

CONTRIBUTION TO THE PUBLIC CONSULTATION ON THE INTERREGIONAL INNOVATION INVESTMENT INSTRUMENT (I3)

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Established in 2001, ERRIN promotes the regional and local dimension in European research and innovation policies and programmes. The network gathers over 120 members who primarily collaborate through [13 Working Groups](#), covering both thematic areas and overarching policy issues. ERRIN supports project development and knowledge exchange between members to enhance regional and local research and innovation capacities, with the aim to foster sustainable and inclusive growth in all regions.

This response has been coordinated by the [Smart Specialisation \(S3\) Working Group](#) under the leadership of the respective working group leaders. A dedicated I3 Task Force with representatives from 15 European regions from 8 Member States was set-up to steer the process.

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1. INTRODUCTION

[ERRIN, the European Regions Research and Innovation Network](#), welcomes the European Council's agreement to create a new Interregional Innovation Investment (I3) instrument under the European Regional Development Fund (ERDF). We strongly believe that this instrument guided by the Smart Specialisation principles has the potential to foster a coordinated approach for investments amongst regions as well as collaboration between the regional innovation ecosystem stakeholders.

The outbreak of the COVID-19 pandemic has demonstrated the dependence of the EU on external providers for strategic goods, for whole or parts of the value chains, with a weak capacity to react in a collaborative manner in first instance. At the same time many regional innovation ecosystems across Europe have responded rapidly to the outbreak. We believe that EU regional innovation collaboration support tools, such as the I3, will play a key role during the next Multiannual Financial Framework period in achieving EU economic recovery. The I3 can support interregional public-private innovation partnerships that strengthen the European innovation ecosystem as a whole.

While regretting the downsizing of its budget to 500 million € (compared to the nearly 1 billion as initially proposed by the European Commission), we believe that the following key elements are essential to ensure the envisaged impact of the instrument:

- **Interregional by design:** The main European added value and characteristic of the instrument is to fund common projects driven by smart specialisation principles between different EU regions.
- **Non-prescriptive and bottom-up:** Pre-defining thematic priorities for the instrument does not reflect the nature of smart specialisation strategies which are building on regional strengths. A clear balance should be found between the reference to the overarching EU priorities, such as the green and digital transitions, and the bottom-up nature of the instrument.
- **Based on regional needs:** As regional authorities and their innovation ecosystems are the primary target group of the I3 instrument, we believe that regions should also play a key role in the governance of the new instrument. Such involvement would include an active role in the preparation of the multiannual programmes in a similar way that Member States participate in the programming committees of Horizon Europe.
- **Inclusive with regards to the ecosystem stakeholders:** As the instrument is strongly linked to the RIS3, the role of the wider ecosystem (administrations, private sector, research organisations, civil society) should be enabled in the consortia as well as in the type of activities eligible for funding. The specific role of clusters, interregional networks and civil society should be clarified and put in relation with the establishment of sustainable public-private partnerships as well as when considering the market uptake of the new technologies.
- **Demand driven and co-created:** The I3 instrument should support the testing of close-to-market innovations via co-creation activities in real-life environments, in response to user-needs (demand-driven innovation, linked to the smart specialisation strategies). Co-creation activities and processes have demonstrated to be an ideal way to bring together the mission-oriented approach to innovation together with the place-based regional development

agenda. Therefore, we strongly advocate for an I3 instrument that enables a user-centred, bottom-up, and co-created approach to testing and demonstration.

- **Centrally managed:** The instrument should be centrally managed by the European Commission and thus exempted from the state aid. We welcome the fact that the instrument will be managed by the same agency responsible for the European Innovation Ecosystem (EIE) action as this will boost the synergies between the two instruments.
- **Complementary:** In order to harvest the synergies between the different funding programmes, it is necessary to understand the funding gaps and needs of the interregional innovation partnerships and projects, and well as the landscape of existing support programmes in this area. The instrument should be complementary to other existing programmes and instruments. The European Commission should provide concrete proposals to remove the existing regulatory barriers to enable synergies as well as to incentivise them.

2. PROGRAMME DESIGN & FOCUS

2.1 Programme design and guiding principles

The main European added value and characteristic of the Interregional Innovation Investment instrument is to fund interregional projects which are **driven by smart specialisation principles and strategies**.

The thematic priorities within the I3 work programme should be as open as possible in order to reflect the flexibility and evolving nature of Smart Specialisation Strategies. At the same time the instrument should contribute to the overarching priorities of green and digital transition. Decarbonisation should therefore be a cross-cutting priority of the instrument, supporting green investments and contributing to the greening of industrial value chains.

As the instrument is strongly linked to the RIS3, the role of the wider ecosystem (administrations, private sector, research organisations, civil society) should be enabled in the consortia as well as in the type of activities eligible for funding. Clusters can play an important role as they often bring together different ecosystem actors. **Consortia including a balanced mix of ecosystem stakeholders** should be encouraged whilst keeping flexibility and if necessary, also allow inclusion of new partners as the projects proceed.

Regional endorsement should be sought for all projects submitted for I3 funding. This would ensure their alignment with the RIS3, increasing the chances of securing co-financing (ERDF top up). Regional endorsement would also guarantee that the outcomes of the projects result in sustainable public-private innovation partnerships.

The Smart Specialisation Partnerships play an important role in defining the investment needs and gaps for the I3 instrument. At the same time, the instrument should be inclusive and support any interregional innovation partnerships (beyond the S3 Platforms), which aim to tackle common challenges and/or to develop complementarities. The support from the I3 instrument should encourage development of new and strengthening of existing interregional innovation partnerships.

As we shift towards a mission-oriented research and innovation paradigm, ERRIN advocates for including co-creation in the eligible activities for funding. The I3 instrument can be a useful tool matching a demand-driven approach to innovation (based on the RIS3 priorities) with co-creation of the testing and prototyping of solutions in real-life environments, together with the different ecosystem actors.

Finally, the COVID-19 pandemic has shown that the EU can be vulnerable in terms of strategic production of certain goods, for example in the health sector. The I3 instrument should therefore enable investments in favour projects which reinforce the European strategic sovereignty, increase employment in Europe and contribute to creating more resilient value chains.

2.2 Focus

As interregional investments come with a high level of complexity, the I3 instrument should facilitate coordination, resolve issues related to state aid, support removing regulatory barriers and create practical synergies between the various programmes supporting regional innovation and related investments.

The I3 instrument should support activities around:

- **Ecosystem building within the region and among the partner ecosystems:** Mobilising and connecting the quadruple helix actors at both regional and interregional levels, ensuring necessary capacities, facilitating continuous engagement, etc.
- **Preparation of investment projects (technical assistance, de-risking) and certain demonstration activities** (e.g. covering operating costs): Technical assistance could include support to building business models, as this would help project managers in overcoming regulatory barriers, and tackling IPR or issues related to standards. Study visits (including related travel costs) should also be supported.
- **Capitalisation and upscaling:** The new investment is expected to generate relevant results beyond a given value chain (for other partnerships and ecosystems). These results should be made available for the future partnerships and projects. Such activities should also be eligible under the instrument.

The I3 instrument should fund projects with different levels of maturity under both strands. Funding should target concrete activities, which go beyond networking or policy learning, thus avoiding overlapping with activities funded under INTERREG for example.

3. GOVERNANCE & BUDGET

While regretting the downsizing of the budget of the I3 instrument to 500 million € (compared to the nearly 1 billion as initially proposed by the EC), ERRIN sees it as a unique opportunity to addressing effectively interregional innovation collaboration and giving a push to both social innovation (ecosystem building) and technology development.

As regional authorities and their innovation ecosystems are the primary target group of the I3 instrument, we believe that regions – via representatives in charge of research & innovation and economic development – should play a key role in the governance of the new instrument. Such involvement would include an active role in the preparation of the multiannual programmes in a similar way that Member States participate in the programming committees of Horizon Europe. Nevertheless, conflicts of interest should be avoided and therefore the beneficiaries themselves should not be directly involved in the programme design and the allocation of funding but rather to take part e.g. through representative organisations such as ERRIN.

The instrument should be based on a **multiannual work programme (2- or 3-years)** to allow enough time to activate the necessary quadruple helix stakeholders (administrations, private sector, research organisations, civil society) and develop quality projects, well rooted in the regional innovation ecosystems.

ERRIN welcomes the fact that the management of the instrument will be done at central level, via the European Commission’s new agency for innovation. This will lift the instrument from state aid legislation. Having other instruments that support place-based innovation ecosystems managed within the same agency will also be very positive from the point of view of synergies and complementarities between the funding programmes.

Considering the limited budget available, expectations on what one can achieve with the I3 instrument should be realistic. Considering the complexity of building interregional investment projects, we believe that **the instrument should favour grants**. The initial phase of the interregional project, be it ecosystem-building and or setting up demonstration facilities, does not generate profits. Therefore, financial instruments would not be feasible.

Financial instruments should be considered once the projects have successfully demonstrated the market potential of interregional projects / value chains. The experiences from the S3 Partnership show that there is a need to develop financial instruments that allow joint investments also across borders. As financial instruments are often too complex and designed for large entities, new – or revamped – instruments should therefore be co-designed together with the beneficiaries.

4. SYNERGIES AND COMPLEMENTARITIES

Synergies has been a much-used term over the past years, reflecting the challenges related to the ways in which we can maximise the quantity, quality and impact of European research and innovation investments. Creating concrete and operational synergies between the various funding programmes during the next programming period has been tackled during the programme development and negotiations. DG R&I, DG REGIO and DG COMP have collaborated to coordinate and simplify the regulations (Horizon Europe, Cohesion policy and General Block Exemption Regulation). As the regulatory barriers and rules are very complex, even with changes to the legal texts, those will still need to be operationalised. This will require extensive communication and mobilisation of the different actors – as well as potentially new changes once the lessons from the implementation will start to emerge.

Delivering synergies in practice also means removing silos between the people and organisations. Today, the different funding and support programmes are managed by various actors at the national

and regional levels who are not necessarily aware of the rules and/or the priorities linked to the programmes outside of their scope/responsibility. Those actors should be brought together at the regional level around regional innovation strategies and identified thematic priorities to best use the opportunities around synergies. For example, via regional innovation ecosystem connectors who have the time and the skills to set up cross-sectoral links within and across regions to connect ecosystems on a more sustainable basis. Such ecosystem connectors could facilitate strategic collaboration between regional ecosystems and actively create synergies between sectors and funding programmes and instruments.

Regions are interested to **combine different funding sources** and use them in a complementary way. For example, regions are interested in being active partners in co-funded European Partnerships with a clear role in defining the partnership priorities, in designing the calls for proposals, and in influencing other activities carried out in the framework of the partnerships (as an important incentive to take part). At the same time getting information on how to do that in practice is not easy. Via dedicated ERRIN Task Force on the Driving Urban Transitions we have tried to fill the knowledge gap and channel the relevant information between the different people/organisations responsible for the different funds.

Stronger synergies could also be created with the **Horizon Europe Partnerships** and the already existing regional public-private partnerships such as the Smart Specialisation Partnerships especially where partnerships tackling the same thematic areas exist (e.g. hydrogen, batteries, ...). Such synergies could also be supported by the I3 instrument.

EU Recovery Plan - Regions are key actors in COVID-19 recovery. Smart Specialisation strategies can be a useful tool for guiding the strategic investments at regional level towards recovery (with an emphasis on the green recovery). The I3 could provide support to interregional efforts to tackle recovery.

European Innovation Ecosystems (EIE) - ERRIN has advocated for synergies between the Interregional Innovation Investment and the [European Innovation Ecosystems action under Horizon Europe](#) since the development of the both instruments. Both should support connecting regional innovation ecosystems and thus complementarities between the two work programmes should be explored. Also, joint or coordinated calls could be considered under the EIE and I3, for example in order to accelerate the maturity of emerging ecosystems and connecting them with more advanced ones.

The Single Market Programme is not mentioned among the programmes with potential synergies with I3. At the same time Single Market Programme supports similar activities, for example through the Enterprise Europe Network, related to scale-up and access to funding as well as supporting cluster organisations who are also key players in the Smart Specialisation Partnerships.

European Skills Agenda – Innovation partnerships / value chains need to be accompanied with specific skills and therefore I3 would also need to connect with education and training initiatives. Complementarity with European Social Fund (ESF) or the Resilience Fund should be facilitated in order to support training the future work force. I3 projects should be able to receive support from different sources and synergies should be created with ERASMUS+ initiatives, such as [transnational cooperation platform of centres of vocational excellence \(CoVE\)](#) and the [European University Initiative \(EUI\)](#).

Finally, we would also favour the I3's **openness to third country engagement**, as a number of non-EU territories and regions have innovation ecosystems and economic development approaches at a domestic level which align well with the proposed approach under the I3. Ensuring openness to third countries could greatly strengthen the overall competitiveness of new value chains and the investments fostered by the new instrument.