



Support facility

Strengthening Innovation in Europe's regions

Scoping note for the I3 Discussion Group Regional, national, European, and global value chain creation, and challenges for EU regions (focus on the less developed areas)

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List of Acronyms

ERDF	European Regional Development Fund
EU	European Union
GVC	Global Value Chain
I3	Interregional Innovation Investments
I3DG	I3 Discussion Group
LDR	Less Developed Region
MAs	Managing Authorities
R&D	Research and Development
S3	Smart Specialisation Strategies
S3CoP	S3 Community of Practice
SME	Small and Medium Enterprise
STI	Science, Technology and Innovation
TSSP	Thematic Smart Specialisation Partnerships

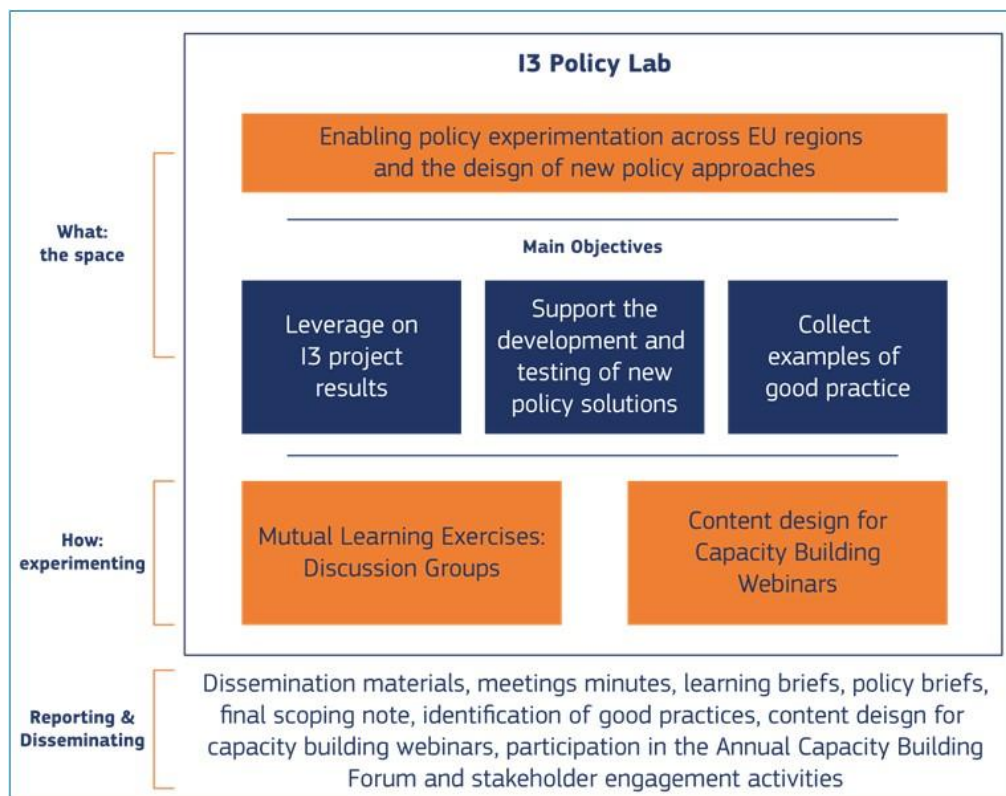
1. Introduction and objectives of the I3DG

The **I3 Discussion Groups (I3DGs)** - developed within the **Policy Lab** hosted by [the Support Facility for Interregional Innovation Investments \(I3\)](#) - provide a platform for exchange between policy makers already actively engaged or willing to be engaged in innovation policy and interregional collaboration. By fostering dialogue and collaboration among experts, the Discussion Groups aim to strengthen interregional innovation ecosystems and accelerate the market uptake of research results in shared Smart Specialisation Strategy (S3) areas.

This **peer-learning and knowledge-sharing space** for exploration and innovation in policymaking aims to:

- Leverage on I3 project results
- Collect examples of good practice in the field of interregional innovation investments
- Enhance capacities of policy makers to develop and test new policy solutions supporting interregional collaborations

Figure 1. Main elements of the I3 Policy Lab



Source: Own elaboration

The I3DGs aim to address policy makers interest in the refinement of their innovation policies and testing new policy approaches. Their ultimate goal is to serve as a **practical**

a **useful tool for beneficiaries**, including policy makers, business and business organisations and research institutions.

For 2025, and based on the Expression of Interest launch in mid-January 2025, three I3DGs have been kicked off:

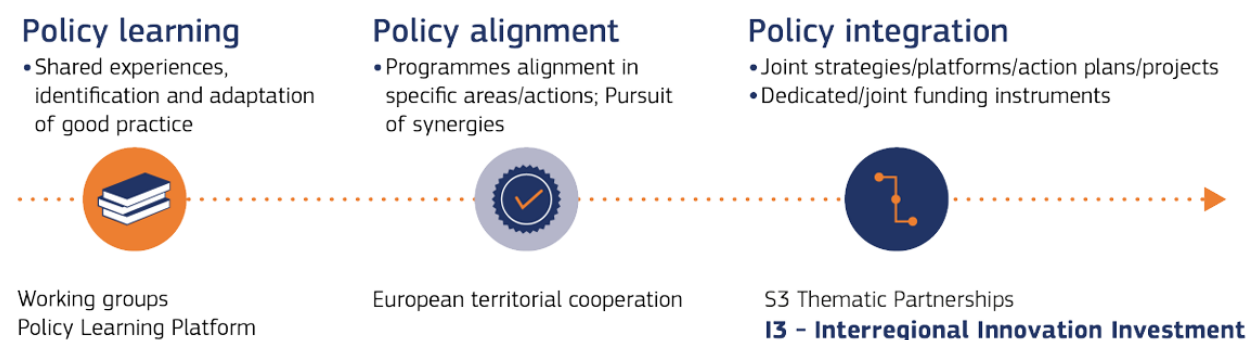
- 1) I3DG on **how to engage better Managing Authorities (MAs)**
- 2) I3DG on **regional, national, European, and global value chain creation**, and challenges for EU regions (focus on the less developed areas)
- 3) I3DG on **regional innovation ecosystem management**, promoting the entrepreneurial discovery process and links among quadruple-helix players

This scoping note focuses on the I3DG on regional, national, European, and global value chain creation, and challenges for EU regions. It is based on an analysis of relevant documents on the topic, as well as insights gathered from the discussions held during the Kick-off meeting¹.

2.I3 instrument: from regional to interregional innovation

The idea of interregional collaboration in science, technology and innovation (STI) is not new in EU policy. What is new is that, today, this **collaboration requires full policy integration, aligning strategic and technical agendas**. Within Cohesion Policy, in broad terms, regional approaches can range from simple opportunities for exchange of policy practice, at one end of the spectrum, to proper strategic cooperation at the other end, evolving from policy learning to policy alignment, to policy integration² (see Figure 2).

Figure 2. A simplified view of instruments for interregional cooperation within Cohesion Policy



Source: Authors' elaboration based on Mariussen et al., 2016; Uyarra et al., 2018; 2014³⁴

¹ The KO meeting took place online on 9 April 2025.

² Mariussen, Å., Rakhmatullin, R., Stanionyte, L. (2016). Smart Specialisation: Creating Growth through Trans-national cooperation and Value Chains. Thematic Work on the Understanding of Transnational cooperation and Value Chains in the context of Smart Specialisation. Luxembourg (Luxembourg): Publications Office of the European Union.

³ Mariussen, Å., Hegyi, F.B. (2020). Creating Growth by Connecting Place-Based Development Strategies, EUR 30417 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-23863-8. JRC122247

⁴ Uyarra, E., Marzocchi, C., Sörvik, J. (2018). How outward looking is smart specialisation? Rationales, drivers, and barriers. European Planning Studies, 26(12), 2344-2363

The **Interregional Innovation Investments (I3)**, funded by the European Regional Development Fund (ERDF) for the 2021-2027 period and centrally managed at EU level, aims to bolster interregional collaboration and innovation in the European Union. Its main objective is to **support the commercialisation and scaling up of interregional innovation projects in shared smart specialisation priority areas**.

To understand the complexity of the instrument, and therefore the rationale for the I3 Support Facility and its Policy Lab, it is important to understand how this shift of focus from regional to inter-regional innovation took place and the challenges therein. In the current programming period, regions have been asked to include “measures for international collaboration” for the fulfilment of the enabling condition “[Good governance of national or regional smart specialisation strategy](#)”. Outward-looking specialisation emphasises the identification of niches, clusters, cross-sectoral innovation, and value chain linkages to find a region’s competitive advantage in international markets and identify partners to deliver new solutions and solve common challenges. This interregional dimension of S3 has been a much-debated topic. The literature on interregional collaboration had consistently found different degrees of ‘outward orientation’ in R&I policy collaborations from one-off cooperation for specific purposes to the development of integrated innovation strategies⁵.

The I3 has entered this necessary yet challenging policy space complementing other EU-level preparatory initiatives. In the last decade, the EC also launched the so-called Smart Specialisation Thematic Platforms, and their related partnerships (TSSP)⁶, thereby marking a new policy phase. Knowledge-based development, which so far had been addressed either from the dimension of excellence (through the framework programme and subsequently Horizon Europe) or from a territorial dimension, through ERDF operational programmes and in particular Smart Specialisation, was for the first time addressed from an interregional perspective: knowledge, collaboration and integration were acknowledged as critical to develop value chains at the European level.

The logic behind this shift, is that when local learning meets external connections, opportunities to join new value-chains open-up. Hence, the challenge for the policymakers is to create ‘open regions’ through smart policies, which leverage local strengths to increase openness and access to external opportunities.

Thus, I3 responds precisely to these needs. Indeed, the Commission's 2017 Innovation Communication⁷ emphasised the need for stronger interregional and cross-border collaboration in globalised economies and introduced the I3, within the ERDF Regulation, to support and encourage TSSP to step-up European cooperation with a view to

⁵ For more detailed information see the work being done by the S3CoP Working Group on interregional collaboration: https://ec.europa.eu/regional_policy/policy/communities-and-networks/s3-community-of-practice/interregional_collaboration_en

⁶ For more information on S3 Thematic Platforms and Thematic Smart Specialisation Partnerships, see https://ec.europa.eu/regional_policy/policy/communities-and-networks/s3-community-of-practice/thematic_platforms_en

⁷ <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2017:0376:FIN>

strengthen European value chains. Remarkably, if the development of S3 represented a challenge for regional policy makers, the added interregional dimension, amplifies both the opportunities and the complexities at stake. Indeed, for collaborative interregional investment projects to succeed, robust regional innovation ecosystems and established stakeholders' networks need to be in place. Both aspects are particularly challenging for less developed regions, which nevertheless have strong potential to deploy.

The main dimensions of the I3 instrument are summarised in the box below.

- **Interregional:** creating links between EU regions around shared or complementary smart specialisation areas and involving all components of the regional or national innovations ecosystems
- **Innovation:** Testing, demonstration, piloting, large-scale product validation and market replication, adaptation of existing prototypes. Accelerating innovation, bringing solutions and new products supporting Digital and Green transitions and smart manufacturing.
- **Investments:** Financial and advisory support for joint innovation projects, advancing from ideas to implementation, direct investment in companies.

More recently, the Commission has proposed targeted changes to Cohesion Policy funds enabling Member States to reprogramme part of their 2021–2027 allocations towards new EU priorities: competitiveness, defence, affordable housing, water resilience, and energy transition⁸. They would also have the option to reallocate ERDF resources to the I3 Instrument to support innovation-driven partnerships and actors from their regions. The proposal introduces additional pre-financing, the possibility of up to 100% EU financing, and extended implementation deadlines for programmes aligning with these objectives.

3. Regional, national, European, and global value chain creation, and challenges for EU regions

Value chain creation in the context of I3

The **value chain** encompasses the complete spectrum of activities a firm undertakes to bring a product or service from initial conception to its final use and beyond, including design, production, marketing, distribution, and customer support⁹. These activities, whether producing tangible goods or intangible services, can be geographically concentrated or dispersed. **Global Value Chains (GVCs)** emerge when these activities are divided among multiple firms across significant geographical distances¹⁰. Driven by product and technological advancements, each major innovation often triggers a new cycle of interconnected resource flows within these chains. Indeed, modern value chains

⁸ https://ec.europa.eu/commission/presscorner/api/files/document/print/en/ip_25_929/IP_25_929_EN.pdf

⁹ Brennan, L., Rakhmatullin, R. (2015). Global Value Chains and Smart Specialisation Strategy. Thematic Work on the Understanding of Global Value Chains and their Analysis within the Context of Smart Specialisation; EUR 27649 EN; doi: 10.2791/44840.

¹⁰ <https://www.globalvaluechains.org>

are increasingly complex, resembling **value networks** – interconnected firms and value-adding activities that integrate resource flows between manufacturing and service providers to deliver final outputs to markets¹¹.

Conventional place-based policies, such as cluster initiatives alone, are insufficient to address structural and technological upgrading challenges. Consequently, **interregional, European, and global value chains are critical drivers of technological advancement** for countries and regions¹², particularly in less-developed regions (LDRs) where such connections were previously limited. For LDRs, a key policy objective is to foster synergies between interregional and European value chains and local clusters. This allows these regions to strategically **integrate into relevant value chain segments based on their unique comparative advantages**¹³.

The Interregional Innovation Investments (**I3**) **encourage the development of European value chains** by mobilising innovation ecosystems to scale up and commercialise interregional innovation projects¹⁴. Moreover, the focus on building value chains is a **unique aspect of the I3 Instrument** compared to other EU-funded programs. It is viewed as one of the most valuable features, enabling consortia to link different regional strengths and leverage complementary resources¹⁵.

The current I3 projects all aim to improve a specific value chain, linking different stakeholders within the chain (producers, suppliers, distributors, consumers, etc.) and bridging supply and demand¹⁶. Early experience with I3 project implementation highlights the utility of living labs for business model validation. Furthermore, the participation of large firms demonstrably strengthens the value chain by providing SMEs with access to markets, global market insights, and a supportive framework. Notably, **value chain mapping** is an initial and crucial step for I3 projects, establishing the foundation for pilot projects to be implemented throughout their duration. By addressing barriers and identifying solutions, I3 projects are also driving sector-related standards forward and offering replicable business models and process approaches within target sectors¹⁷.

¹¹ Todeva, E., Rakhmatullin, R. (2016). Global Value Chain Mapping: Methodology and Cases for Policy Makers: Thematic Work on Value Chain Mapping in the Context of Smart Specialisation. JRC Science for Policy Report. JRC102803

¹² Radosevic, S. (2018). Fostering innovation in less-developed and low institutional capacity regions: Challenges and opportunities. Background paper for an OECD/EC Workshop on 22 June 2018 within the workshop series “Broadening innovation policy: New insights for regions and cities”, Paris.

¹³ Radosevic, S. (2018). Fostering innovation in less-developed and low institutional capacity regions: Challenges and opportunities. Background paper for an OECD/EC Workshop on 22 June 2018 within the workshop series “Broadening innovation policy: New insights for regions and cities”, Paris.

¹⁴ https://ec.europa.eu/regional_policy/policy/themes/research-innovation/interregional-innovation-investments_en

¹⁵ Gañán de Molina, C., Tregner-Minaric, A. (2024). Analysis of the Implementation of the I3 Instrument as Perceived by the First Generation of I3 Consortia. Insight Report.

¹⁶ Ibid.

¹⁷ Ibid.

Drivers and barriers for value chain creation through interregional collaboration

There are numerous drivers and barriers that influence the effective formation of value chains through interregional collaboration. Key challenges include:

- **Capacity limitations:** Regional administrations and businesses often face limitations such as a lack of qualified lead partners, insufficient critical mass for engaging in I3 projects, and ‘responsibility vacuums’ during project implementation, where taking ownership may require stepping outside of established jurisdictional or organisational comfort zones.
- **Governance and coordination complexities:** Value chains often span multiple sectors, necessitating governance structures that go beyond traditional sectoral ‘silos’. This complexity demands experienced and well-connected coordinators, who can be scarce in regions with limited capacities.
- **Disparities in regional development levels:** Differences in regional development levels pose a persistent challenge to the implementation of I3 projects.
- **Difficulties in aligning S3:** Significant differences in regional Smart Specialisation Strategies (S3) and Entrepreneurial Discovery Process (EDP) priorities can hinder alignment, requiring in-depth analytical input to overcome.
- **‘Silo’ mentality and lack of trust:** A ‘silo’ mentality and a lack of trust represent a fundamental obstacle to effective interregional collaboration, potentially stemming from substantial variations in regional mindsets.

Among the opportunities, there are factors like:

- **Focus on addressing societal challenges:** I3 initiatives are positioned at the centre of scaling solutions to European societal challenges, especially in areas like energy transition, the circular economy, digital health, and advanced manufacturing.
- **Enabling EU policy and funding framework:** A policy and funding framework with high potential for synergies and complementarities between the I3 Instrument and other EU programs encourages a focus on long-term impact, moving beyond a ‘project mentality’.
- **Raising visibility and international profile of regions:** Active networking opportunities and ‘branding’ regional potential in specific segments of European value chains enhance regions’ visibility and international profile.
- **Industry focus:** Interregional cooperation projects become more meaningful to international business partners participating in the same or related value chains, which helps bring the EDP to the EU level¹⁸.

¹⁸ Hegyi, F.B., Rakhmatullin, R. (2017). Implementing smart specialisation - thematic platform on industrial modernisation. S3 Policy Brief Series, No. 22/2017, JRC108028

4. Key questions to be addressed in the I3DG

The work of the I3DG in 2025 aims to identify key opportunities for supporting the creation of effective interregional, European, and global value chains through the I3 Instrument. This involves providing actionable recommendations and proposing new policy approaches around the following questions:

1. **How can we build trust and capacity across regions to strengthen SME participation in interregional value chains?** (*Addresses challenges related to capacity limitations, 'silo' mentality, and inclusion of regional partners.*)
 - How to systematically 'translate' the opportunities under I3 to stakeholders to enhance understanding, interest and engagement?
 - How to promote the unique value I3 projects bring to LDRs as means to connect into concrete segments of European value chains in order to strengthen the formation of missing capacities?
 - How can we foster 'interregional innovation empathy', promoting solidarity and understanding of regions' challenges and recognising the value of LDRs' potential for more developed regions?
2. **How can diverse S3 priorities and governance structures be aligned to accelerate innovation in addressing Europe's major societal challenges?** (*Ties together RIS3 alignment, governance complexity, and focus on impact.*)
 - How can we ensure that cross-S3 collaboration is impact-driven, rather than merely a formal alignment?
 - How to ensure sustainability of I3 project objectives and foster long-term institutional cooperation that goes beyond the project implementation phase?
 - How can the I3 Instrument support and amplify efforts to address major societal challenges, such as through EU Missions and the Twin Transition agenda?
 - How can the systematic identification of gaps in value chains be promoted to better target EU funding towards these areas?

As a result of the upcoming two meeting of the I3DG, a policy brief will be produced including the following elements:

- Identification of practice-driven advantages and unique value proposition to LDRs that I3 projects bring in terms of value chain formation.
- Identification of initiatives and approaches in regional experiences that are key to interregional trust building efforts.
- Provision of 2-3 case studies of regional efforts that successfully link I3 Instrument initiatives to regional mission-oriented approaches as means to connect local level priorities with national and European mission agendas.

- Provision of examples of other regional/national funding mechanisms that complement and/or amplify the impact of the I3 projects.
- Discussion of the required revisions to I3 project sustainability criteria.