated approaches. In this initiative, the regions of Tuscany, Norte, North East Romania and Jönköping collaborated to develop a list of seven good practices that can inspire and guide other regions in adopting more integrated approaches. Building on these insights, the participating members advocate for an integrated ‘portfolio approach’ to policy instruments at both national and regional levels. By embedding IC criteria within existing funding mechanisms, regions can more systematically expand their innovation ecosystems. This approach would not only facilitate S3 implementation but also enhance EU-wide competitiveness through collaborative innovation.

The seven good practices identified by the Pilot Action are:

- 🕒 Establish follow-up grant programmes for EU-funded projects
- 🕒 Establish synergies between regional and EU funding instruments
- 🕒 Implement EU equivalence mechanisms to align the evaluations of regional programmes with EU evaluation
- 🕒 Establish cross-regional collaboration agreements
- 🕒 Integrate IC into ERDF allocation at the national level
- 🕒 Leverage EU Seal of Excellence at the regional level
- 🕒 Leverage Vinnovate for IC

Key recommendations of the WG include introducing explicit IC criteria into existing funding schemes, incentivising sustainability beyond the life cycle of short-term projects, and building robust monitoring and evaluation frameworks to demonstrate the added value of cross-border collaboration. By adopting these recommendations, regions will be better placed to unlock the full potential of Smart Specialisation Strategies, thereby contributing more effectively to the EU’s broader goals of innovation-led growth and competitiveness.



1. Objective & activities of the S3 CoP Working Group on Interregional Cooperation

This Working Group Paper outlines the activities and lessons learned in 2024 by the Working Group (WG) on Interregional Cooperation (IC), established within the S3 Community of Practice (S3 CoP). The Policy Brief, produced jointly with the other WGs of the S3CoP at the beginning of 2024, provides an overview of the activities carried out in 2023, which is briefly summarised below.

Objectives of the S3 CoP WG on Interregional Collaboration

Since 2014, regions and Member States have been required to design and implement Smart Specialisation Strategies (S3) to improve the effectiveness of actions funded under EU Cohesion Policy. This requirement serves as a thematic enabling condition for funding under Priority 1 “A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity”. The S3 CoP has been established as the central hub for guidance, networking, support and peer-learning on S3, addressing key aspects of both its conceptual development and practical implementation.

In the current funding period, one of the seven S3 fulfilment criteria for the enabling condition on Smart Specialisation refers to the inclusion of “Measures for enhancing cooperation with partners outside a given Member State in priority areas supported by the smart specialisation strategy”. The WG on IC aims to create a learning loop for S3 stakeholders to support the fulfilment of this criterion. The WG consists of 15 members, representing EU territories with different profiles, as well as three networks of regions. Adopting a bottom-up approach, the WG works to identify ways to foster IC between territories and their ecosystems, particularly in complementary areas of their respective S3s. The group meets twice a year to achieve its objectives.

WG on Interregional Collaboration activities in 2023

Based on an extensive concept note and a first questionnaire sent to its members, the WG held its (virtual) kick-off meeting on 8th June 2023, where members identified a list of challenges related to engaging in and implementing interregional collaboration around their S3s.

The first virtual WG meeting, held on 29th September 2023, focused on building capacity for interregional collaboration, identified as a top priority challenge. The second in person WG meeting, on 29th November 2023, addressed two other topics: ‘Ecosystems’ and ‘Funding’, which were deemed essential for enhancing IC. The results of the WG’s activities in 2023 have been summarised in a Policy Brief, finalised in March 2024 and jointly produced with the other two WGs of the S3CoP, working on industrial transition and innovation diffusion. The lessons learned from the WG on IC - summarised in Table 1- were disseminated during a webinar held on 16th May 2024, which attracted 150 participants from 24 EU countries. This event highlighted the relevance and growing interest in the WG’s activities.

Table 1 – Key lessons learned by the S3CoP WG ‘Interregional Collaboration’ in 2023

- The added value of interregional collaboration needs to be better understood and demonstrated in order to secure broader support for interregional collaboration.
- The case for the added value of interregional collaboration should be clearly articulated and communicated, emphasising its long-term benefits beyond the short-term acquisition of funds.
- Regions with limited capacity and sub-critical size should be encouraged to leverage relevant networks

(e.g. ERRIN, Vanguard, existing TSSPs or other interregional initiatives) to gain expertise in interregional collaboration (e.g. reference networks, governance models, funding streams etc.).

- To align the search for interregional collaboration funding with a sound territorial strategy, regions should avoid relying exclusively on EU funding and instead also mobilise domestic funding sources.
- Strengthening the domestic innovation ecosystem around key priorities is a key 'entry condition' for engaging in international collaboration networks and projects, as it provides strong local nodes for interregional collaboration.

Source: S3CoP members of the WG on IC – Policy Brief 2024¹

WG on Interregional Collaboration activities in 2024

In 2023, the WG focused on the crucial issue of funding sources for IC², primarily examining EU-level funding explicitly dedicated to IC and the Vinnovate scheme developed by pioneer regions³. However, the group recognised the need for better strategies to use existing domestic funding sources to support IC and to align these sources with external funding instruments (see conclusion 4 in Table 1 above). Accordingly, the activities of the WG in 2024 focused on this topic: "Challenges and solutions in domestic funding for IC and their alignment with EU funding sources".

Participants shared experiences from territories that have supported IC using domestic funding instruments, discussed lessons learned and good practices and outlined perspectives for the future.

The third (virtual) WG meeting took place on 13th June 2024. Prior to the meeting, WG members received an input note, which served as a basis for the discussions. This input note highlighted the rationale for focusing on the topic and investigated a range of domestic funding instruments and mechanisms for IC. It proposed an initial typology of funding instruments and mechanisms for fostering IC, along with a few examples. The input note also included a series of questions for WG members to review ahead of and during the meeting. Members were requested to complete and submit an overview of domestic funding for IC, based on the typology proposed in the note. This overview required them to: 1) indicate whether each type of instrument exists in their territory and 2) provide insights on how these instruments work or could be established. Some members had completed the overview before the meeting, with others provided additional insights during the meeting.

During this third meeting, a Pilot Action was launched with a subset of WG members: Norte, Tuscany and North-East Romania. The purpose of the Pilot Action was to provide recommendations for implementing funding mechanisms that support IC, focusing on success conditions and operational modalities for effective implementation. The Pilot Action focused on the four most "prominent" types of domestic funding mechanisms, considered as successful in initiating and supporting interregional collaboration. The initiative dug into the specific operational modalities of implementation and their success conditions, aiming to provide guidance for replication in other regions.

The fourth (live) WG meeting took place on 12th December 2024, as part of the annual S3 Forum in Rimini. WG members discussed the results of a six-month exercise in collecting information on funding mechanisms across the WG regions, as well as the findings from the Pilot Action conducted between the third and fourth meetings. Members were invited to reflect on how the success conditions identified by the Pilot Action regions could be applied in their own territories.

¹ https://ec.europa.eu/regional_policy/policy/communities-and-networks/s3-community-of-practice/working_groups_en

² This included: Interreg and Interreg Europe in particular; Regional Innovation Valleys and European Innovation Ecosystems; the Interregional Innovation Investments Instrument (I3) and Horizon.

³ Vinnovate is an interregional funding mechanism launched in 2024 by the Vanguard Initiative. It supports interregional innovation projects focussing on TRL6+ and involves actors from different Member States, but exclusively making use of existing regional funding. See Annex 3 for more information.



2. Challenges and solutions in domestic funding for IC and complementarity with EU funding: lessons learned

Importance and relevance of the topic

Despite their importance and successes achieved in fostering territorial cooperation across borders, relying on funding sources for IC managed at the EU level (excluding Cohesion Policy funds, which are deployed under shared management) presents several challenges, primarily due to the following seven main reasons:

- ◉ the availability and amounts of these funds are unpredictable, as they are allocated on a competitive basis, often resulting in low success rates;
- ◉ planning for IC activities becomes difficult, as the timing of programmes and calls is not always known well in advance;
- ◉ the sustainability of IC activities/projects funded by these sources is challenging, as there is a risk of discontinuity in 'project-based' approached to IC;
- ◉ some EU funding sources require domestic co-funding, which might not be readily available, notably due to the above-mentioned unpredictability or the high co-funding rates required⁴;
- ◉ EU-level calls and opportunities might not align with territories' priorities, forcing them to adjust their proposals to fit the calls' orientations and requirements or, alternatively, missing out on these opportunities altogether;
- ◉ the WG has identified 'capacity' as a key issue preventing regions from applying for external funding. Capacity issues may include a lack of political commitment, insufficient staff and relevant skills and the 'coordination' costs associated with setting up project proposals, such as building partnerships and writing the proposals;
- ◉ for peripheral regions there is also a perception of a 'closed club of regions – 'usual suspects' – making it difficult to break into and form winning partnerships and projects.

Using domestic funding sources to support IC – provided these are predictable and flexible enough – offers territorial authorities the opportunity to rely on funds that are closer to their own 'normal' funding landscape, complementing EU-level funding opportunities. These domestic sources also include funds available under Cohesion Policy programmes for the territories. Therefore, the issue of complementarity between the two types of funding sources is an important issue of the topic investigated by the WG.

A menu of domestic funding instruments and mechanisms for IC

Relevant domestic funding sources that can be mobilised for IC are twofold:

- ◉ **National and regional programmes and channels** relevant for IC, which may belong to different policy fields, such as research and innovation (R&I), as well as regional development or other specific policy areas according to the cooperation topic (e.g. energy, transport, etc...). This also includes programmes devoted to international research cooperation, which in some countries can represent up to 9% of total government budget expenditures for R&D (see Figure 2 in Annex 1);
- ◉ **ERDF programmes**, which represent a significant source of funding, particularly for less developed regions and countries that are the largest recipient of such funds. The EU regulation allows for using ERDF outside programme area under certain conditions (Annex 2).

⁴ This has been singled out as a particular problem for the Regional Innovation Valleys, where a 50% co-funding rate has been met with scepticism by regional authorities and their representatives.

The list of possible funding instruments or mechanisms that can, at least partially, be used to foster IC – whether as a direct or indirect objective – could be extensive. Table 2 provides a validated list of such instruments and mechanisms, amended and completed by practitioners, based on an initial list provided by the WG support team.

Some domestic instruments operate independently of any EU or international funding source, while others are used in conjunction with such sources to achieve synergies, either sequentially or simultaneously (these synergies are illustrated in the first column of Table 2). What is not covered in this table is the process by which authorities add directionality to their funding schemes (whether ERDF or not) to align with topics relevant to IC, typically S3 priorities. While this alignment provides favourable pre-conditions for IC, it is not considered an IC funding mechanism **per se**.

The WG provided several inputs to refine the initial typology proposed for their review:

- 🕒 **Organisation of the typology according to three stages in IC:**
 - Preparing (e.g., the ‘capacity building imperative’ highlighted as crucial by the WG);
 - Implementing IC activities;
 - Sustaining IC efforts that have already been deployed.
- 🕒 **Clarification of the scope of the inventory:** all instruments available in the territory are included, whether they originate from national or regional levels. For example, if an instrument is available at the national level, the region would not duplicate it as it is accessible for regional actors. IC refers to cooperation beyond national borders, not to cooperation between regions within the same country.
- 🕒 **Further definition of instruments,** as detailed in the second column of Table 2.
- 🕒 **Examples of instruments:** initiatives and instruments implemented in the territories covered by the WG are listed in Annex 4. These are supplemented by a few examples from regions that are not members of the WG.

Table 2 – *Typology of domestic funding instruments and mechanisms for fostering IC*

Type of Instrument/mechanism	Purpose - Description
Preparing for IC	
1. Grants for IC training activities	Training for stakeholders in IC, including subsidies for actors to gain expertise and build capacity in developing IC activities
2. Vouchers (such as Horizon vouchers, consisting in small scale subsidies for staff, technical support, travel...) upstream synergies	Subsidies for interregional projects preparation, e.g. through funding dedicated staff, analytical or mapping activities, mobility and exchanges, networking and information exchanges, etc.
3. Subsidy scheme for internationalisation and participation in networks	Funding for membership fees and/or coordination costs for (participation in) interregional networks
4. Support services for IC	Structures offering soft support (advice, coaching...) for engaging in IC activities, identifying relevant partners, funding sources and preparing IC projects
Implementing IC	
5. Inclusion of IC conditionality in projects funding sources, as eligibility and/or evaluation criteria	Interregional cooperation acting as an additional bonus or eligibility condition in ‘normal’ funding schemes (no mechanism for ensuring funding for partners from other regions)
6. Higher amounts or higher funding rate for projects with international dimension	Reward for interregional cooperation in ‘normal’ funding schemes through higher amount of funds or lower requirements for co-funding from beneficiaries
7. Virtual common pot across regions (e.g. VInnovate, see Annex 3)	Mechanism for funding interregional projects through alignment of instruments and calls between several regions. Each region funds its own actors – no transfer of money across regions. Similar to ERA-Nets, but without EU funding, only domestic funding.
8. Real common pot across regions	Mechanism for funding interregional projects through alignment of instruments and calls between several regions and joint funding: funds are transferred from the domestic budget to an external entity, which is managed jointly by the various regions (‘joint point’).
9. Top-up schemes (grants) – simultaneous synergies	Additional funding provided to domestic actors who are winners of IC projects, sourced from international funds, at the time of project award
10. Cross-border or interregional vouchers for accessing services across borders	Subsidies for creating linkages between SMEs and services providers (RTOs...) from different regions/countries

Sustaining IC	
11. IC-related funding criteria in performance-based funding models for publicly funded actors	Inclusion of indicators for IC in funding rules for actors (such as RTOs, clusters, DIH) to promote engagement in, and support to, IC in their activities, while aligning strategies with EU priorities
12. Follow-up grants (e.g. after successful completion of Horizon or Interreg project) – downstream synergies	Additional funding provided to domestic actors who are winners of IC project, sourced from international funds, granted upon the completion of these IC projects

Source: initial table by authors, modified by WG members

Availability and use of domestic funding instruments and mechanisms for IC

State of play in deploying domestic policy mixes to support IC

The work of the WG resulted in an overview matrix indicating the availability of domestic funding instruments and mechanisms for IC as listed in the agreed typology. This matrix was completed for the 12 territories represented by WG members, where green (or red) cells indicate instruments that exist (or do not exist) in the various territories, as shown in Table 3 on the following page. Concrete examples of existing instruments are available in Annex 4.

The analysis of this matrix, along with the real-life examples and discussions within the WG, leads to five main conclusions:

- Limited utilisation of available instruments. The full range of possible instruments is far from being fully employed in the sample provided by WG members. This highlights a wide range of untapped opportunities for consideration by territorial authorities.
- The portfolio of instruments is more developed for the initiation and implementation phases of IC than for the sustainability phase.
- No systematic pattern in ERDF use. There is no clear pattern regarding the role of ERDF in supporting IC, apart from the expected more frequent use in regions that are larger beneficiaries of these funds. This suggests that ERDF can, in principle, be mobilised for most types of instruments. However, the risk aversion of MAs in funding IC has been reported as a barrier (see the section “Actions and instruments for sustaining interregional cooperation” below).
- Lack of use of Article 63.4. No cases were found of the use of Article 63.4 of the Common Provisions Regulations Regulation 1060/2021, which permits actions funded under an Operational Programme to be implemented outside a Member State, including outside the Union, provided that the operation contributes to the objectives of the programme (see Annex 2).
- The majority of instruments support IC in a project-based mode, which raises concerns about the continuity of support beyond the life of funded projects.

The following sections will examine the availability of different policy instruments according to the three phases of IC: initiation, implementation, sustainability.

Table 3 – Domestic funding instruments and mechanisms for fostering IC in the WG member's territories

	Norte	Wallonia	South NL	NE Romania	Emilia-Romagna	Tuscany	Extremadura	Malta	Päijät-Häme	La Réunion	Jönköping	Central Hungary
Preparing for IC												
1. Grants for IC training activities								?				
2. Vouchers (such as Horizon vouchers, consisting in small scale subsidies for staff, technical support, travel...) – upstream synergies												
3. Subsidy scheme for internationalization and participation in networks												
4. Support Services for IC												?
Implementing												
5. Inclusion of IC conditionality in projects funding sources, as eligibility and/or evaluation criteria									?			
6. Higher amounts or higher funding rate for projects with international dimension												
7. Virtual common pot across regions: aligned or joint calls, aligned instruments - each region funds its own actors – e.g. Vinnovate. Similar to ERA-Nets, but without EU support. Requires co-funding budget line (grants).												
8. Real common pot across regions												
9. Top-up schemes (grants) – simultaneous synergies												
10. Cross-border or interregional vouchers for accessing services across borders												?
Sustaining												
11. IC-related funding criteria in performance-based funding models for publicly funded actors												?
12. Follow-up grants (e.g. after successful completion of Horizon project) – downstream synergies												

Source: initial table by authors, modified by WG members

Actions and instruments for initiating interregional cooperation

Building the capacity to initiate interregional collaboration is a critical stage, not only for territories that are located on the periphery of Europe (such as Malta, La Réunion) or less developed regions (such as North East Romania), but also for more central or advanced territories. All territories in the sample activate at least one instrument supporting the IC preparation stage.

- **Subsidy scheme for internationalisation and participation in networks** (Instrument N°3) is one of the most commonly used instrument. It is a relatively low-cost option, helping to build or maintain the capacity of territorial actors to identify partners and participate in IC projects. Smart Specialisation Strategies provide the basis for selecting networks that are most relevant for targeting with such an instrument. However, care must be taken to ensure that the funding for participation in networks provides value for money, avoiding funding passive or unengaged partners.
- **Vouchers for IC preparation** (instrument N°2) are also quite popular. These are low-cost instruments that provide small subsidies for staff costs, technical support and travel. However, they often focus on project preparation rather than fostering long-term relationships and cooperation initiatives. There is considerable diversity in the actors eligible for such funding schemes, including clusters, chambers of commerce, regional agencies, research actors, and others.
- **Support services for IC** (instrument N°4). These services are frequently used to provide coaching and matchmaking opportunities to help territorial actors join collaborative projects or interregional networks. The focus is typically on collaborative projects, rather than interregional networks.
- **Grants for IC training activities** (instrument N°1) are less commonly found. In most cases, regions reported that training is available under other instruments. One member included a mobility scheme for researchers as an example, though such traditional schemes tend to have IC as a secondary objective at best. Some WG members expressed doubts about the relevance of this type of scheme, arguing that *“the best training is to experience IC hands on”*.

Actions and instruments for implementing interregional cooperation

- **Reluctance towards joint instruments** (instrument N°8). There is significant reluctance towards the use of genuinely joint instruments, such as real common pots across regions. No cases of this were found in our sample. This option has been discussed in the framework of Vinnovate but has consistently been rejected. Transferring funds across national borders seems to be an unattractive option, even if the ERDF regulation allows it.
- **Virtual common pots mechanisms** (instrument N°7), on the other hand, are quite common and are primarily used under ERA-Nets and EU partnerships. The majority of WG members use this instrument. The bottom-up initiative Vinnovate, which includes several of the WG members' regions, has implemented such a mechanism. Although its implementation is not straightforward, after careful preparation, it has recently been launched and its contribution to IC will become more evident in the medium-term (Annex 3). Like all the instruments in this section, this tool funds IC on a project basis.
- **Top-up schemes** (instrument N°9), which provide complementary funding to domestic actors already involved in IC, appear to be a relatively straightforward way to expand the implementation of an IC

project in a region. However, it is not commonly used in our sample: only two regions, Jönköping and Wallonia, reported utilising it.

- **Higher funding rates for projects with international dimension** (instrument N°6). Another instrument, used by only two regions (Norte and Wallonia), involves introducing higher funding rates for projects with an international dimension. This support is provided on a project basis. The advantage of this instrument is that it does not require the creation of a new scheme, only the adaptation of existing funding rules. Its leverage effect on the policy mix is potentially significant.
- **IC conditionality in projects funding** (instrument N°5). A similar, but more widely used, instrument (employed by half of the members) involves including IC conditionality in project funding sources, as eligibility and/or evaluation criteria. This project-based instrument may be effective if these criteria are properly applied and demonstrate additionality. However, members reported difficulties in spelling out and applying these criteria in practice. The prospects for using 'Seal of Excellence' type mechanisms for interregional cooperation projects, which were highly ranked but failed to be funded at EU level, are limited. This is because the mechanism is reported to be effective only for single beneficiary projects, due to the complexities involved in working with different national rules. In practice, these schemes are typically used to fund actors in their own region, leaving partners to secure funding independently in their own context.
- **Cross-border or interregional vouchers** (instrument N°10) are surprisingly not popular. While they exist under Interreg programmes (which is why they are positively featured for Norte), they are rarely incorporated into domestic policy mixes. This reflects the difficulty in designing such cross-border instruments, even though they generally do not imply the transfer of money.

Actions and instruments for sustaining interregional cooperation

- **Follow-up grants** (instrument N°12). An example of this instrument creating downstream synergies comes from Norte, where demonstration and pilot lines are used to integrate results from completed EU-funded R&D projects. However, this instrument can only sustain IC if the interregional dimension from the earlier EU-funded project is integrated into the scheme. A common approach allows former participants in completed Horizon projects to apply for ERDF calls for project, leveraging this prior experience in the evaluation process. Whether this approach can effectively sustain IC is still an open issue.
- It is becoming more common for publicly funded research organisations to be required to develop a strategy for EU collaboration, formalised through joint agreements with funding authorities. However, this has not yet been translated into **performance criteria that impact their funding** (instrument N°11). While incentives like performance criteria could play a crucial role in transforming the strategies and policies of regional organisations, their implementation is hindered by the misalignment between S3 and the ERDF, as well as the bargaining power of already established organisations.

Barriers and incentives towards establishing and using IC instruments

The inventory exercise depicted above was supplemented by a discussion on the barriers and incentives to establish or use IC instruments in the various contexts of the WG members. Table 3 synthesises the results of the debates, while Box 1 provides an example of a strategy deployed by the region of La Réunion to overcome the identified barriers.

Table 4 – Incentives and barriers towards adopting portfolio of domestic instruments for fostering IC

Incentives towards IC support	Barriers against IC support
Harmonised taxonomies and language across countries	Deficit in capacity and skills
Strong ecosystems with bottom-up 'business push' for IC	Lack of resources for regions with weak institutional power (e.g. North East Romania)
Open, forward-looking political level	Lack of political will or understanding of the value of IC
Common regulations allowing for IC funding	Country differences in regulations and rules in the case of IC projects (e.g. in Emilia-Romagna rules tend to be stricter)
EU-level incentives for IC, in particular the I3 instrument and ERA-NETs	The use of ERDF is constrained by several factors, including the lack of willingness from Managing Authorities (MAs) to link funding to other EU programmes (e.g. La Réunion), unclear rules regarding the complementarity of funds (e.g. Extremadura), and the MA's focus on control (e.g. Wallonia)

Source: WG IC members, December 2024 meeting

In the French region of La Réunion, there is a high dependency on Structural Funds leading to a substitution trap between ERDF and Horizon Europe. The abundance of ERDF funds promotes self-centric behaviours, acting as a deterrent to seeking funds promoting IC. To overcome this path dependency, La Réunion introduced a new strategy to foster greater integration within ERA, expand ecosystems beyond the region and the country, and foster IC. The strategy is based on six levers: institutional advisory services, regional marketing and lobbying, information dissemination, training and coaching, EU application writing and support and, finally, implementation through participation in EU projects.

Source – presentation La Réunion at S3CoP meeting of WG on IC, Rimini, 12 December 2024





3. 2024 Pilot Action

Following a rigorous analysis of 12 types of funding mechanisms across a limited number of regions, we further researched good practices in three regions that volunteered to present and describe their approaches: Norte, North East Romania, and Tuscany. Through this focused exploration, we identified several good practices that can inspire and guide other regions in fostering interregional collaboration. The good practices are primarily based on establishing new activities in a structural way or leveraging existing activities at national or EU level.

Establish follow-up grant programs for EU-funded projects: Leveraging EU-funded projects to maintain momentum and drive the long-term impact of regional involvement in European projects. Norte awards follow-up grants in the form of access to demonstration and pilot lines that can integrate and further valorise results from completed EU funded R&D projects. The region achieves this by freeing up ERDF funds.

Establish synergies between regional and EU funding instruments: Enabling regions to combine resources effectively and maximize impact for interregional collaboration. In Norte, the combination of EU financing (Horizon Europe, SME Instrument) alongside regional tools demonstrates how the region aligns domestic and international funding sources. Between 2014 and 2020, Norte allocated €46.608 million across 76 funded projects, covering a wide spectrum of research in service of IC. This practice results in a simultaneous and cumulative use of funds, serving regional actors that engage in IC and ensuring funding instruments are not isolated.

Establish EU equivalence mechanisms to align evaluations of regional programmes with EU evaluations: The use of EC evaluations of proposals at the regional level is aimed at supporting the internationalisation of entrepreneurial R&D. Norte's 2020 S3 introduced an EU equivalence mechanism, which became successful and further demanded by stakeholders by the time the Norte 2030 programme was drafted. Such a mechanism saves resources at the regional level by providing a validated framework for proposal evaluations. Finally, an EU equivalence mechanism for proposal evaluation aligns regional programmes with EU standards, improving coherence and enabling smoother integration into EU-wide initiatives.

Establish cross-regional collaboration agreements: Norte's collaboration with Galicia and Castilla y León goes beyond structured programmes like POCTEP and includes formal agreements between regions and border municipalities, as well as joint strategy development, further formalised in their respective S3 strategies. Regions can create agreements across multiple sectors, complementing structured programmes with broader initiatives, which requires an analysis of respective strategies and needs. This is especially valuable for activities beyond TRL 6, where IC can have the highest added value.

Integrate IC in ERDF allocation at national level: Overcoming policy gaps and encouraging interregional collaboration. The Tuscany CPR 2021-2027 stipulates that ERDF would not fund IC. Despite this, Tuscany has prioritized IC in its S3 strategy and advocates for IC inclusion in ERDF-funded activities. Tuscany proposes the introduction of incentives to regions to use ERDF for IC. This could be achieved by regions working with national authorities to highlight the importance of IC for regional innovation, growth, and cohesion, and emphasizing how IC aligns with broader EU goals.

Leverage EU Seal of Excellence at regional level: In North East Romania, Horizon Europe applications that have not received financing but have received a Seal of Excellence (SoE) are considered for funding under ERDF. The North-East Regional Development Agency (NE RDA) promotes SoE projects to national funding programmes and regional stakeholders as priority investments. Regional support is provided to regional entities, provided they conduct their activities in North East Romania and have the headquarters or a branch in the region. Similarly, Norte supports proposals, which have received the Seal of Excellence, with Structural Funds, which works well for individual projects such as the Marie-Curie scholarships. These approaches align with the EU's goal of ensuring Cohesion funds complement other financial mechanisms,

fostering IC and innovation. It also opens the door to further implementation projects, which often engage stakeholders in other regions.

Leverage Vinnovate for IC: As described in Annex 3, Vinnovate serves as a model for how structured interregional funding mechanisms (virtual common pots) can effectively promote collaboration, drive innovation, and contribute to the economic development of European regions. Norte has leveraged the programme by creating a structural interregional grants scheme that supports the generation of future projects, supporting regional stakeholders that engage in IC. Following its success, the region plans to reinforce its budget for Vinnovate, extend participation to new regions, and further strengthen the dissemination of the initiative in neighboring regions.



4. Conclusions and ways forward in supporting IC with a domestic policy

Interregional collaboration has been set as one of the fulfilment criteria for S3. This is strongly justified by the fact that no single region or country can progress its smart specialisation priority areas in isolation. Not only does S3 require good cooperation within a region's boundaries, but it also requires collaboration with other regions holding complementary expertise, assets, infrastructure, technologies and talent in the same S3 domains. This reality has received increasing recognition across EU territories and was emphasised at the recent S3 2024 conference in Rimini.

Interregional cooperation, supported by tools like the Interregional Innovation Investments (I3) instrument, is key to building value chains, refining focus areas, and scaling up research, particularly in lagging regions (see S3 Community of Practice newsletter, January 2025).

This increasing attention to interregional collaboration reflects the renewed interest in EU industrial policy and the need for Europe to develop more effective value chains in order to scale up EU industries and enhance productivity. Hence, there is a need for regions to be proactive in seeking out other regions with similar S3 priorities and explore how linking these priorities could improve competitiveness (see the Draghi Report, 2024).

This shift towards a stronger outward dimension of S3 is one of the key areas where smart specialisation strategies have evolved from the early S3 iterations, where the exercise had a more inward-looking examination of the regions' strengths.

However, a shift in policy also requires a shift in investment, and EU funding sources are increasingly seen as the relevant mechanisms to support these efforts. The Horizon programme, Interreg and the new I3 stand out as primary sources for this purpose. However, EU funding sources suffer from limitations, the most significant being their relatively small size compared to funding available domestically. This holds true in particular for less developed regions, which are large beneficiaries of the ERDF and have difficulties to perform in EU competitive instruments. As a result, the question of how domestic funding can be used to support IC has come to the forefront of the S3CoP WG on IC. The limited exercise carried out by the WG on the domestic funding instruments to support IC revealed that there is insufficient orientation of these funding sources – including ERDF - towards IC. Although, a wide array of instruments theoretically is available and could provide support at a much larger scale compared to what EU funds alone can achieve, the analysis of practices by the 12 member regions of the WG shows that this potential is only used to a very limited extent. There is much room for leveraging existing instruments and establishing new ones to better incorporate the goal of IC into innovation support and smart specialisation strategies.

The lessons learned by the WG on the topic of establishing an effective domestic policy mix to foster IC point towards several potential avenues for improving the interregional dimension in S3 in the future. These are listed in Table 4.

Table 5 – *Ways forward to support IC with domestic policy mix instruments*

- A wide and validated range of domestic instruments aimed at supporting the initiation, implementation and continuation of IC is potentially available. However, these instruments are only partially implemented in the surveyed territories. **Many untapped opportunities** remain for consideration by territorial authorities. For example, the use of higher funding rates for projects with an international dimension, which could have a potentially large leverage effect, or the implementation of domestic top-up schemes for beneficiaries of international projects.
- The portfolio of instruments is particularly underdeveloped for **the sustainability phase of IC**. This issue stems from the fact that the majority of instruments support IC on a project-based mode, raising the concern about the continuity of support once projects are completed. Longer-term approaches are required, such as including IC-related performance criteria in regular funding models for regional actors.

- **The mobilisation of MAs** around the objective of IC is crucial to enhancing the role of ERDF in supporting IC. This includes the use of provisions to allocate funding beyond administrative borders. Stronger synergies with authorities in charge of S3 may help to alleviate the risk aversion of MAs.
- **Mainstreaming Interreg instruments**, such as cross-border schemes into domestic policies – whether or not ERDF funding is involved – is a relatively straightforward option, as these have been tested in the frame of Interreg.
- Beyond technical, financial and regulatory barriers, the **lack of political will and insufficient understanding** of the benefits of IC for an effective S3 needs also to be tackled. Demonstrating and measuring benefits and return on investments is crucial. This calls for **good monitoring and evaluation** of these instruments.
- One potential way forward is to move towards **integrated IC policy mixes under a ‘portfolio approach’**. Rather than having a constellation of (ideally) complementary domestic schemes for IC, it might be more effective to develop packages of policy instruments providing integrated support to various components of IC. This proposal draws inspiration from the experience of S3 funding pilots in Wallonia, which argue that systemic and bold initiatives, naturally prone to foster IC (as opposed to scattered projects), need to be supported by systemic policy mixes.

Source – S3CoP members of the WG on IC



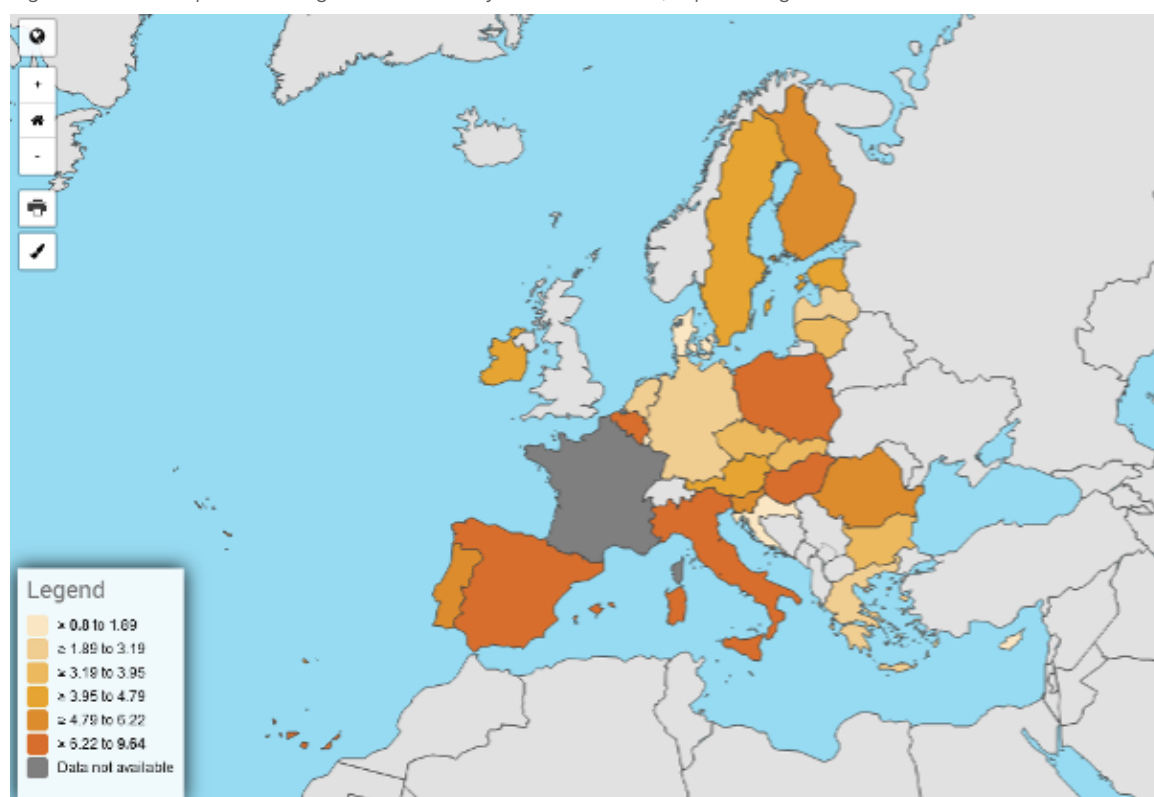
Given the limited resources and time allocated to the WG, as well as the constrained time input from WG members, the WG has nonetheless provided an interesting bottom-up perspective that could be further explored in future investigation. Further analyses could follow these lines:

- Integrate the notion of magnitude. This involves examining the amounts of funding allocated to each specific instrument relative to the financial resources of the region.
- Fine-tune the policy mix. Tailoring the policy mix to fit the specific types and situations of regions, such as, their level of advancement and attractiveness of the R&I system, openness, size, presence of R&I flagships, etc.
- Broaden the coverage. Expanding the analysis to include a wider range of countries and regions would provide a more accurate and comprehensive understanding of EU diversity. This would also help in identifying new cases of the use of IC-supporting instruments.


Annex 1 –

National public funding to transnationally coordinated R&D, in percentage of total GBARD

Figure 2 – National public funding to transnationally coordinated R&D, in percentage of total GBARD - 2022



Source – Eurostat



Annex 2 –

Provisions for using ERDF outside the programme area

2014-2020 period

Article 70.2 of the Common Provisions Regulations 1303/2013: Eligibility of operations depending on location⁵

The managing authority may accept that an operation is implemented outside the programme area but within the Union, provided that all the following conditions are satisfied:

- (a) the operation is for the benefit of the programme area;
- (b) the total amount allocated under the programme to operations located outside the programme area does not exceed 15 % of the support from the ERDF, Cohesion Fund and EMFF at the level of the priority, or 5 % of the support from the EAFRD at the level of the programme;
- (c) the monitoring committee has given its agreement to the operation or types of operations concerned;
- (d) the obligations of the authorities for the programme in relation to management, control and audit concerning the operation are fulfilled by the authorities responsible for the programme under which that operation is supported or they enter into agreements with authorities in the area in which the operation is implemented.

2014-2020 period

Article 63.4 of the Common Provisions Regulations Regulation 1060/2021: Eligibility⁶

All or part of an operation may be implemented outside of a Member State, including outside the Union, provided that the operation contributes to the objectives of the programme.

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R1303>

⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

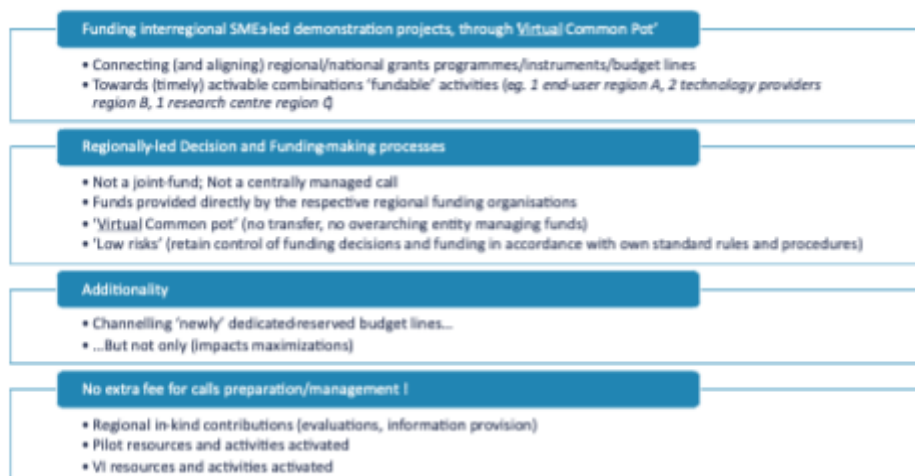
Annex 3 –

Vinnovate: an innovative Interregional Funding Mechanism

Vinnovate⁷ is an initiative from the Vanguard network of regions. This initiative started as a pilot project in 2022, with the aim to investigate possibilities and conditions to ‘synchronize/align’, ‘mutually open’ and/or ‘pool’ regional funding schemes/instruments into a truly interregional funding mechanism. Underlying principles are that the mechanism is not dependent of ‘centrally managed EU instruments (i.e., synergies with EU funding are not a pre-requisite, even if desirable when possible and appropriate) and does not involve financial transfers between regions. Vinnovate provides funding for international innovation (TRL6-TRL8) projects proposed by at least 2 organisations, from at least 2 Vinnovate regions and 2 countries/states, with at least 1 SME, in cooperation with other companies or research centres/universities. The first call for the Vinnovate instrument, with 11 participating regions, was launched in May 2024.

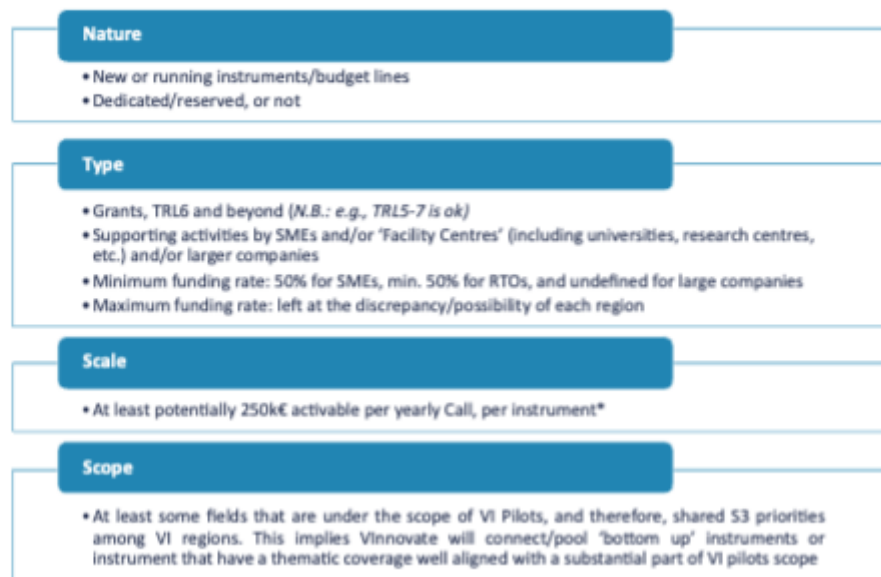
The slides below provide the essential elements as presented by WG member Wim De Kinderen, Brainport Development (South Netherlands) at the second WG meeting in Barcelona on 29 November 2023. For more details see the full set of slides and the website.

Vinnovate, the basics

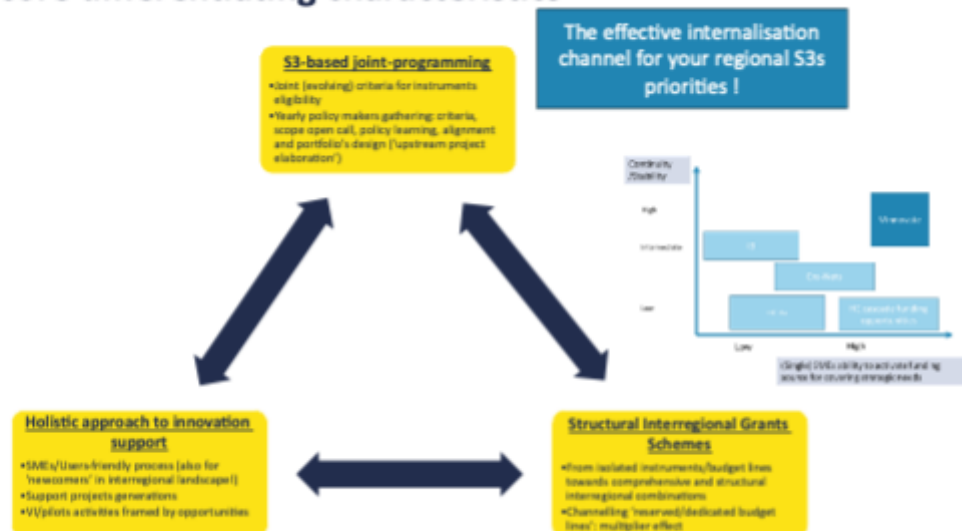


⁷ <https://www.s3vanguardinitiative.eu/multipurpose-page/call-2024>

Eligibility criteria for regional/national instruments – a brief overview



Vinnovate core differentiating characteristics



Source – Wim De Kinderen, Brainport Development (South Netherlands) presentation at S3 Forum, WG Interregional Collaboration – Barcelona, 29 November 2023

Annex 4 –

Examples of initiatives to orient existing components of domestic funding mixes, or add new components, towards the goal of promoting IC

Päijät-Häme: instruments n°1 Grants for IC training activities and n°5 Inclusion of IC conditionality in projects funding sources, as eligibility and/or evaluation criteria.

The AKKE programme under ERDF in Päijät-Häme includes an IC conditionality in the funding sources for projects, applying eligibility and/or evaluation criteria. In some calls it is also possible to apply for funding for preparing IC projects.

Emilia-Romagna: instrument n°2 Vouchers for IC

Emilia-Romagna launches regional calls for the design of strategic projects and EC project applications, as well as implementation of interregional collaborative projects.

Wallonia: instruments n°1 Grants for IC training activities, n°2 Vouchers for IC, n°3 Subsidy scheme for internationalisation and participation in networks and N°6 Higher amounts or higher funding rate for projects with international dimension

Wallonia provides subsidies for 'EU referents' in Strategic Innovation Initiatives (SII), which are large regional partnerships with an international ambition. This scheme funds dedicated human resources to develop EU strategies, networking activities and international representation of the SII. It also covers costs for writing EU project proposals (including subcontracting consultancy services) for consortium partners. The subsidy can go up to €350.000 € per SIIs for a period of 3 years.

Additionally, Wallonia has reserved funding lines for co-financing international/EU projects, such as I3, Digital Europe, Euroclusters, etc. The region also funds membership fees for EU networks and support for participating in specific networks (S3TPs, EIT KICs, HE PPPs...). For 2023-2024, the funding for this purpose amounts to €8m.

In the Win4Company scheme, which support R&D for companies, Wallonia provides increased support rates for companies that collaborate with non-Walloon partners (+10% for grant, +15% for reimbursable advances).

Jönköping: instrument n°2 Vouchers for IC

National grants are available through the Swedish Institute for building collaboration in the Baltic Sea Region and with Ukraine. These grants are not specifically targeted at training but are more focused on the development of collaborative platforms or project applications.

Norte: instrument n°12 Follow-up grants

In Norte there is an increased funding rate for projects that exploit results from EU funded programmes. Calls are launched to promote complementarity between Horizon 2020 (e.g teaming projects) and the Norte Regional Programme.

La Réunion: instruments n°1 Grants for IC training activities and n°2 Vouchers for IC

The 21-27 ERDF programme includes a dedicated subsidy scheme to reinforce the integration of regional stakeholders in the European Research Area. It provides a 100% subsidy to:

- Recruit a post-doctoral candidate holding a PhD from another Member State for 12 to 24 months, who should spend at least 40% of the project length at a European partner institution.
- Implement actions over 6 to 36 months that contribute to establishing or reinforcing R&I networks and collaborations with organisations from another Member State. Such actions can include short-term mobility and staff exchanges of researchers and support personnel, the definition of joint R&I roadmaps and the design of Horizon Europe applications.

This subsidy scheme, designed in 2021, was specifically created to contribute to the internationalisation of the regional R&I systems, a major priority of the smart specialisation strategy. Beneficiaries include higher education institutions, public research organizations, and NGOs whose main mission is knowledge production and dissemination.

The scheme builds on a previously successful experiment conducted between 2014 and 2020, which funded post-doctoral positions to allow researchers from La Réunion to contribute to an existing Horizon 2020 project without additional budget and conduct complementary activities (e.g. establishing a local demonstration site). This synergy allows participants to enter existing networks and be invited to future consortia.

To increase the scheme's impact, it has been modified to attract post-doctoral candidates from other regions / Member States. The exchange of postdoctoral candidates facilitates the development of larger R&I partnerships. In addition, the scheme has been complemented with a second instrument aimed at fostering and strengthening partnerships.

Extremadura : instrument n°4 Support Services for IC

Through the "European Projects Office", an international promotion and support service is provided for the formulation and management of international research, technological development and innovation projects from competitive international calls, with a specific focus on the European R&I Framework Programme.

Malta: instrument n°3 Subsidy scheme for internationalisation and participation in networks

Malta allocates a budget to cover membership fees for joining interregional networks, enabling local actors to access opportunities (e.g. JPI Oceans).

Alpine space: instrument n° 7 Virtual common pot across regions

Under the ARDIA Net project funded by Interreg Alpine space, the regions of Baden-Württemberg (DE), Brandenburg (DE), Canton of Fribourg (CH) and Salzburg (AT) have agreed to synchronise their funding instruments for SMEs led joint R&D projects in 2021. In response to the synchronised Innovation Express pilot call, each applicant must send its application separately according to the funding scheme applicable in his geographical area and receives funding from his national or regional programme. One partner ensured the joint secretariat for the call. The participating regions provided positive feedback and confirmed that the pilot call brought the four regions closer together. The process was found to be simple, no modifications of the calls and administrative processes were required and the approach created new collaboration patterns across regions.

Source: [final-publication-shaping-sharing-shaping-and-sharing-capacities-for-cross-regional-cooperation-in-the-alpine-region-and-beyond.pdf](#) ([alpine-space.eu](#))

Basque country: instrument n°11 IC-related funding criteria in performance-based funding models for publicly funded actors and n° 10 Cross-border or interregional vouchers

The Research and Technology Organisations (RTOs) in the Basque country are funded according to a performance-based funding model. The list of performance indicators includes two indicators related to international cooperation: the percentage of funding received from the Horizon programme (or other European or international programmes) and the number of European (international) projects in which these RTOs involve a (Basque) partner company. Each of these indicators accounts for 5% of the total of the criteria considered for calculating funding.

In addition, the Basque Country's ERDF Operational Programme for the period 2014-2020 utilises Art. 70 of the CPR 1303/2013 by implementing an interregional voucher scheme, with a budget of EUR 300,000.

Source: <https://projects2014-2020.interregeurope.eu/s34growth/>

