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INNOVATION GAPS, BRIDGES AND TERRITORIAL COOPERATION

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TABLE OF CONTENTS



1	Introduction	4
2	Innovation Gaps and Territorial Cooperation	4
2.1	Territorial cooperation in innovation initiatives.....	4
2.2	European territorial cooperation and innovation	8
3	Policy Challenges and Questions	15



1 INTRODUCTION

The innovation gap is a critical development challenge for European countries and regions.¹ While innovation is a key driver of development, it can also widen the economic divide between territories. Bridging innovation gaps and narrowing divides through cooperation between territories are increasingly prominent parts of innovation initiatives. Territorial cooperation initiatives equally have the added value of fostering innovation by bringing together diverse partnerships and facilitating collaboration across several territories. Following on from the broad overview and coverage of territorial cooperation programmes in the 2023 EoRPA briefing paper “Territorial Cooperation: Widely Pursued, Widely Questioned”,² this briefing focuses more specifically on how an increased emphasis on territorial cooperation in innovation initiatives ‘fits’ with the role of territorial cooperation in supporting innovation.

The paper considers both the role of territorial cooperation in innovation initiatives and the role of innovation in established territorial cooperation programmes. A mutual value emerges with territorial cooperation is shown to be important to innovation, and innovation important for territorial cooperation. Subsequent discussion raises the question of whether this is a basis for valuable connections and exchange to narrow innovation gaps between territories or simply a more complex series of bridges over persistent innovation divides?

2 INNOVATION GAPS AND TERRITORIAL COOPERATION

2.1 Territorial cooperation in innovation initiatives

A key development challenge in Europe is the innovation gap. While innovation plays a pivotal role in driving long-term economic growth, there is an enduring and widening innovation divide among European regions.³ Even within more developed Member States there are persistent differences in regional innovation.⁴ Capital regions are outperforming other regions, some middle-income regions are in so-called ‘development traps’,⁵ and other less innovative

¹ European Commission (2021) *Cohesion in Europe towards 2050*, Eighth report on economic, social and territorial cohesion. <https://doi.org/10.2776/624081>

² McMaster, I and Maguire, R (2023) *Territorial Cooperation: Widely Pursued and Widely Questioned*, EoRPA Report 23/4, European Policies Research Centre, University of Strathclyde and EPRC Delft.

³ Fonseca, L.; van der Valk, O., and Bachtler, J. (2023) *Closing the Innovation Gap: Background Paper for the MEZ Policy Dialogue*, EoRPA Research Briefing

⁴ European Commission (2021) *op cit*

⁵ Boschma, R. (2023) *Cohesion Policy and its Contribution to Enhancing Regional Resilience against Emerging Challenges* (Contract No. 2022CE16BAT089; p. 18). European Commission, Directorate-General Regional and Urban Policy; Rodríguez-Pose, A. (2020) *The research and innovation divide in the EU and its economic consequences*. European Commission. Directorate General for Research and Innovation. <https://data.europa.eu/doi/10.2777/724313>; Iammarino, S., Rodríguez-Pose, A. & Storper, M. (2019) *Regional inequality in Europe: evidence, theory and policy implications*. *Journal of Economic Geography*



regions face weaker economic development, brain drain, unemployment, social inequality, and limited access to services.

Challenges are region specific and influenced by disparities, for example, in regional institutional capacity,⁶ proximity factors for resource attraction and higher R&D returns⁷, and levels of infrastructure and digitalisation.⁸ Region-specific challenges imply the need for place-based policy responses⁹ such as Smart Specialisation Strategies (S3) which are tailored to local (and changing) contexts and thus promoted to leverage local strengths and encourage regional innovation ecosystems. The S3 represent a paradigmatic example of how EU Cohesion Policy has increasingly prioritised innovation over successive programming periods to promote structural change and reduce development gaps.¹⁰

The noted regional innovation 'gaps,' 'divides', and demand for digital and physical connectivity also imply the need for cooperation. Cooperation between territories is an increasingly prominent part of approaches to implementation and action on innovation. In the 2014-20 period, the territorial dimension in EU RTDI policy included European Innovation Partnerships (EIP) to promote cooperation between regions, industries, and stakeholders to address specific societal challenges through innovation, and aligned with regional innovation strategies (e.g., S3). Smart Specialisation continues as the core principle and regional innovation policy framework in 2021-27 period, but with changes to its strategic implementation (e.g. see Table 1). This includes an emphasis on the creation of cross-border value chains and enhanced interregional cooperation, increased collaboration, and synergies between regions, recognising the global nature of many S3 areas.¹¹

19 (2), 273-298; OECD. (2023) *OECD Regional Outlook 2023: The Longstanding Geography of Inequalities*. OECD. <https://doi.org/10.1787/92cd40a0-en>

⁶ Boschma (2023) op cit, Rodríguez-Pose (2020) op cit

⁷ Rodríguez-Pose, (2020), op cit.

⁸ European Commission (2021), op cit

⁹ European Commission (2021) op cit ; Boschma (2023)op cit p.18.

¹⁰ Hassink, R. (2020) *Advancing place-based regional innovation policies*. In Edward Elgar Publishing eBooks. <https://doi.org/10.4337/9781789904161.00007>

¹¹ Vironen, H., Michie, R. & Fonseca, L. (2022) *Implementing Innovation: Smarter and Greener*. IQ-Net Thematic Paper 53(2), European Policies Research Centre Delft.



Table 1: Changes to the Smart Specialisation framework in 2021-27.

Diffusion	This entails a more thorough examination of obstacles that hinder the spread and adoption of innovations, particularly in the context of digitalisation. Identifying and addressing these bottlenecks is crucial for ensuring that innovative solutions reach a broader audience and have a meaningful impact. The new S3 guidelines call for an investigation of these bottlenecks and the development of targeted strategies to address them.
Coordination	The effectiveness of S3 depends on strong multi-level governance and coordination between different stakeholders. The new guidelines emphasise the importance of designating a competent institution or body responsible for S3 management and ensuring that all relevant stakeholders participate in the development and implementation of the S3 strategy. This also means paying closer attention to how the strategy is managed, coordinated, and governed at both regional and national levels to ensure its successful implementation and alignment with broader development goals.
Cross-border	This signifies a move towards fostering collaboration and synergy between regions, with S3 aiming to leverage complementary strengths and resources for mutual benefit, enhancing innovation and economic growth. Many Smart Specialisation areas are global in nature, and regions can benefit from collaborating with each other to develop and commercialise new products and services. Enhanced interregional cooperation can also help regions to learn from each other and share best practices.

Source: Adapted from Vironen, H., Michie, R. & Fonseca, L. (2022) Implementing Innovation: Smarter and Greener. IQ-Net Thematic Paper 53(2), European Policies Research Centre Delft.

The new 2021-27 framework for Smart Specialisation encourages the leverage of complementary strengths across regions to develop and commercialise new products and services. This enhanced interregional cooperation aims to foster knowledge exchange, share best practices, and create synergies that boost innovation and economic growth on a broader scale, thus supporting the development of a European innovation ecosystem to connect regional innovation systems across Member States (see Table 2).¹





Table 2: Innovation Initiatives and Territorial Dimensions

Initiative	Description	Territorial Cooperation Dimension
Regional Innovation Valleys	Under Flagship 3 of the NEIA: <i>Accelerating and strengthening innovation in European Innovation Ecosystems across the EU and addressing the innovation divide.</i> ¹²	<ul style="list-style-type: none"> • Connect more, and less, innovative regions to improve policy coordination at the regional level • Provision for cross-border cooperation
Partnerships for Regional Innovation	The PRI initiative is closely tied to S3, building on its principles, priorities, and regional experiences. PRI introduces new methodologies by combining various funding sources.	<ul style="list-style-type: none"> • Emphasis on cross border cooperation
Interregional Innovation Investments I3	It aims to catalyse S3 implementation priorities through enhanced regional cooperation and targeted investments. ¹³	<ul style="list-style-type: none"> • Notably, I3 designates half of its budget to support less developed regions. I3 actively encourages synergies and coordination between various EU, national, and regional funding instruments,

Source: author illustration and adaptation from Fonseca et al. (2023) *Closing the Innovation Gap: Background Paper for the MEZ Policy Dialogue, EORPA Research Briefing*

Overall, for the 2021-27 period, synergies in frameworks and interventions are underlined and the value of cooperation between regions and countries is stressed. Looking to the future, recent discussions suggest that these trends could be reinforced further. The European Commission's High Level Group Report on the future of Cohesion Policy (2024), for example, emphasises the importance of interregional cooperation to encourage connections between regions to facilitate knowledge transfer, innovation and investment.¹⁴ Similarly, cooperation-based approaches applied in innovation support measures could potentially extend to other areas. One example associated with this increasing sustainability and green transition focus is the emergence of another evolution of Smart Specialisation, S4+ Smart Specialisation Strategies for Sustainable and Inclusive Growth¹⁵ and Challenge-Oriented Regional Innovation Systems (CORIS). The key aspects of these new concepts include sustainability and

¹² See https://research-and-innovation.ec.europa.eu/strategy/support-policy-making/shaping-eu-research-and-innovation-policy/new-european-innovation-agenda_en#flagships

¹³ European Parliament and Council of the European Union. (2021). Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund. *Official Journal of the European Union*, L 231, 60-93, Article 13.

¹⁴ A similar argument is put forward in tother contribution to the debate, e.g. using Cohesion Policy's convening power to catalyse deeper EU innovation cooperation is recommended by the European Policy Centre. Hunter, A. (2023) *Addressing Cohesion Policy's Identity Crisis In a Changing European Union*, European Policy Centre Discussion Paper, 15 February 2023

¹⁵ European Commission, Joint Research Centre, McCann, P., Soete, L., *Place-based innovation for sustainability*, Publications Office, 2020, <https://data.europa.eu/doi/10.2760/250023>





inclusiveness, testing and deployment of innovative solutions for sustainability, problem-solving of complex issues with multiple stakeholders, a comprehensive and coordinated approaches, and continuous policy learning.¹⁶

All of these initiatives will rely heavily on capacity and knowhow in building networks and links across relevant territories. For instance, while the I3 framework (see Table 2) shows great promise for regional innovation through an integrated framework, there seem to be inherent complexities and demands in its implementation in the context of its strong focus on less developed regions and reliance on innovation diffusion - an area of relative weakness for R&I in the EU.¹⁷ The focus on lagging regions, capacity building and dealing with implementation complexities are all familiar topics for European Territorial Cooperation (ETC) initiatives. Thus, potential sources of valuable knowhow and exchange exist within established ETC programmes and initiatives.

2.2 European territorial cooperation and innovation

As new initiatives on regional innovation stress the importance and value of territorial cooperation, territorial cooperation initiatives and programmes are also active in the development, support, and delivery of innovation. Successful innovation depends on interactions between a variety of public and private organisations. It draws on diverse skills and capabilities across smaller and larger companies, universities, public agencies, business and innovation and financial intermediaries – interactions which lie at the heart of territorial cooperation activities (see Table 3).

¹⁶ Fonseca, L. and Bachtler, J. (2023) Closing the Innovation Gap: Background Paper for the MEZ Policy Dialogue, EoRPA Research Briefing

¹⁷ *ibid*



Table 3: Territorial Cooperation and Innovation Components

Macro-region/Sea Basin		
EU macro-regional and sea basin strategies arose from a need to find more targeted solutions to common challenges.		<ul style="list-style-type: none"> • S3 Macroregional platform helps explore whether and how S3 priorities envisaged in national and regional strategies differentiate, or are complementary to, their neighbouring countries/regions. It also leads to the creation of strategic linkages to tackle common challenges when engaging in joint S3 initiatives • Sea basin Strategies include emphasis on innovation & blue growth
Territorially based within cooperation, conventions, and commissions		
For example, Nordic Cooperation, Alpine Convention	Nordic Alpine	<ul style="list-style-type: none"> • Nordic Innovation - Innovation and development across the Nordic Countries • Alpine Convention focus on Rural Development and Innovation • Irish Sea Framework Priority 2 Innovation Strengths
Interreg		
EU's Interreg ABC and D Programmes		<ul style="list-style-type: none"> • Interreg programmes and projects have a strong focus on supporting innovation • Interreg Europe has a Policy Learning Platform which aims to boost EU-wide policy learning and builds on good practices related to regional development policies, including innovation
Euroregions		
A general term for transnational cooperative structures in Europe.		<ul style="list-style-type: none"> • Innovation widely referred to as an objective of individual Euroregions
Interregional Cooperation Arrangements		
Place-based European Networks, e.g. the Vanguard Initiative ¹⁸ which aims to boost regional innovation eco systems		<ul style="list-style-type: none"> • The Vanguard Initiative was established in 2013 by ten European regions committed to lead by example in delivering growth and jobs through industry-led interregional cooperation, co-creation, and co-investment, on the basis of smart specialisation
ITI & CLLD		
ITI, introduced under Article 36 of the CPR, to deliver Cohesion Policy in a territorially integrated way in order to increase its effectiveness		<ul style="list-style-type: none"> • Deliver actions in any geographical area with similar territorial features, including in cross-border areas in the context of European Territorial Cooperation. • Includes projects with an emphasis on social innovation

Source: author illustration based on McMaster, I and Maguire, R (2023) *Territorial Cooperation: Widely Pursued and Widely Questioned*, EoRPA Report 23/4, European Policies Research Centre, University of Strathclyde and EPRC Delft.

Looking across these examples, ETC actions on innovation clearly cover a wide variety of forms and formats. Frameworks such as macroregional strategies, the Alpine Convention and Irish Sea Framework provide valuable platforms from which to identify needs in relation to supporting innovation and plan actions based on policy synergies, integrated approaches, and collaborative efforts.

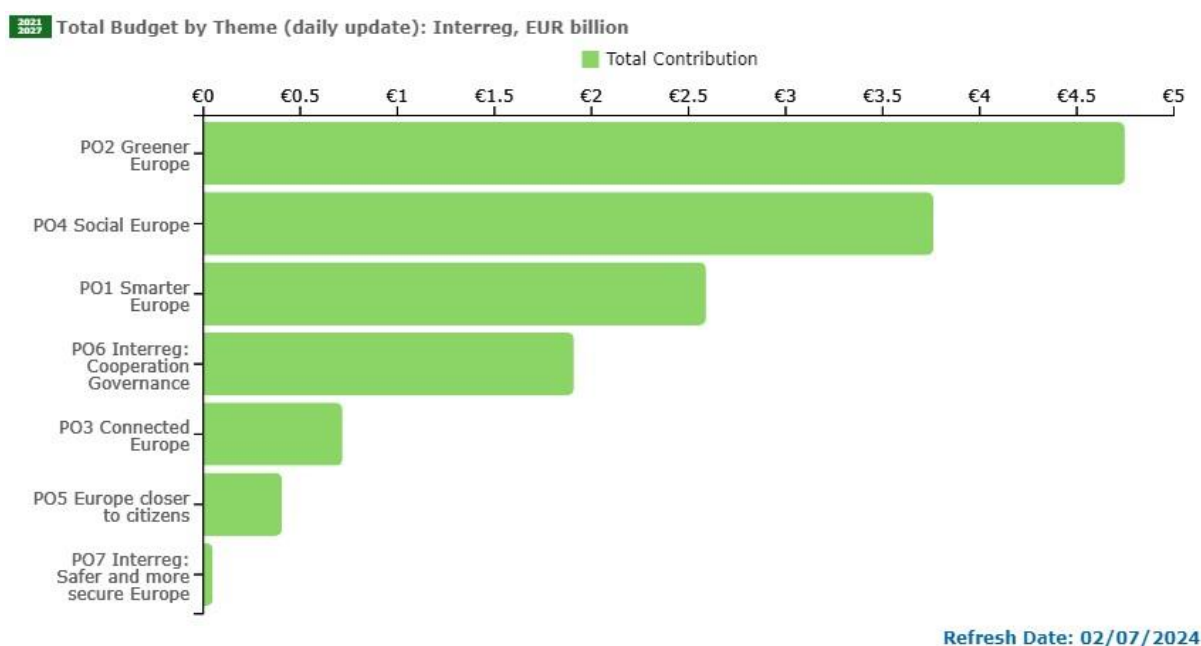
¹⁸ <<https://www.s3vanguardinitiative.eu/>>





European territorial cooperation programmes also have a long-standing involvement in funding innovation. An overview of planned funding for Interreg for 2021-2027 shows a substantial commitment of resources to ERDF Priority Objective 1 'Smarter Europe' (PO1) (see Figure 1). In particular, Interreg programmes have a strong record of support for projects to improve innovation infrastructures, networks and support, innovation in specific thematic or 'niche' sector with specific territorial relevance, and innovation in SMEs.¹⁹ In addition, the 'soft' qualitative added value of Interreg is valued as a means of generating productive networks and links that support and facilitate innovation.²⁰

Figure 1: Interreg 2021-27 proposed budgets per PO



Source: <https://cohesiondata.ec.europa.eu/funds/interreg/21-27#achievements>

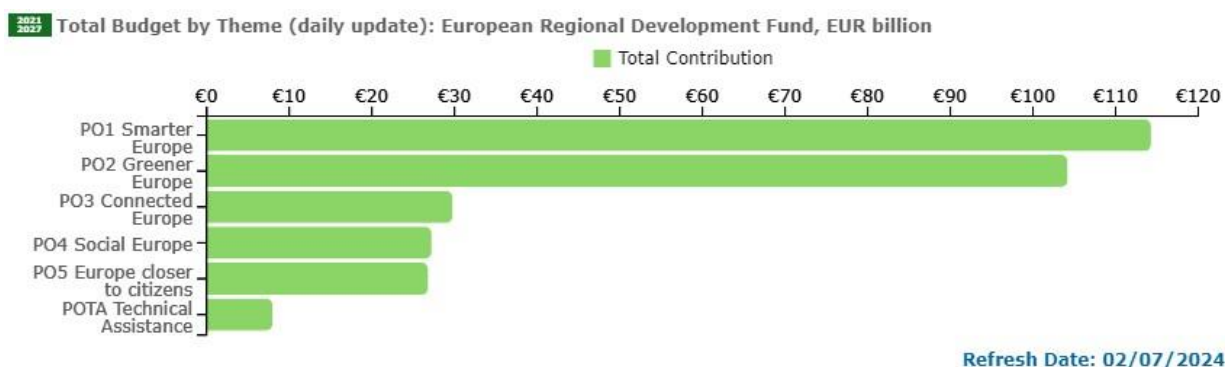
In comparison with other ERDF programmes, the proportion of funding to PO1 is smaller (see Figure 1 and **Error! Not a valid bookmark self-reference.**). In contrast to other ERDF programmes where Smarter Europe (PO1) has the largest allocation, Interreg has a stronger focus on a Greener Europe (PO2) and Social Europe (PO3).

¹⁹ McMaster, I. and Vironen, H. (2023) Gone but not forgotten (yet): Interreg in post-Brexit UK, *Contemporary Social Science*, 18:2, 197-215, DOI: 10.1080/21582041.2023.2197874 McMaster I and Vironen, H (2017) The Involvement of Non-EU Member States in European Territorial Cooperation Programmes, *European Structural and Investment Fund Journal*, Vol 5, Issue 3, p. 235- 244; Laganà, G. (2020) The Added Value of the Ireland-Wales Cooperation Programme, 14 September 2020

²⁰ McMaster, I and Maguire, R (2023) Territorial Cooperation: Widely Pursued and Widely Questioned, *EoRPA Report 23/4*, European Policies Research Centre, University of Strathclyde and EPRC Delft.



Figure 2: ERDF 2021-27 proposed budgets per PO



Source: <https://cohesiondata.ec.europa.eu/funds/erdf/21-27>

Innovation, however, is commonly at the heart of Interreg programmes and some formally have innovation as a horizontal priority. Even though many interventions may not be explicitly 'labelled' as 'innovation', projects have a strong focus on adoption, trailing, testing of innovative approaches in areas such as:

- PO2 key areas such as climate change adaptation, nature protection and biodiversity, and circular economy; and
- PO3 interventions around culture and sustainable tourism, access to health care and education and training infrastructure (see **Error! Not a valid bookmark self-reference.**).





Figure 3: Interreg projects and partnerships by theme for the EoRPA Partner countries

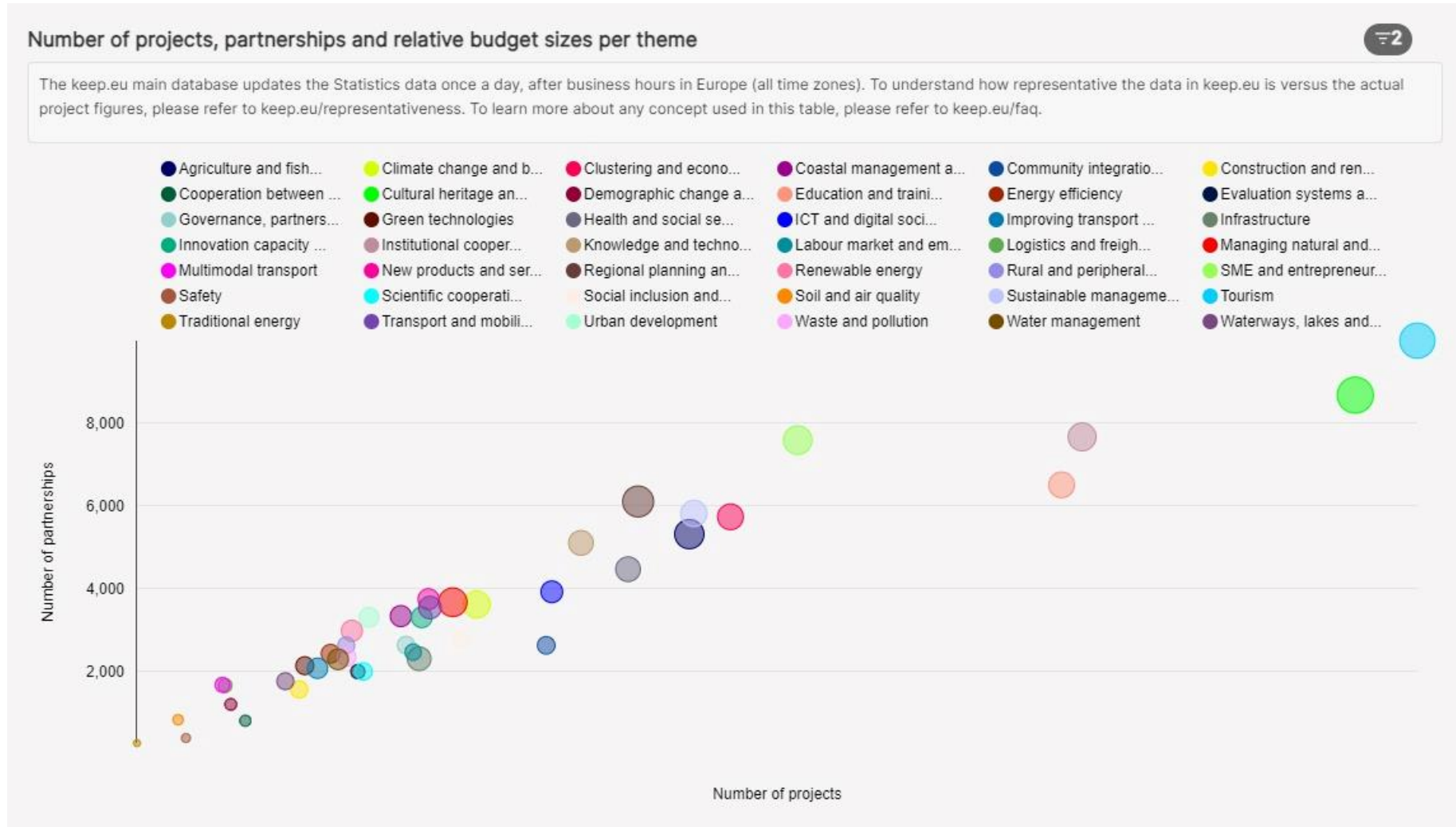
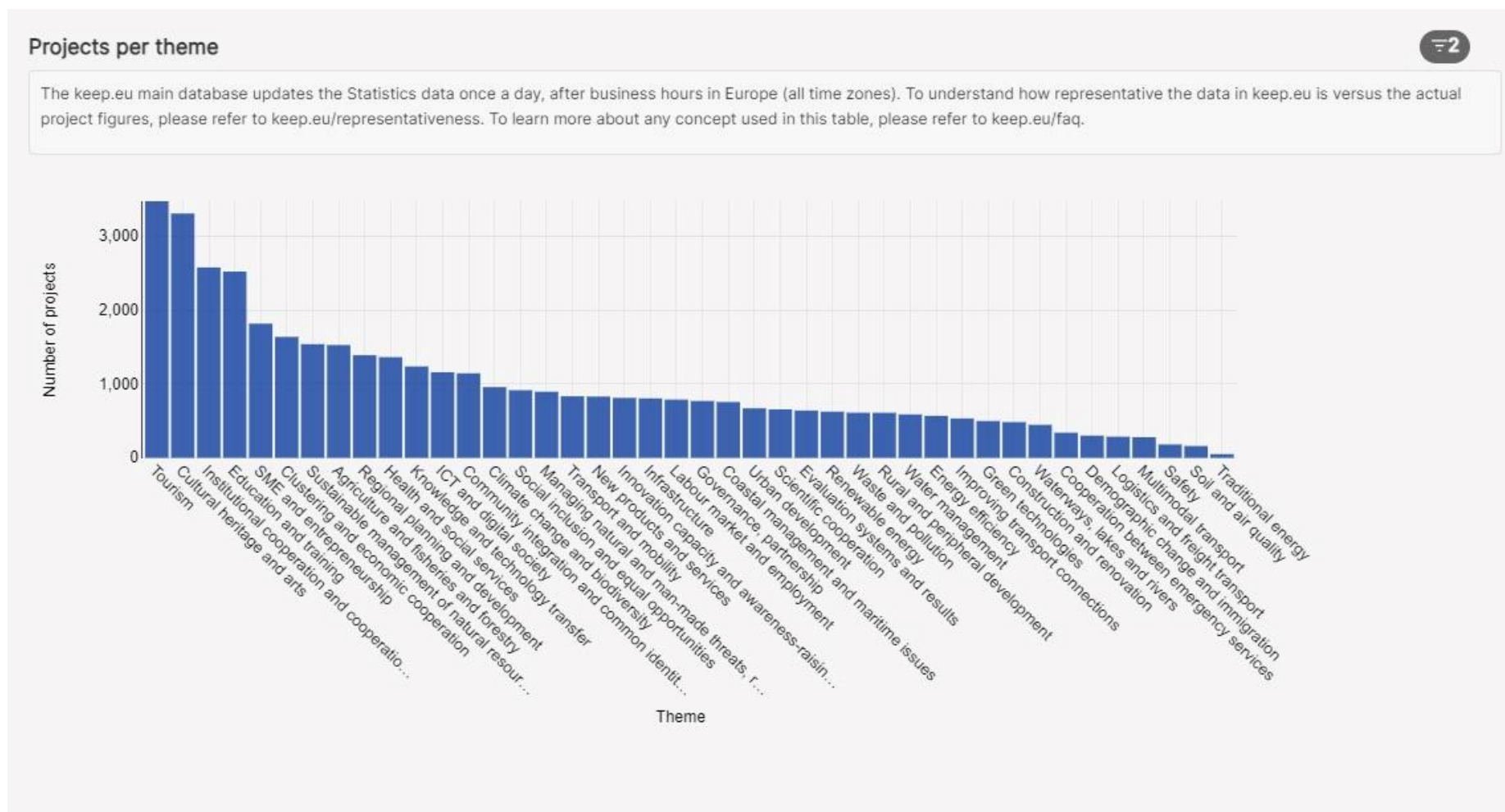




Figure 4 cont.: Interreg projects and partnerships by theme for the EoRPA Partner countries



Source: keep.eu





In addition to the direct cross-border and transnational exchanges, interregional cooperation, such as Interreg Europe, and initiatives like the Vanguard Initiative, offer regions with common innovation goals and objectives an opportunity for exchange of experience and learning. For example, Interreg Europe works to share innovative and sustainable solutions to regional development challenges, including skills for S3 and industrial transition. Outside the formal ETC programmes, the Vanguard initiative is made up of regional authorities (or equivalent) responsible for implementing a smart specialisation strategy. The collaborative efforts of partners focus on the implementation of smart specialisation strategies, advancing technological developments through interregional collaboration, supporting the demonstration and piloting of new European value-chains and encouraging European technological change and advancement. On a smaller geographic scale, innovation is also part of place-based initiatives targeting cross-border functional areas and seeking to mobilise bottom-up action, particularly around social innovation and innovative service provision.

Overall, analyses of the role of European Territorial Cooperation programmes in innovation found they helped develop high quality, international partnerships and enabled them to access international leaders, providing a valuable source of international best practice.²¹ Partners noted the important and advantageous chance to “*explore validating their innovation in one or more partner regions in Europe*”.²² The scale of ETC projects and the collaborative approach means there is an opportunity to ‘give things a go’, test, trial and pilot – the heart of innovation. If it works well useful learning can emerge and, if not, the organisation is better informed and can come up with different solutions.²³ Cooperation initiatives have proved a valuable mechanism through which local stakeholders can engage with new / emerging areas of economic activity in ways that are adapted to specific area needs including, for example, the circular economy and the needs of remote and peripheral areas. Interregional cooperation provides the wider processes and frameworks which support public authorities in stimulating, supporting and delivering innovation. The Interreg Europe Programme, for example, is seeking to support activities such as joint funding and investment projects such as those presented by I3.²⁴ The hope is that interregional cooperation between regions with different degrees of innovation experiences and competences can help

²¹ Southern Regional Assembly, Northern and Western Regional Assembly, Eastern and Midland Regional Assembly ‘European Territorial Cooperation in Ireland 2014-2020,,

²² National Centre for Universities and Business ‘State of the Relationship Report 2015’ https://www.ncub.co.uk/index.php?option=com_docman&view=download&category_slug=reports&alias=335-state-of-the-relationship-may-2015&Itemid=2728

²³ For example, practitioners working in the mPower project, funded by the Interreg VB Ireland – Scotland - Northern Ireland cross-border programme, highlighted the value of cooperation for working more effectively, working better by linking up strengths, e.g. in work on patient well-being and health management, and for recognising locational nuances and appreciating differences.

²⁴ <https://www.interregeurope.eu/policy-learning-platform/news/interreg-europe-as-connector-for-cooperation-on-cohesion-policy-priorities>



accelerate Cohesion Policy implementation and create interesting value chain partnerships aligned with regional Smart Specialisation priorities.

Much of the recognised value of territorial cooperation lies in its innovative work²⁵, diverse partnerships and work across several territories. However, there are also significant challenges. Working in new ways on new themes means projects and programmes face a higher level of risk, linked to the experimental nature of their activities, complex relationships, and exposure to a variety of domestic demands and pressures. The specificities of promoting innovation systems across borders, in particular the need for trust and established relationships and the difficulties of engaging the private sector, are emphasised in evaluations and studies.²⁶ These challenges are compounded by the fact that even Interreg programmes are comparatively small in terms of their financial and institutional resources. In other cases, e.g. strategic territorial cooperation frameworks, while common and shared objectives on innovation can be agreed, securing funding, coordinating stakeholders across territories, levels of government and sectors make it challenging to operationalise and act on strategic commitments in any substantial way.

3 POLICY CHALLENGES AND QUESTIONS

As the preceding discussion highlights, **territorial cooperation is important to innovation and innovation important for territorial cooperation**. This synergy can be the basis for valuable connections and exchange to help reduce innovation gaps between territories, but it also raises some questions and challenges.

The potential for territorially based cooperation is an increasingly prominent part of innovation interventions and could continue to be in the future. As has been noted, the High-level Group on the Future of Cohesion Policy cited, for example, the added value of facilitating collaboration in a structured way as a means of territories mobilising internal development potential and participation in broader EU and worldwide networks, and of cooperation across subnational governments as a means of preventing resource fragmentation and barriers to development. This underlines the value of territorial cooperation in tackling key development

²⁵ E.g., see Interreg Europe, When Europe cooperates regions benefit <https://www.interregeurope.eu/sites/default/files/2021-07/30%20stories%20of%20results%20-%20full%20publication%20-%202020.pdf>; Central Europe Programme <https://www.interreg-central.eu/news/transnational-cooperation-has-a-lasting-impact-on-regions/>; <https://regiosuisse.ch/sites/default/files/2017-12/impacts-of-transnational-cooperation-in-interreg-b.pdf>; Billen, B. et al(2022) The Quality of Cross-Border cooperation in the Euregio Meuse-Rhein and effects of the Interreg programme, Interreg Euregio; SEUPB, The Story and Impact of Eu Peace and Interreg Funding' Past and Future, <<https://niopa.qub.ac.uk/bitstream/NIOPA/17856/1/Impact%20Report%202023.pdf>>

²⁶ Trippel, M. (2010). Developing Cross-Border Regional Innovation Systems: Key Factors and Challenges. Tijdschrift Voor Economische En Sociale Geografie, 101(2), 150– 160; vanden Broek, J., Rutten, R. and Benneworth, P. (2015) Innovation and SMEs in Interreg policy: Too early to move beyond bike lanes?, Paper presented at RSA conference 2015.





concerns such as boosting innovation. It particularly emphasises the importance of interregional cooperation in encouraging connections between regions to facilitate knowledge transfer, innovation and investment.

Over successive rounds of collaboration and cooperation, territorial cooperation initiatives have built a role in facilitating the flow and exchange of information which is essential to innovation. Additionally, many programmes are increasingly well positioned to develop, apply and exploit that information, e.g. from pre-commercial research working in association with potential end users, through to product and process innovation with resulting marketable products and improved approaches to extend and improve knowhow to better manage assets and policies. The distinct contribution of territorial cooperation programmes to innovation is noted particularly in terms of: supporting action and results that address specific area needs; enabling partners to achieve scale, critical mass, and profile to take action; providing scope to initiate and extend innovation and competitiveness through collaboration; delivering productive networking and exchanges of ideas; and supporting foresight and forward planning activities.

Together these trends should be the foundation of a positive and productive interrelationship in the future. New innovation instruments are opening up opportunities for territorial cooperation to support economic development and bridge innovation gaps. At the same time, existing territorial cooperation initiatives can build expertise and deliver on innovation. However, there remain challenges and questions around the following issues.

- **Complementarity** - Is there too much going on, raising issues around awareness understanding and coordination? An on-going challenge for policies and interventions is how to achieve effective coherence and coordination across different policies with their own objectives, priorities, and institutional silos in governance.²⁷
- **Capacity** - Do territories have the capacity to deal with all the possible interventions? Research on policy coherence has demonstrated how difficult it is for regions with lower quality administrative capacity to exploit opportunities. It is questionable whether regions most in need of improved innovation performance have the mix of resources, skills, systems, and leadership to manage the complexity of innovation ecosystems, particularly one that crosses borders.
- **Learn lessons** - For new innovation initiatives, are there opportunities to gain/build on knowhow and experience from existing territorial cooperation initiatives? Are there

²⁷ Ferry, M., Kah, S., & Bachtler, J. (2016). Maximisation of synergies between European structural and investment funds and other EU instruments to attain Europe 2020 goals (Study IP/B/REGI/IC/2015-131, PE 585.872; Regional Development, p. 90). European Parliament; doi:10.2861/451438. [https://www.europarl.europa.eu/RegData/etudes/STUD/2016/585872/IPOL_STU\(2016\)585872_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2016/585872/IPOL_STU(2016)585872_EN.pdf)



examples of best practice? Are there wider lessons to be learned from the inherent complexity of Interreg programmes that should be taken into account when developing initiatives like I3.

- **Overlaps** - Is Interreg being beaten at its own game? Should it continue with a reduced focus on innovation, as other instruments take up the role? In the future, will other initiatives move further into Interreg activities, e.g. territorial cooperation on innovation in public service provision and green transition?





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