



Future of Cohesion Policy: place-based innovation policies that transform and empower regions to tackle and profit from the twin Green and Digital transitions

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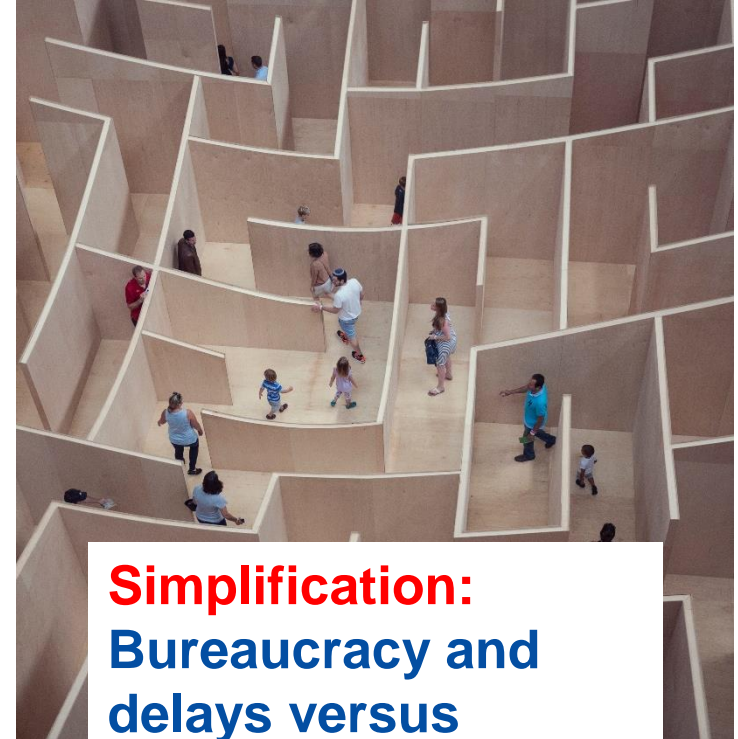
Long-standing issues on future of Cohesion Policy



Identity in a sea of names and acronyms: Cohesion Policy, structural funds, ERDF, etc.



Value added: Absorption versus Investment. What does the Policy offer beyond money?



Simplification: Bureaucracy and delays versus strategic planning

...more issues

Achievements:

Measuring results
versus financial
audits.

Cohesion Policy
competing with RRF



Additionality:

supplementing,
complementing
or substituting
national funds?

Governance:

for the regions
and by the regions?

Institutional
capacity for
planning and
implementation
in LFRs?



Convergence

versus exploiting
latent capacities:
helping the most
needed? Link to
the European
Semester?



Cohesion policy, global trends, future scenarios

- **Twin transition** could give rise to new layer of regional disparities, if not properly addressed/exploited (e.g. Bachtrögler-Unger et al., 2023)
- How Cohesion Policy fits in the (new) **European growth model aiming at a carbon-neutral, resilient, inclusive economy** (European Commission, 2022)
- What role vis-à-vis the **revival of industrial policy and push for strategic autonomy**
- How the Policy could be impacted by trends such as **de-globalization, geopolitical uncertainty, technological developments (AI), etc.**

Place-based innovation policies fit for the future

1. **PRI pilot:** where do we stand, future developments
2. Potential contribution of **PRI to future cohesion policy**
3. **Regional Innovation Valleys**
4. Embedding the **mission approach** in cohesion policy
5. First lessons from **Climate Adaptation Mission and S3**

Considerations on innovation policies emerging from the PRI Pilot

Reframe and repurpose your strategy

- Take a **transition view** and provide paths for everyone
- Use a **broad framing of innovation**
- Consider the **right tool** for directionality and alignment

Build legitimacy and progressively raise ambition

- Build the **case for the transition**
- Adapt** monitoring and evaluation
- Open up **stakeholder engagement** beyond fund beneficiaries

Build capacities and (social) infrastructures

- Identify **missing capacities** in your governance system for transformative innovation
- Manage the boundary between **control vs influence**

Challenge-Oriented Regional Innovation System (CORIS)

	Conventional RIS	Challenge-oriented RIS
Purpose of innovation	Economic growth and competitiveness of the regional economy	Place-based problems and needs related to grand societal challenges
Types of innovation and their effects	Innovation in the regional corporate sector: technological, organizational, marketing innovation Focus on positive effects (strong pro-innovation bias)	Innovation in the regional corporate sector and in other realms (public sector, civil society, regional and urban communities: technological, user, social, institutional innovations) Focus on multi-dimensional effects of innovation (bright and dark sides)
Actors, networks, institutions	Firms, universities, government, intermediaries knit together in stable (local and non-local) networks and embedded in a static multi-scalar institutional landscape	Conventional RIS actors and 'new' innovation agents (civil society, public sector actors, users, etc.) knit together in/influenced by dynamically developing networks and evolving institutional configurations at multiple scales
Production and application side	Supply side (generation/production of innovation in the region)	Supply side and demand/application side (experimentation, diffusion, upscaling of innovation in the region)

Considerations on PRI emerging from the PRI Pilot

- PRI is a **bridge across different instruments** and actions for innovation driven territorial transformation through a systemic approach
- It fosters synergies between different funding instruments **around local missions to coordinate actions under an single directional logic**, exploring broad ranging policy mixes for transformative innovation
- The PRI pilot is facilitating **new forms of innovation-driven interregional cooperation** to promote strategic autonomy in the face of current uncertainty (geopolitical, climate, etc.)
- Revised PRI Playbook enriched with **more real world practices**, contributed by territories participating to the PRI Pilot
- As a **living document and capture the feedback and insights** from the PRI Pilot

Potential contribution of PRI approach to future cohesion policy

- More coordination across EU & domestic funds contributing to cohesion
- Streamlining of relations within multi-level governance
- Better balance between EU objectives and place-based priorities
- Improve engagement/involvement of non-governmental actors
- Move towards synergies based on real policy complementarities
- Leveraging of private investment
- Extend S3 approach to other policy areas
- Foster interregional cooperation in the field of R&I



Playbook 1

- **Concepts:** A framework made by **three building blocks:** 1. Strategic policy framework, 2. Open discovery process, and 3. Policy and action mix

- **Tools:** A collection of **68 tools** (concepts, principles, practices, methodologies etc.)
- **Based on input and support from JRC units and Scientific Committee**

LEVELS OF GOVERNMENT Regional, National, European	LEVELS OF RESPONSIBILITY Promoter, Developing innovation strategies	GOALS Strategy design, Stakeholder engagement	COMPETENCES Think systemically, Values for sustainability, Work with others, Be creative
<h2>5 European start-up village forum</h2> <p>Purpose: To promote entrepreneurship in rural areas Use: To identify local problems and create sustainable multiple value</p> <p>On 30 June 2021, the European Commission set out a long-term vision for the EU's rural areas. The vision identifies several areas of action towards stronger, connected, resilient and prosperous rural areas by 2040. The vision recognises the role of innovation to help tackle challenges and reap opportunities for wellbeing and growth in rural areas and includes a specific flagship action on research and innovation for rural communities. The European Start-up Village Forum is part of this flagship action.</p> <p>The Forum complements knowledge exchange and cooperation activities, and work as an open space where institutions and stakeholders can meet, discuss and shape actions and tools for innovation in rural areas. By</p> <div data-bbox="326 992 565 1235"> </div> <p>Find out more: Long term vision for the EU's rural area: https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/long-term-vision-rural-areas_en The European Start-up Village Forum: https://eustartupvillageforum.eu</p>			
<h2>6 Sustainable development as a transition</h2> <p>Purpose: To embrace socio-technical systems change Use: To think of transitions as complex multi-level processes</p> <p>Dominant socio-technical systems are characterised by individuals, norms, institutions, infrastructures and technologies, which are intertwined and reinforce each other. This leads to lock-ins, path dependency and resistance to change in current systems. Technological green fixes can hide the urgent need for transitioning from current business models to socio-technical systems in line to achieve the SDGs. To this aim, transformations (or transitions) that are more ambitious are needed. For example, new socio-technical systems should enable citizens to engage and contribute to the SDGs beyond their buying choices.</p> <p>A socio-technical system transition involves social, behavioural and technological change in an interrelated way, so that the end result is change in all elements of the old production and consumption configurations. Can you think about socio-technical systems that require</p> <div data-bbox="751 935 1210 1263"> </div> <p>Source: adapted from Berkana Institute</p>			

Playbook 2 structure

- **Engaging**
- **Envisioning**
- **Orchestrating**
- **Designing**
- **Implementing**
- **Learning**

Goal is to operationalize Playbook 1

- **Six processes (one per chapter)**
 - They work in parallel, no linear nor static approach
 - Modular
- **Each chapter is composed by key activities**
- **Activities and processes are ongoing and repeated**

Work on Regional Innovation Valleys

- PRI is promoting NEIA Flagship 3
- Matchmaking in the five mentioned areas, e.g.
 - 31 May 2023: Dalarna event “From Pilot to Practice”
 - 20 - 21 June 2023: Asturias event “Connecting regional innovation valleys through circular industries”
- Closely working with PRI territories and experts on inter-territorial collaboration, e.g.
 - 16 May 2023 focus group with some PRI territories

Embedding the mission approach into Cohesion Policy

- Missions can serve an “**organising principle**” to streamline cohesion policy expanding priorities, tackle funding fragmentation, enhance horizontal and vertical coordination for involving wider policies in completing the mission
- They can boost the **result-orientation dimension** of cohesion policy incorporating a fully-fledged transformative logic (directionality)
- Missions are instrumental in **stirring political commitment and engagement** towards the objectives of cohesion policy
- Role of missions in both resolving potential **tensions and optimising synergies between EU priorities and place-based policies** (local missions)
- Potential for inter-territorial cooperation to **jointly tackle common missions**
- Can be considered **with or without directionality**

First lessons from Climate Adaptation Mission and S3

Good potential for innovation/S3 to support solutions for climate adaptation, **but:**

Mismatches between adaptation and innovation strategies, *technical barriers*, need for involving *county and local/urban* levels in S3 and of *business* in climate adaptation, lack of *ownership and capacities* hampers improving whole-of-governance and multilevel governance,...

EU level: *stronger links* between PO1 and other Policy objectives, as well as with other funding and financing options would help implementation

Good practices: combined stakeholder engagement, create networks of municipalities and rural areas, involvement of sectoral policies, engage related policies (e.g. fiscal policies for adaptation),...

Annex

The need for place-based innovation policies to articulate cohesion policy

1. Directionality
2. Fragmentation of funding: Cohesion Policy, RRF and beyond
3. Governance: from EDP to ODP for system transformation
4. Whole of government approach: investments, regulations and procurement
5. Experimentalism: regional/local missions and sandboxes
6. Pan-European value-chains: interregional collaboration for strategic autonomy
7. Lessons from S3 implementation

“You have to run very quickly to remain in the same place”
(Lewis Carroll)

Directionality: Green opportunities

1.5°C-aligned energy transition promises **2.3% more growth by 2030** and create close to **85 million extra jobs related to the energy transition** compared to 2019 (**26.5 million in renewables** and **58.3 million in energy efficiency, power grids and hydrogen**) while 12 million jobs would be lost in fossil fuels and nuclear (IRENA, 2022)

700 000 new jobs in **global** renewable energy sector in 2021 (12.7 million (2021) vs. 12 million (2020)) (IRENA, 2022)

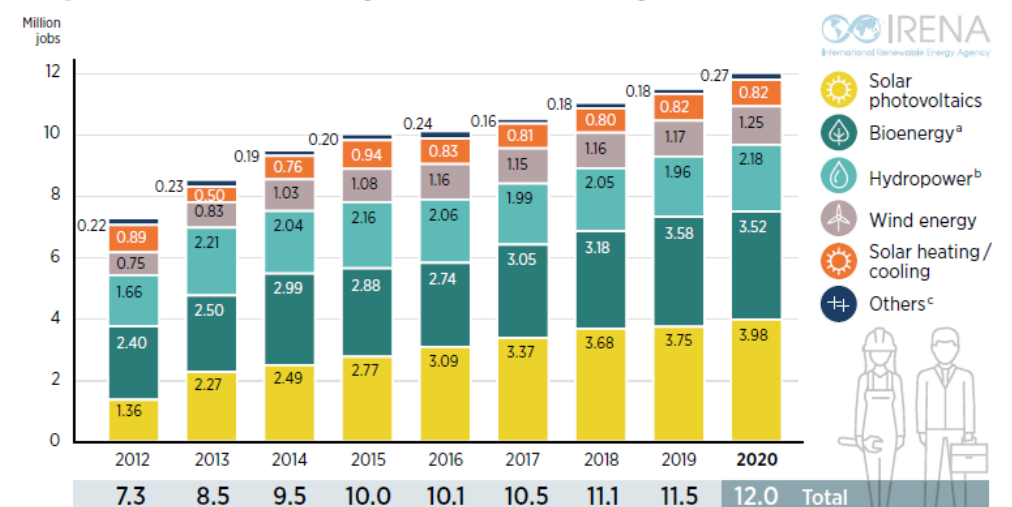
EU: Expected **net increase** of up to **884 000 jobs** by 2030 (Asikainen et al., 2021)

Substantial **implications for different economic sectors** and regions

Shift of jobs from coal, oil, and gas to other sectors, in particular to **renewable energy sectors**

Wind turbine service technician is one of the fastest-growing jobs in the US. (U.S. Bureau of Labor Statistics, 2022)

Figure 1. Global renewable energy employment by technology, 2012-2020



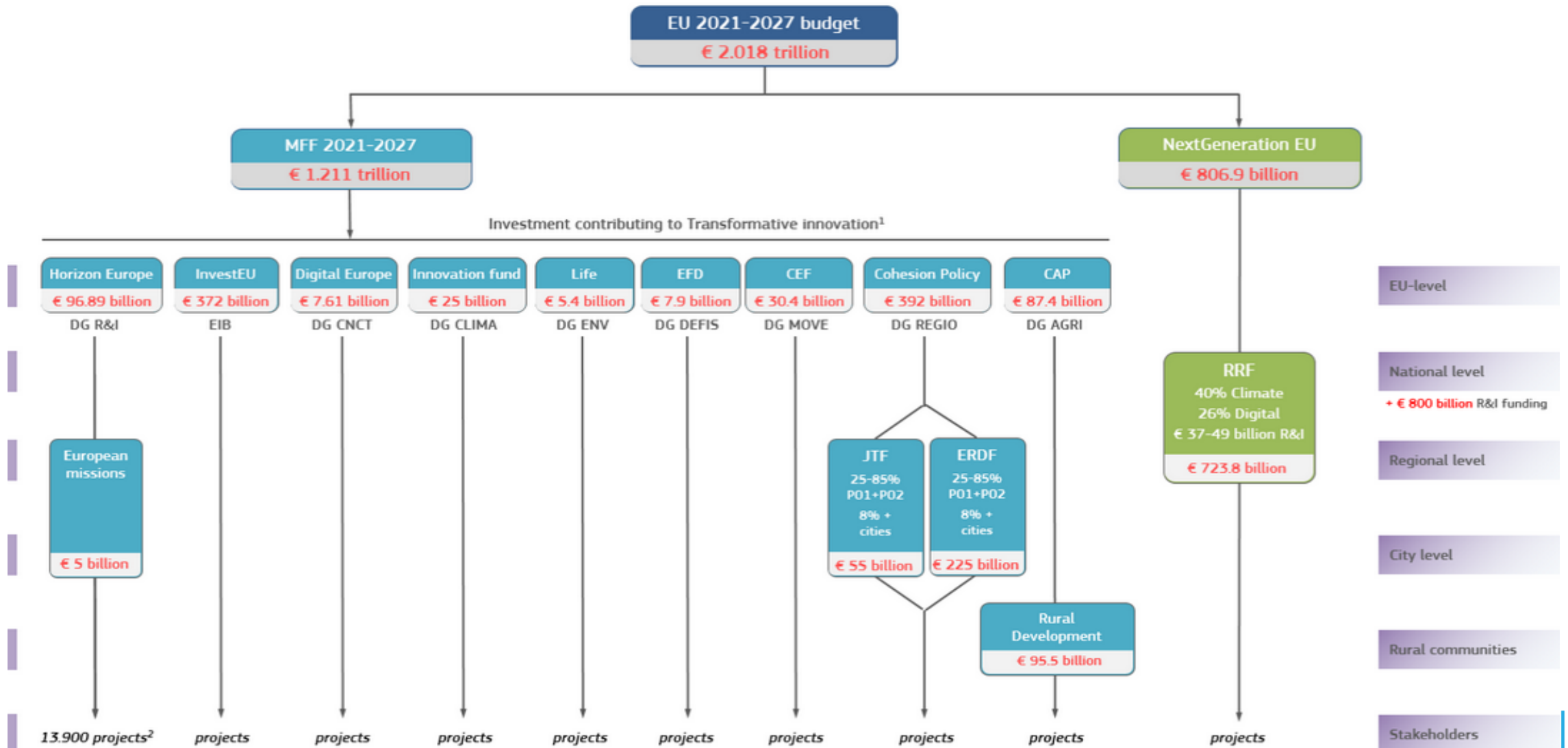
^a Includes liquid biofuels, solid biomass and biogas.

^b Direct jobs only.

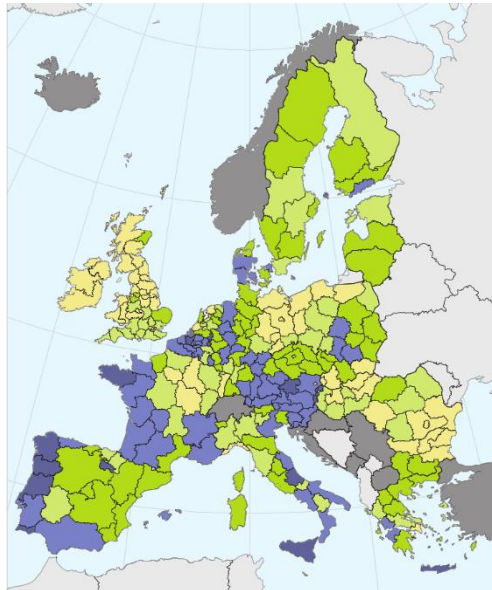
^c "Others" includes geothermal energy, concentrated solar power, heat pumps (ground based), municipal and industrial waste, and ocean energy.

Source: IRENA jobs database.

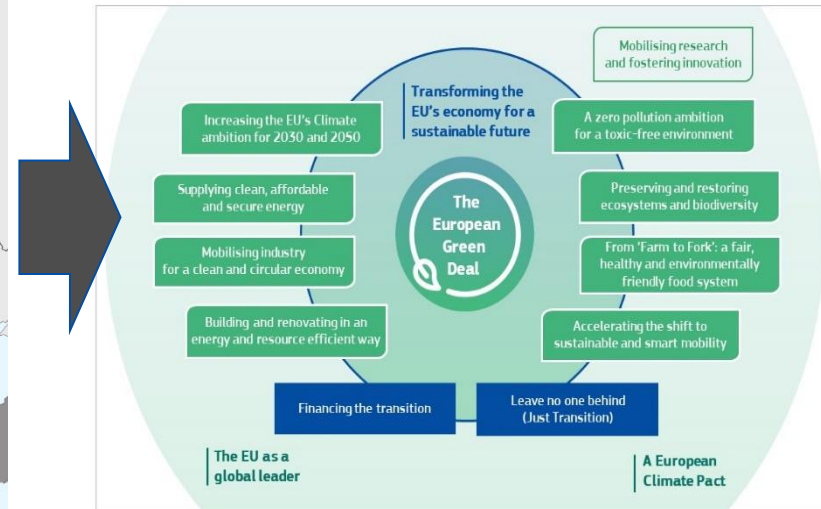
Fragmentation of EU public investment – synergies & impact?



Governance: the multi-level governance for the new directionality



**Countries,
Regions,
Cities**



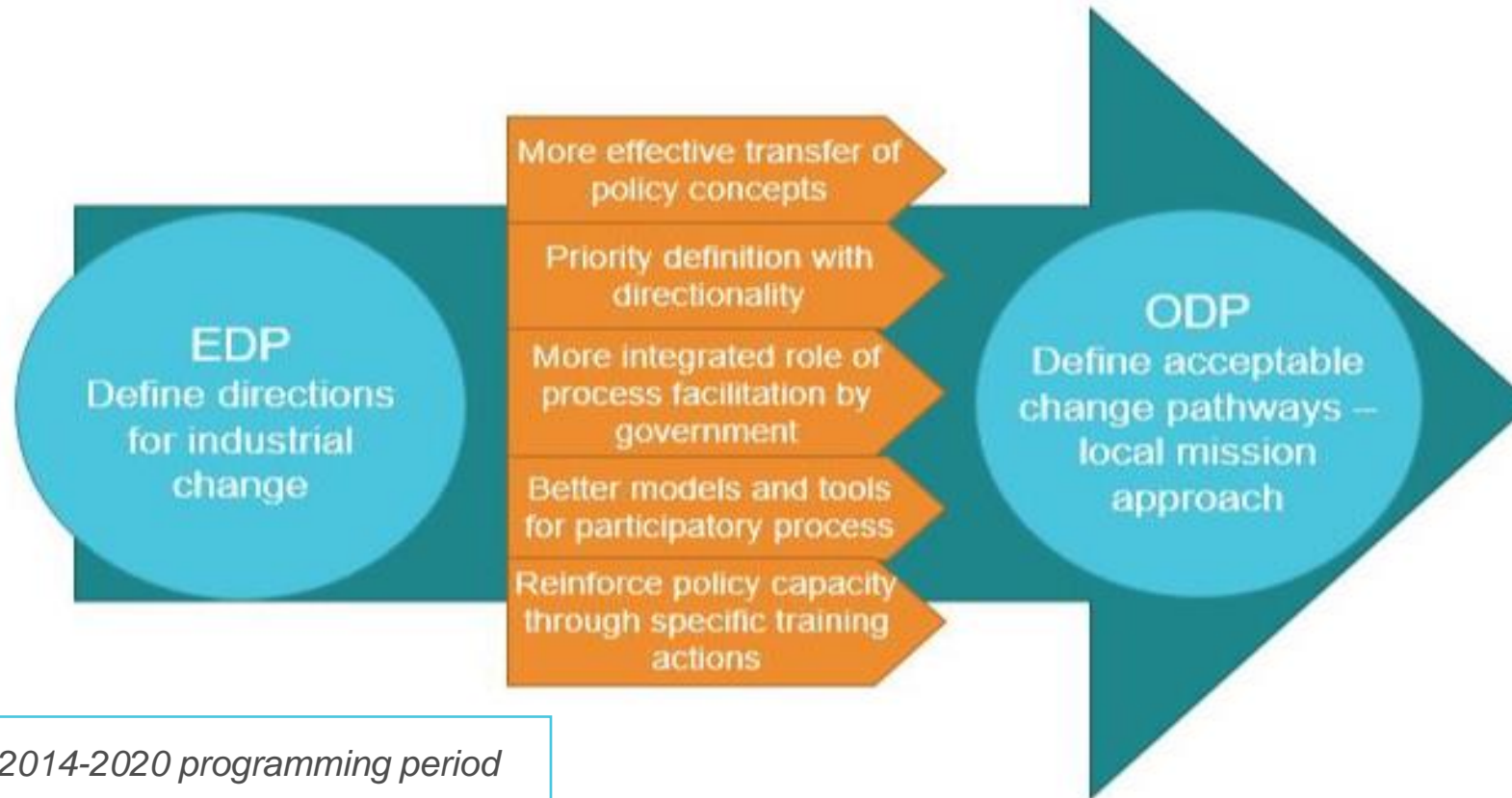
The European Green Deal

The Digital Transition



- SDGS**
- 6. Clean water and sanitation
 - 7. Affordable and Clean Energy
 - 11. Sustainable Cities and Communities
 - 12. Responsible Consumption and Production
 - 13. Climate Action
 - 14. Life Below Water
 - 15. Life on Land

Governance: from EDP to ODP



Key lessons from 2014-2020 programming period

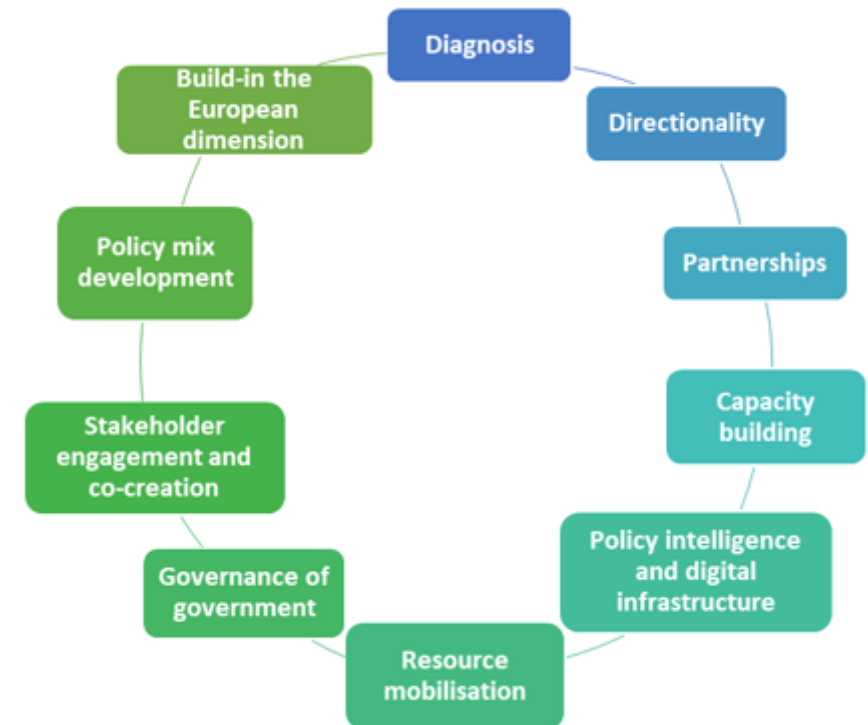
*“Discovery processes for transformative innovation policy
Lessons learned from the entrepreneurial discovery process (EDP) practice”,
Manuel Laranja, Inmaculada Perianez-Forte, Ramojus Reimeris (2022)*

Whole of Government Approach

A new strategic approach to innovation-driven **territorial transformation**, linking **EU priorities** with national plans and **place-based** opportunities and challenges

How to overcome the Regional Innovation Paradox?

- **Partnerships** for sustainability transitions that create economic, social & environmental value
- Participatory **governance framework** in support of forward-looking policy
- **New ways of working across government** departments and levels focused on solving territorial challenges

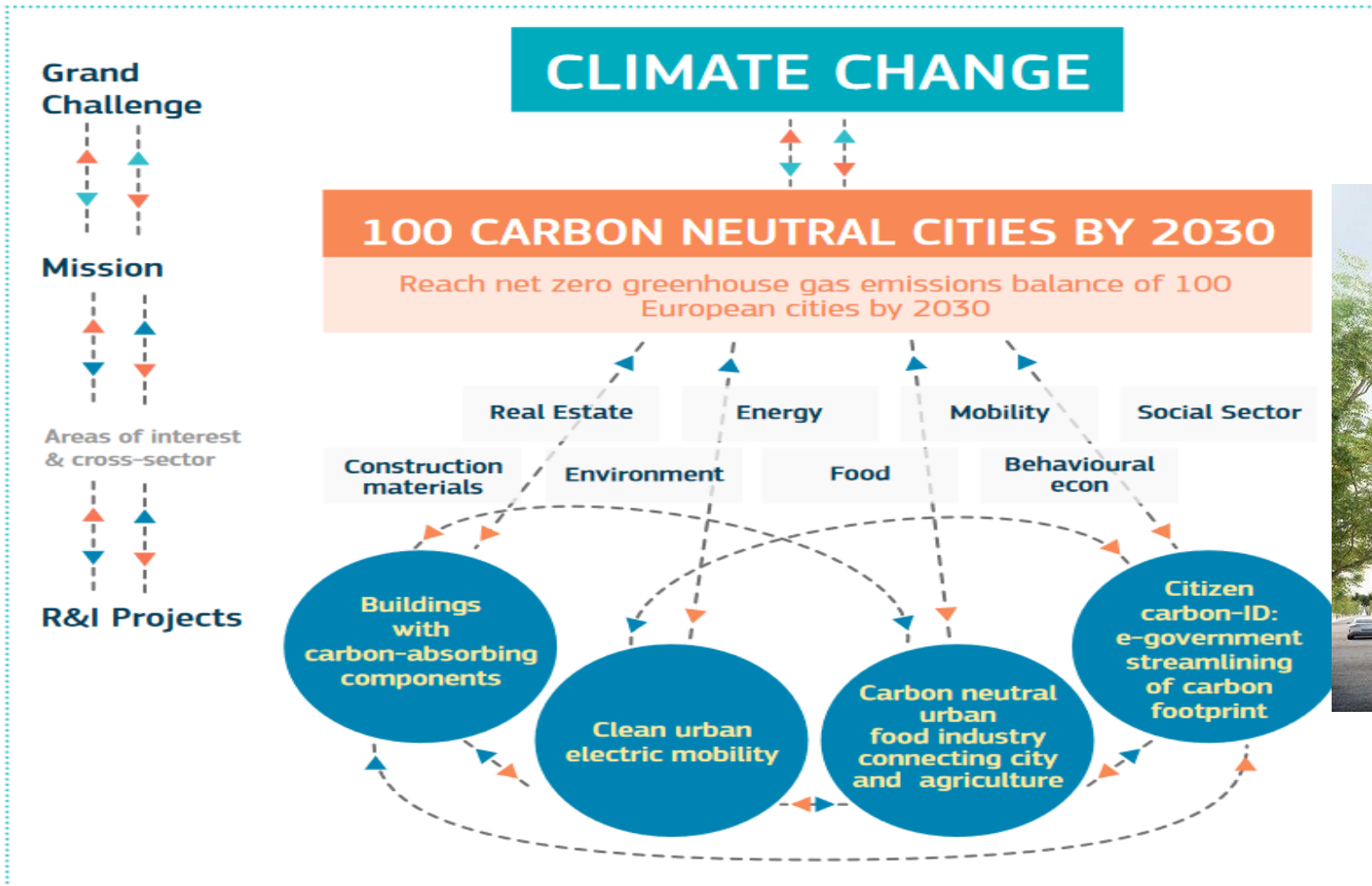


Experimentalism: (Regional/Local) EU Missions

Adaptation to climate
change, including societal
transformation



Experimentalism: Climate-mitigation mission – cross-sectorial



Bauhaus in Seville



Pan-European value chains: Interregional cooperation

- **Regional Innovation Valleys.**

Interconnected innovation ecosystems across the European Union (EU) in line with the new European Innovation. HE EIE Work Programme 2023-2024

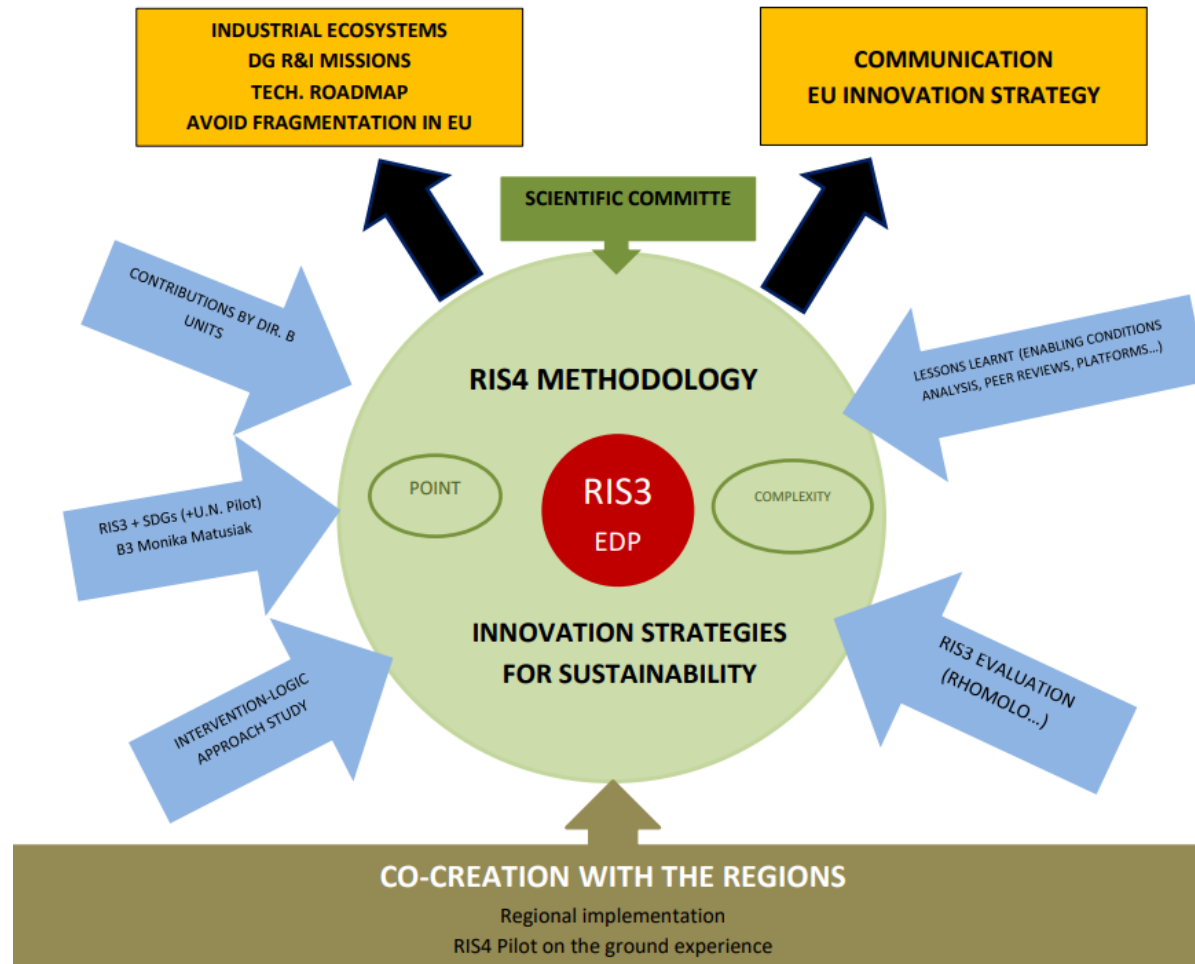
Alignment of regional innovation agendas based on enhanced synergies and cooperation around strategic areas, technologies and challenges of joint and common European interest in line with smart specialization

- **Climate Adaptation Mission**

Synergies between climate adaptation plans, regional smart specialisation and urban innovation-led transformation

Support the establishment of developing pathways towards climate resilience

Co-creation with the regions: Policy & Theory



Policy Learning : Lessons from Smart Specialisation (S3)

Achievements of Smart Specialisation

Large take up

- **185 strategies** driving over **60bn EUR** of research and innovation funds

Prioritisation

- Regions selected on average 5,5 priority areas; 50% thematic concentration in only 3 domains

Participatory governance

- Stakeholder participation in the design and implementation of most strategies

Room for improvement with PRI

Persistent silos in government and lack of synergies

- Calls for multi-level, multi-portfolio analysis; new ways to work across government

Weak governance capacities in lagging regions

- Strengthen capacities and introduce reforms

Single-fund (ERDF) and single-instrument (project funding) strategies

- Develop fuller policy *mixes*, coordinate with non-innovation funding, harness demand

Policy Learning: RIS3 common shortcomings

- Lowest minimum consensus, lack of granularity and sectorial approaches to R&I priorities
- One-off, exclusively qualitative, backward looking EDP (usual suspects approach): lack of evidence based interactions
- Fragmentation of effort: lack of whole of government approach, not going beyond Structural Funds (regulatory strait jacket), with planning efforts in parallel by different ministries and government levels
- Lack of directionality, absence of mission oriented approaches by objectives
- New sources of innovation, beyond linear, not sufficiently considered: social innovation, innovation procurement, regulatory sandboxes. Vocational training... deep tech