

# Short paper summaries

# Prioritisation: Suggestions

*Alternative priorities* were discussed, including:

- 1. Transformational priorities represent a promising starting point but require context specificity:** The experts emphasised that the entire S3 process is transformational. However, regions should be granted flexibility to determine the nature of the transformation they aspire to achieve. Transformation as a prescribed dimension risks being too broad. While recommending this dimension for the future it is essential to refine it further, specifying that transformational priorities may or may not align to the EU green (e.g. energy saving could be an encompassing S3 priority for a region) and digital agenda; they need to be linked to local societal change objectives
- 2. Prioritise the development of local innovation ecosystems:** Instead of focusing on a specific sector or transformation goal priority-setting could revolve around fostering a local innovation ecosystem. Although numerous theoretical arguments and good practices underscore the significance of this approach, methodological challenges persist. The most frequently cited include: define a local ecosystem, identify its core elements, its gaps, and the most effective ways to address them. An ecosystem is inherently dynamic and must serve a defined purpose.
- 3. Allow for a combination of priorities to resolve regional problems:** Prioritization doesn't necessarily require a specific label. Addressing distinct regional problems (e.g. water management) may also be a priority combining transformational aspirations in the context of specific ecosystems.

# Prioritisation: Suggestions (2)

- ▶ ***Prioritisation is not a static choice so resilience should accompany the priority-setting process:*** There is often a misconception that priorities are fixed at the programming stage and need to be followed throughout the implementation phase. In reality prioritising is a dynamic-adaptive process that demands agility adapting to changing circumstances (e.g. inflation, shortages, relative prices changes, COVID), which create new opportunities. This approach allows for a flexible combination of dimensions rather than rigidly choosing specific ones. Being overly specific is as risky as having no priorities at all.
- ▶ ***Bottom-up versus Top-down:*** The EDP process is a critical element of S3, but priorities are political. EDP-participation in the planning phase is mobilized but then gradually disappears. There is a lack of engagement by the business sector and at the same time disappointment/reluctance from the public sector to further pursue interaction. In this spirit the mission approach could be useful not only in reflecting global priorities but also in simplifying processes.

# Prioritisation: Suggestions (3)

- ❖ **Capacity building:** Skills enhancement for capacity development of the Managing Authorities has been widely used and generously funded. However, improvements have often been incremental, attributing persevering challenges to bureaucratic structures and path dependencies. This implies that capacity building should extend beyond the narrow administrative scope and move past merely assisting helping policymakers. It should, instead, centre on empowering all actors within the entire ecosystem to perform. It is the capacity of the regional ecosystem not of the individuals that matter. To maximize effectiveness, these capacity-building efforts should be tailored to address priority areas of Smart Specialization Strategies (S3) within a specific ecosystem – for instance, enhancing the capacity to tackle AI challenges. The ultimate goal is to ensure the professionalisation of all actors. Such capacity building can take various forms.
- ❖ **Continuous monitoring and evaluation capacity:** Establishing and appreciating a continuous monitoring and evaluation system is imperative for achieving good governance. This system should extend beyond mere auditing and delve into the systematic exploration of effectiveness and efficiency. While the Integrating Monitoring System and Evaluation, mandated by EU guidelines, represent a positive step forward, their universal adoption is not uniform across regions. Less developed regions, in particular, exhibit greater reluctance in embracing this direction.

# Prioritisation: Actionable Measures

- ❖ ***Increase local awareness of concentration benefits.*** Regions see concentration as a burden, and they need to be convinced of the merits of prioritisation.
- ❖ ***Methodologies need improvement.*** Dynamic Transformational Prioritisation methodologies should be developed in a simple blueprint and should be neither too strict nor too prescriptive. One size does not fit all, so while asking regions to prioritise one should not impose specific dimensions but suggest appropriate alternatives for the regions to select. Evidence used for prioritisation should not be only quantitative but adapt to political priorities and societal challenges (pan-European or local). Prioritisation may be based on federal conditionality: ask regions to choose and create a funnel-type from EU (transformational and European Semester priorities/reforms, which might include the circular economy and defence) to national to regional to local level priorities.
- ❖ ***Focus on the whole ecosystem and not only the management of ESIFs:*** Encourage the creation of Applied Universities, of intermediaries (helping in adaptation and evaluation), and the integration of academic into the ecosystem assigning them distinct roles, and actively monitor and evaluate their performance.
- ❖ ***Keep industry engagement:*** This is too important and too challenging. Capacity building and trust building in a more ambitious start may help engage the most dynamic part of the local industry.
- ❖ ***Develop new Capacity building programmes:*** Develop sort and effective programmes, expecting actors from policy making, industry and academic to join and include more ambitious content, such as public-private partnerships, financial instruments, focus interdisciplinarity, academic involvement, cluster creation, the value of pockets of excellence etc.

# Capacity building: Suggestions

- ▶ **A systemic approach is imperative, encompassing all actors of the ecosystem:** Effective capacity building relies on addressing all actors involved. This includes the Public Administration, comprising various public organisations that must collaborate. There is a pressing need for the Public Administration (PA) to gain a deeper understanding of the challenges and formal requirements of Smart Specialization Strategies (S3) in each region. Without the ability of the PA to think strategically and engage actively, S3 initiatives are at risk of failure. Despite efforts to support Managing Authorities (MAs) there is still missing knowledge of opportunities and good practices, despite the creation of the Community of Practice (CoP). Additionally, even if the PAs were fully skilled, focusing on them alone would not guarantee success. Unless all actors have a similar level of knowledge and commitment, bottlenecks in the system are inevitable.
- ▶ **Understand the new challenges:** The R&I landscape is changing rapidly because of both technological change and the need to address global challenges. This leads to the requirements of new, specific, locally embedded skills. If existing organisations cannot be retrained new organisations, units or functions must be devised to respond to the new needs
- ▶ **Capacity building is about well-planned skills development for all:** Capacity building within the entire ecosystem necessitates first of all the definition of requisite skills for all stakeholders: public administration, intermediaries, the research/academic sector, and companies. This process cannot solely rely on Technical Assistance; rather, it requires comprehensive analysis and consensus-building tailored to the transformational goals and needs of each region. Challenges must be identified, from which the necessary skill sets can be determined. These skills encompass both social and technical aspects, constituting a comprehensive array of place-based transition skills that evolve over time. Moreover, these skills should be cultivated in collaboration with the regional education system to foster engagement and bridge potential generational gaps.
- ▶ **Capacity is not only about skills but also about the possibility to exploit them:** In certain cases, people do not lack skills, but the local mode of operation inhibits the exploitation of their potential. As examples:
  - ▶ *Universities of Applied Sciences and Vocational Training* are organisations that have proved to work well in many leading innovators. However, in many regions and Member States one sees a trend towards to academisation of such organisations, which deprives the ecosystem from important actors.
  - ▶ *Technology Transfer Offices*, which have no block funding are forced to chase money (go after all possible incentives) to survive and are thus diverted from focusing on their mission. If their operations were funded with permanent budget lines and they were only allowed to do Technology Transfer, then they could focus, and one could hold them accountable. This would help them achieve their mission.
  - ▶ **Use monitoring and milestones:** Simple Technical Assistance for short-term skills development is not sufficient. It is important to understand how to best organise effective capacity building and monitor the results with predefined indicators and linking effectiveness to payments.
- ▶ **Combine Pan-European and intra-country learning:** While a lot of effort is invested in learning from good practices across Europe many challenges for the implementation of S3 are linked to national specificities and regulatory frameworks. Learning is best served when striking a balance between learning locally and looking far away for new ideas. A successful example comes from Poland, where regular exchange of experiences at the national level (3-4 years meetings of all 16 regions) has been helpful and acted as a capacity building tool. Regional administrations learn from each other because they often face similar problems.

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# Interregional collaboration (suggestions)

► **Deep knowledge of regional assets and potential complementarities is needed to guide effective policies:** There are no uniform types of companies, opportunities and means to tap into interregional relations. Two important distinctions need to be made, which need to be taken into consideration, when designing policy measures, since “one size does not fit all”:

- ***Strength of collaboration:*** IRC can be long-lasting and potentially highly beneficial through global value chains (GVCs) and foreign direct investments (FDI). It can also manifest as more ad hoc or project-based collaboration, aimed at addressing specific needs at a particular point in time.
- ***Willingness/ability of companies to go beyond their region:*** Larger and technologically more advanced companies are adept at identifying their needs and seeking out complementarities; in contrast, smaller and more traditional companies often find themselves isolated and in need of guidance. When these companies look for knowledge or other types of collaborations there is a strong bias towards intra-regional or national contacts. While these companies may theoretically recognize the value of accessing knowledge from diverse sources, initiating new interactions can be hindered by costs, lack of knowledge, and social barriers, leading to inertia that is difficult to overcome. To help them in the context of SSS it is important to start by providing information about complementarities beyond their usual reach. For this, policymakers require specific knowledge, as SSS may exhibit biases when administered by the government rather than through the Entrepreneurial Discovery Process (EDP).



# Interregional collaboration (suggestions)

	GVC/FDI	Ad hoc access to complementary resources
Large, technology prone firms		
Traditional SMEs		

# Interregional collaboration (suggestions)

- ▶ **A complete evolutionary map of sectors-functions-regions and their global position including investment flows directed towards Asia and Africa is needed.** Ideally, such data would encompass both greenfield investments and mergers and acquisitions (M&As). Such a map should be complemented by a foresight exercise to comprehend not only the current position and origins of regions but also the anticipated changes in the near future.
- ▶ ***Interregional collaboration is not only about regional convergence; it is also a component of sound pan European growth:***
- ▶ **There may be divergence between business needs for identifying/starting useful IRC and what policies offer:** There is a danger that design instruments require companies to comply with fixed steps rather than creating schemes adaptable to the needs of the real economy.
  - More advanced companies *know their needs and potential interactions, but policies fall short of addressing their requirements:* Existing instruments lack *speed*. Businesses, particularly the more dynamic ones seeking growth opportunities, cannot operate at the same pace as the established instruments. They cannot afford to wait for project approvals before they start implementing.
  - For more traditional companies, the difficulties to attain cooperation are numerous and require policy instruments that are concrete and address specific needs. They include facilitating companies to find the right partners beyond their own region, or help businesses join forces to address missions.

# Interregional collaboration (Actionable Measures)

- ▶ ***Offer companies and policy makers the knowledge needed to exercise good policies:*** To offer companies and policymakers the knowledge necessary for effective policymaking, systematic efforts are required to map regional strengths and weaknesses across all regions, sectors, and business functions. By understanding past evolution and future prospects, this endeavour would aid companies in accessing vital information and assist policymakers in devising and implementing effective policies, thereby providing valuable guidance.
- ▶ ***The Community of Practice should dedicate one Forum*** to engage the regions in the debate on how to design and implement instruments enhancing IRC. Other forums, such as thematic platforms, could also play a role in sensitising national and regional authorities about the value and means of IRC. This should include addressing European Commission's DGs beyond the DG for Regional and Urban Development to emphasise the value of pan-European value chains for resilience and global competition.
- ▶ ***Interregional collaboration is about transforming mindsets:*** Innovation agencies across Europe may not effectively have fulfilled this role in the majority of the European territory. To emphasize the value of IRC, one may need Change Agents, which must be carefully designed to avoid creating surrogate public administrations.

# Interregional collaboration (suggestions)

► **Existing instruments can be better tailored to nurture interregional collaboration in innovation:** A mentality to adapt policy instruments to business needs rather than vice-versa should be a guiding principle. In all existing instruments targeting IRC one should make sure to:

- Increase the speed of selection and implementation to match the pace needed to seize market opportunities,
- Integrate missions into value chains, as missions are what guide companies whenever they look for improving their competitiveness.
- Expand I3 to include core regions in all Strands would facilitate greater interaction between regions, ensuring that less developed regions can also benefit from the collaboration. This expansion would be particularly beneficial if it promotes not only cooperation between administrations but also direct engagement between companies or clusters of companies. Pairwise learning, where companies in less developed regions directly exchange knowledge and experiences with those in more advanced regions, could be especially advantageous for traditional companies striving to enhance their competitiveness.

► **Use clusters or other facilitators to maximise impact:** In both existing and new instruments clusters or other facilitators can play a multiplier role to identify interregional cooperation opportunities. This can be done through:

- **Launching Interreg calls dedicated to clusters to create common interest between companies in different regions:** This is best done by offering incentives for clusters which are at the core of regional SSS, to avoiding spending on clusters not being part of the SSS priorities.
- **Create incentives for clusters in different Member States to get to know each other.**