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ERRIN INPUT TO THE CALL FOR EVIDENCE FOR THE EUROPEAN INNOVATION ACT

Introduction

ERRIN welcomes the initiative to strengthen the innovation dimension of the EU research and innovation policy through the Innovation Act. Following the New European Innovation Agenda, to which ERRIN actively contributed to highlighting key areas that the agenda should tackle such as supporting innovation ecosystems, tackling innovation divide, addressing access to finance and enhancing policy innovation. All these areas still need to be addressed further in the European Innovation Act. It is, therefore, not only the regulatory measures that are important to consider, but also **how the Innovation Act can strengthen the existing framework and governance system of the EU innovation policy**.

Therefore, we have structured our inputs under the following key areas:

- Innovation policy coordination and structures
- Follow-up of the Flagship 3 under the New European Innovation Agenda on Innovation Ecosystems
- Innovation friendly regulation, regulatory sandboxes and experimentation
- Innovation procurement and demand driven innovation

The Innovation Act should not operate in a silo. It is important to create a clear and coordinated narrative with the ERA Act, as the European Research Area despite its title also tackles innovation. In addition, it will be important to address actions within the European Innovation Act that should be supported within Horizon Europe or in the European Competitiveness Fund.

Innovation policy coordination and structures

For the moment, the strategic policy discussions related to EU innovation policy take place at the EIC Forum. The EIC Forum brings together representatives from the member states and associated countries. In addition to a yearly(?) high-level meeting, the EIC Forum has organised some working groups covering key issues related to the five flagships defined under the New European Innovation Agenda, such as innovation policy and innovation procurement.

The EIC Forum in its current composition is not open for stakeholders. Following the positive experience of stakeholder engagement in the ERA Forum, the EIC Forum could also be opened to key innovation stakeholders. If one looks at the development of the ERA Policy Agendas, it is clear that the stakeholder engagement has helped both to animate discussions as well as accelerate the work within various actions under the ERA. Stakeholders have provided the much-needed links to practice and

experiences from the ground, and in some cases taken a leading role alongside member states representatives in designing and implementing the ERA actions.

Recently, the ERA Forum also opened doors for regional organisations to take part in the work of the Policy Agenda 2025–2027. This allows for creating further synergies between research and innovation policy at different governance levels as well as exploring better coordination of funding.

More emphasis should be placed on ensuring that structured innovation support is provided at all levels – local and regional, national and European – as well as making sure that this support is seamless. For this it will be essential to bring local and regional governments to the table to be able to ensure the necessary coordination of the support provided.

We therefore suggest the governance mechanism for the European Innovation Act to consider engagement of both stakeholders as well as relevant actors from the territories to ensure the necessary impact of the design and implementation of the European Innovation Act and its measures.

Follow-up of the New European Innovation Agenda – flagship 3

Even with the strong recognition of the value of innovation ecosystems as essential for competitiveness in key documents such as the Draghi report, the place-based dimension of innovation and competitiveness is not covered, leaving a gap in the current policy discussions. At the same time, a thriving European innovation ecosystem requires strong and well-connected place-based innovation ecosystems, essential for enhancing Europe's competitiveness, resilience and strategic autonomy. Without full participation of Europe's diverse regional ecosystems, enhanced competitiveness, strategic autonomy in key technological domains as well as the implementation of EU Green Deal will remain out of reach. Therefore, the territorial dimension should be tackled in the Innovation Act.

Tap into potentials of place-based innovation ecosystems across Europe
Europe's competitiveness is strongly dependent on territories and the ability of cities and regions to mobilise their stakeholders, including SMEs. An ecosystem-driven, place-based approach will help cities and regions leverage their unique strengths and contribute effectively to Europe's economic and social transition. Territorial research and innovation ecosystems provide a basis for Europe's competitiveness and are key to delivering strategic and more targeted investments.

For example, the **Regional Innovation Valleys initiative** has raised unprecedented interest among regional stakeholders. The initiative under Horizon Europe programme has been challenging to implement, requiring regions to coordinate their innovation strategies, combining each other's capacities and launching common innovation calls bringing together the various stakeholders in the participating ecosystems, as well as aligning different sources of funding. This approach is, however, extremely valuable in bringing the collaboration to a much deeper level than other ecosystem instruments have managed to ensure. It can be seen as a significant step forward in creating a strategic framework for territories to take a common approach to shared EU challenges, aligning strategies across regions and sharing assets and competences among their innovation ecosystems.

Establish a clear support framework for regional research and innovation ecosystems
There are still too many funding programmes at both European and national levels that are directed to a single actor group. For example, funding agencies at national level have often a mandate to support for example universities or SMEs, but rarely different stakeholder groups, nor their collaborative efforts. Opportunities where all innovation ecosystem actors can join forces are still rather limited and supported mainly by small programmes such as the European Innovation Ecosystem (EIE) action.

Much stronger, more systemic and better coordinated support framework is needed for connecting place-based research and innovation ecosystems across Europe. Scattered, small scale and ad-hoc measures are not going to ensure a less fragmented European R&I ecosystem. Otherwise, Europe will continue to support a fragmented approach where universities collaborate with universities, regions with regions and companies with companies.

Make use of existing policy instruments that deliver
Smart Specialisation Strategies (S3) have proven to be a valuable and effective tool for strengthening innovation-driven regional development and fostering collaboration within and between R&I ecosystems. Continued support to Smart Specialisation is essential, and its role should be expanded as a comprehensive instrument for fostering innovation and competitiveness. S3 can ensure that the future National and Regional Partnership Plans will have a strong innovation dimension and help targeting investments in an efficient way. In line with this, S3 also has the potential to connect bottom-up place-based opportunities with top-down European priorities.

Ensure a more inclusive innovation ecosystem to close the innovation gap
Europe needs to tap into its underutilised potential to ensure that Europe goes forward with one speed. Fostering collaboration between leading and emerging ecosystems can help unlock Europe's full innovation potential.

Policy innovation and innovation friendly regulation

The new EU Preparatory Action on Innovation for Place-based Transformation, set to run from 2024-2026, is a major policy innovation initiative with a goal to facilitate and promote the transformative innovation approach by awareness raising, capacity building, and experimentation activities with selected territories. The initiative, gathering in total over 200 territories, aims to address complex local and global challenges in seven thematic areas: energy, circularity, digital, health, food systems, climate adaptation, and New European Bauhaus. Through tailored capacity building and hands-on policy experimentation, the project empowers territories to co-develop systemic strategies, foster interregional collaboration and embed transformative governance models. The expected outcomes include stronger territorial innovation capacities and the integration of new practices across policy levels.

Within the framework of this Preparatory Action, the experimentation journeys will test policy innovation tools, such as regulatory sandboxes. For example, in the journey focusing on Reducing Reliance on Fossil Fuels, territories are currently tackling risks related to multi-level governance alignment and political mandates, as well as the availability of sufficient funding, by building a prototype - an operational model that will implement a regulatory sandbox for a specific scope.

The focus of the regulatory sandboxes are currently under evaluation and they might tackle areas related to development of green hydrogen value chain, the implementation of carbon capture technologies or to further enhance energy grid flexibilities.

Establishing a controlled testing environment (regulatory sandbox) has been identified as a challenge. A variety of activities covered, engagement of a multitude of authorities with different roles – such as infrastructure owners or managers, control agencies, and regulators – as well as a great diversity of entities leading the deployment of these spaces create barriers. It is therefore necessary to adopt frameworks for collaboration and ensure that the coordination between entities involved is strengthened and formalised in the deployment of such instruments.

Address issues in the state aid regulation
An important element under innovation friendly regulation is the state aid regulation. It must be ensured that it does not hinder commercialisation, encouraging – and not penalising – research organisations to offer generous terms to spin-off founders. The current practices are often driven by fear of non-compliance with state aid rule leading to excessive valuations of intellectual property generated with public money. Universities should have a grace period during which they can transfer or license their intellectual property to newly created spin-out companies on generous, founder-friendly terms without immediately risking a breach of state aid rules.

Innovation procurement

Local authorities need continuous support to develop innovative public procurement. Support for PCP and PPI in funding programmes such as Horizon Europe remains limited and must be strengthened. Advisory support tools, such as European Assistance for Innovation Procurement (EAFIP), should also be maintained, and training opportunities should be increased.

At the same time, the current EU and national instruments for promoting procurement of innovation do not always align with regional realities. Therefore, new models should be designed that are better suited for local needs, consider local budgets and availability of resources. For example, the PREPARE project financed under Horizon Europe has brought together four regions - Murcia, Oulu, Skåne, and Bucharest-Ilfov - to design policies for deploying demand-driven co-creation innovation programmes. These policies aim to transform unmet public organisation needs into business opportunities. Each consortium region involved a regional agency responsible for funding, policy design, and managing innovation instruments (e.g. Regional Development Agencies), along with local clusters bringing together the stakeholders of a local innovation ecosystem. The project resulted in a joint programme and individual action plans for each region to guide the implementation of demand-driven innovation policy funded and managed locally.

Further reading

- Connected regional innovation ecosystems – key for Europe's competitiveness
- ERRIN input to the future EU startup and scaleup strategy

ERRIN European Regions Research and Innovation Network

ERRIN (European Regions Research and Innovation Network) is a Brussels-based platform that gathers around 120 regional organisations in more than 20 European countries. ERRIN aims to strengthen the regional and local dimension in EU Research and Innovation policy and programmes. ERRIN supports members to enhance their regional and local research and innovation capacities and further develop their research and innovation ecosystems.

The ERRIN members primarily collaborate through 12 Working Groups (WGs) and two Task Forces (TFs), covering both thematic areas and overarching policy issues. The WGs and TFs are based on members' priorities and current funding opportunities. The WG and TF meetings are at the heart of ERRIN's activities, as this is where our members meet regularly to exchange information, present regional examples, build new partnerships, develop joint projects, network and much more.

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