FEEDBACK REPORT ON MULTI-LEVEL GOVERNANCE

12 April 2018	Peer eXchange & Learning Workshop **Bilbao** (Spain)

Representatives from the Basque Country (ES), "The Six City Strategy" (FI) and Flanders (BE) presented their current work on Multilevel Governance for Research and Innovation Strategies for Smart Specialisation (RIS3) in a Peer eXchange & Learning Workshop in Bilbao. The workshop was organised by the Smart Specialisation Platform (S3 Platform) of DG JRC in collaboration with the Basque Government and Orkestra-Basque Institute of Competitiveness and hosted by the City Council of Bilbao. The presentations and following peer discussions provided the basis for this report.

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PART 1 | WORKSHOP FINDINGS AND KEY LESSONS

KEY LESSONS

- The importance of **cities as living labs to test out innovative solutions for societal challenges** through the involvement of university and research organisations, public authorities, business sector, civil society's organisations and citizens.
- **Multi-level Governance requires clear and transparent coordination arrangements and mechanisms**, where the different agendas and interests of all relevant stakeholders are brought to the fore. There is a need for investing more time and resources to build collaborative networks and create opportunities for institutional learning.
- **Horizontal and vertical coordination needs to be carefully addressed since the initial design phases of policies and strategies** to avoid the emergence of coordination failures in the implementation stage and poor delivery of public action.
- It is necessary to review Smart Specialisation Strategies through a **more active involvement of sub-regional governments, institutions and actors** in the process.
- **The success of integrated territorial development initiatives requires effective institutional settings and coordination mechanisms.**
- **It is important to design tailor made solutions and adopt a focused approach to achieve greater SMEs' involvement in RIS3** (not all SMEs and sectors but, for example, only the innovative companies, the ones led by young executives, etc.).
- It is central to **work with local intermediate institutions and organisations and ambassadors to reach out to companies**.
- **There is a need to change the "incentive structure" to nurture interregional cooperation.** Cross-border and interregional collaboration has not taken off thus far. The provision included in the ERDF's regulation (possibility for regions to spend up to 15% of ERDF resources in other regions) has not really been used.
- **Cooperation among cities on RIS3 related themes and pilot initiatives** can strengthen cross-border collaboration.
- It is necessary to **simplify and homogenise ESIFs regulations (same rules for all the Funds) to promote an integrated approach in development initiatives more effectively**.

This report summarises the debate and outcomes of the PXL workshop on Multilevel Governance for Research and Innovation Strategies for Smart Specialisation (RIS3) held in Bilbao, on 12 April 2018.

The workshop explored the role of sub-regional governments, intermediate institutions and other territorial actors in RIS3. Vertical and horizontal coordination capacities and mechanisms were also addressed. Finally, a particular attention was devoted to the role of cities in the RIS3 design and implementation.

Cities are in fact central in innovation processes. They facilitate social, economic and cultural interactions on which the production and circulation of new knowledge are grounded. On the one hand, research and

innovation find a fertile ground within cities; on the other, cities' organisation and functioning can benefit from research and innovation activities to a large extent. Research and innovation may in fact help address the main challenges of urban areas (sustainability, economic development, health and well-being and social inclusion) through the introduction of new products and collective services produced by the interaction between research centers, universities, companies, intermediate bodies, civil society's associations and citizens.

Despite the centrality of urban areas in innovation processes, they have not received much space and attention so far in the narrative around Smart Specialisation like sub-regional governments, institutions and actors.

These different issues were addressed in the workshop through the cases of the Basque Country (ES), "The Six City Strategy" (FI) and Flanders (BE)[1]. These experiences show how sub-regional territorial units and, in particular, cities can be actually embedded in, and contribute to, Smart Specialisation Strategies.

Before the peer-review sessions, presentations were given by different external experts and the DG JRC team. These talks provided some conceptual and empirical insights that helped frame the "Multilevel Governance for RIS3" topic.

Kevin Morgan (Professor of Governance and Development – Cardiff University) presented the main features of the Multi-Level Governance concept and their implications for the Smart Specialisation policy context. Moreover, he highlighted that cities have been the missing link in RIS3 thus far. He invoked their greater involvement since cities are important laboratories for innovation and development. The scholar discussed the relevance of the sub-regional level in multi-level governance policy frameworks by pointing out that the local level is where many projects are implemented and it is actually the level closer to citizens. Accordingly it should be, at least, as important as the other levels involved in policies. Finally, he stressed that vertical and horizontal coordination mechanisms are both essential for effective policy making and implementation. Social innovation, services co-produced with users and integrated urban renewal initiatives require effective coordination mechanisms along with new investments in the public sector.

In their presentation, Miren Estensoro and Miren Larrea, (Researchers at the Orkestra-Basque Institute of Competitiveness) illustrated the concept of Multi-level Governance and its relevance for RIS3. In particular, they stressed the importance of opening up the RIS3 process to sub-regional authorities and actors and the needs for more effective coordination to ensure policy effectiveness. During their talk, the Orkestra's researchers discussed some of the themes related to the construction and functioning of Multi-level Governance settings: state's organisation and distribution of power and functions across different territorial levels (structural conditions); conflict management; the role of facilitators for better coordination; and, finally, the potential of action research in RIS3 processes.

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[1] **The presentations and background documents are available at:**

http://s3platform.jrc.ec.europa.eu/-/peer-exchange-and-learning-pxl-worksho-on-multi-level-governance-for-ris3?inheritRedirect=true&redirect=%2Fs3-implementation-pxl

Finally, Fabrizio Guzzo (Territorial Development Unit, DG JRC, European Commission) briefly presented the PXL methodology and the organisation of the peer review sessions. This helped frame the following discussions.

Several problems and challenges in relation to Multi-level Governance for RIS3 emerged during the PXL sessions: ineffective (vertical and horizontal) coordination mechanisms; lack of trust among authorities and actors placed at different territorial scale; difficulties in developing common visions that combine the different needs, agendas and expectations of the different territorial levels; lack of clear political commitment for a more active engagement of sub-regional governments and actors; and, difficulties in implementing effective integrated territorial development strategies (challenges associated to the: coordination of different funding schemes, administrative units, governments and actors; complementarity and synchronisation of the different measures designed in the strategies, etc.).

Besides the abovementioned challenges, the peer-review sessions provided an interesting snapshot of some of the practices experimented by national and regional authorities to promote greater engagement of sub-regional governments and actors in RIS3 and better coordination between different territorial scales.

Particularly interesting is the emergence of RIS3 at provincial and city levels in the Basque Country thanks to the active role played by the local development agencies and the opportunities for sub-regional actors to participate in the RIS3 process provided by the regional government.

Noteworthy is also the Multi-level Governance setting experimented within "The Six City Strategy" initiative to strengthen the development of the six largest cities in Finland. Financed through the National Operational Programme for Sustainable Growth and Jobs (2014-2020), "The Six City Strategy" is implemented through the "Integrated Territorial Investments" (ITIs) instrument in which different territorial levels share responsibilities in the design, management and monitoring of the strategy. Through the experimentation of challenge-based calls, where cities are required to present their proposals in cooperation among them, "The Six City Strategy" aims at strengthening the role of cities as important platforms for testing innovative technologies and solutions to societal challenges.

Finally, particularly remarkable are the "Integrated Territorial Investments" (ITIs) and public procurement for innovation initiatives taking place in Flanders; the establishment of networks of actors, placed at different territorial scales, to address common issues (Upper Austria); and, the agreements among different local Chambers of Commerce to promote cross-border cooperation (Bayonne-San Sebastián).

These examples clearly show that sub-regional governments, institutions and actors can play an important role in RIS3. Future developments of the Smart Specialisation policy framework should take more into account such role and the interaction of different territorial scales in strategies' design and implementation along with the necessary instruments required for the active involvement of sub-regional authorities and actors.

The issues/questions posed by the representatives of the Basque Country (ES), "The Six City Strategy" initiative (FI) and Flanders (BE) fostered a lively debate in the smaller group discussions. Specific recommendations and lessons learnt for each question are presented in detail in Part 2 of this report.

PART 2 | PXL QUESTIONS AND RECOMMENDATIONS

[THE BASQUE COUNTRY]

Questions/issues posed by the region for peer discussion

QUESTION 1	How to overcome barriers (mental, administrative… linked to regulation) to experimenting with Multi-level Governance?
QUESTION 2	How to articulate Multi-level Governance that makes it possible to integrate SMEs into RIS3?
QUESTION 3	How to integrate cities in RIS3 strategies?

During peer discussions, participants were divided in three groups/tables, all of which had representatives from various EU Member States and regions. A facilitator from DG JRC was present to steer the work of each table. Each table was offered to choose one of the questions prepared by the representatives. A summary of these discussions is presented below.

EVOLUTION OF QUESTION 1

QUESTION	How to overcome barriers (mental, administrative… linked to regulation) to experimenting with Multi-level Governance?

RECOMMENDATIONS	Start and consolidate networks of actors placed on different territorial levels to work on common issues and build trust (Example from Upper Austria:

networks of actors working on operational matters).

Design a transparent coordination process in which the agendas and interests of different governments and actors are brought to the fore.

Put in place sound communication strategies to ensure effective information circulation among all actors.

Identify leaders (or build leadership) and work with them to strengthen multi-level governance processes.

Focus on specific initiatives and projects. They are a good starting point for experimenting with Multi-level Governance (example from Flanders in relation to the "Integrated Territorial Investments" initiatives).

Promote the co-creation of multi-agent social innovations.

LESSONS LEARNT	Regional innovation strategies should be built on specific needs and opportunities and not just be driven by the opportunity to seize funding. A vision for the future, based on the regional unique assets and competences, is required. There is a growing unease of regional policy makers with respect to the proliferation of fashions in the policy realm (Smart Specialisation, mission-oriented research and innovation, etc.). This calls for policy frameworks that remain stable over time. It is central to review and "revitalise" RIS3 through a multi-level approach and a more active inclusion of sub-regional governments, institutions and actors in the process.

EVOLUTION OF QUESTION 2

QUESTION	How to articulate Multi-level Governance that makes it possible to integrate SMEs into RIS3?

RECOMMENDATIONS	Implement *ad hoc* strategies and instruments tailored to the target companies to be reached (SMEs are different and interact in different ways; some companies are easier to reach than other, etc.). Strengthen the role of intermediate organisations (such as clusters, business associations, chambers of commerce, etc.) and their capacity to collect and represent businesses' needs and challenges. Experiment different approaches: from individual contacts to large scale initiatives to include SMEs into knowledge and innovation networks. Develop a coherent set of integrated measures to engage innovative SMEs in RIS3 processes (example from Flanders).

LESSONS LEARNT	It is important to design tailor-made solutions and adopt a focused approach to achieve greater SMEs' involvement in Smart Specialisation Strategies (not all SMEs and sectors but, for example, only the innovative companies, the ones led by young executives, etc.).
	It is useful to identify and work with "ambassadors" (businesses, local development agencies, intermediate organisations, etc.), with recognised leadership, to reach out to SMEs.

EVOLUTION OF QUESTION 3

QUESTION	How to integrate cities in RIS3 strategies?

RECOMMENDATIONS	Promote specialisation processes within cities (and provinces) through specific measures (examples: challenge-based calls for projects experimented in Finland in which cites are requested to present their proposal in collaboration among them; "Projects for Territorial Specialisation and Competitiveness" initiative launched in Catalonia).
	Share leadership on specific topics and challenges with those cities that have interest, assets, competences and knowledge to deal with them (see examples from Sweden on Smart city and Personalised care).
	Promote projects in which cities act as testbeds for new technologies and solutions, including user-based applications.
	Develop cross-border networks with cities outside the Basque country and experiment common actions with other regions.

LESSONS LEARNT	Cities are engines of regional economies and their role should receive more space in RIS3 processes and narrative.
	Transparent procedures and funding measures that promote collaboration as well as competition among cities are important to involve urban areas in RIS3.
	There is a need to promote more actively shared leaderships between regional and local authorities on specific RIS3 themes.
	A specific city engagement requirement as possible ex-ante conditionality for RIS3 in the post-2020 period.

[THE SIX CITY STRATEGY]

Questions/issues posed by the region for peer discussion

QUESTION 1	What are the best practises in Multi-level Governance to evaluate how the objectives of the RIS3 are realised at the project level?

QUESTION 2	What kind of governance structure of RIS3 would enable you to react quickly to the changing needs of your region?

QUESTION 3	How do you involve the private sector in *Entrepreneurial Discovery* processes during the implementation phase?

During peer discussions, participants were divided in three groups/tables, all of which had representatives from various EU Member States and regions. A facilitator from DG JRC was present to steer the work of each table. Each table was offered to choose one of the questions prepared by the representatives. A summary of these discussions is presented below.

EVOLUTION OF QUESTION 1

QUESTION	What are the best practises in Multi-level Governance to evaluate how the objectives of the RIS3 are realised at the project level?

RECOMMENDATIONS	Clearly identify what you want to measure and how to measure it.
	A clear "theory of change" of the strategy is essential for monitoring and evaluation activities.
	Don't get obsessed with metrics and technicalities. Make sure that what you measure is relevant for your strategy.
	Recognise that results are often not visible in the short term.
	Customise monitoring and evaluation according to the specific context and strategy.
	Set up the right mechanisms and measures to promote learning from monitoring and evaluation activities.
	Ensure that monitoring and evaluation findings are actually used in policy decision making processes by strengthening commitment to the idea that such findings can be used to enhance policy performance and that lessons learnt are used effectively in future decision making.

LESSONS LEARNT	The main objective of monitoring and evaluation is to learn and use findings to enhance policy implementation and future policy making.
	It is important to engage all relevant stakeholders in monitoring activities and support collaborative initiatives to collect data (for example with universities).
	Collection and analysis of qualitative data (surveys, interviews, focus group, etc.) are essential to assess the evolution of regional innovation systems.

Evolution of Question 2

QUESTION	What kind of governance structure of RIS3 would enable you to react quickly to the changing needs of your region?

RECOMMENDATIONS	Set up a good monitoring system that provides information for mid-term and implementation assessments (setting milestones, etc.).
	Assess the enabling capacities of urban authorities.
	Involve representatives of different typologies of firms (large and small, locally-owned and foreign-owned, etc.) in governance structures to include their different perspectives, views and needs in RIS3 processes.
	Involve external experts in monitoring activities along with highly qualified technical staff in the process (provide training if necessary).

LESSONS LEARNT	The importance of facilitators for managing conflicts in strategies' implementation.
	Failures' recognition and acceptance are required for changes.
	The importance of cities collaboration to share experience and information.

Evolution of Question 3

QUESTION	How do you involve the private sector in *Entrepreneurial Discovery* processes during the implementation phase?

RECOMMENDATIONS	Explore the possibility to use regional universities, clusters, business organisations and other intermediate organisations (local development agency, chambers of commerce, etc.) as facilitators to promote the participation of businesses in Entrepreneurial Discovery Process (EDP). Examples: Cardiff University in Wales, cluster organisations in Flanders, demonstration centres, strategic partnerships between universities and companies in Catalonia, etc. Promote public procurement for research and innovation to involve companies in EDP and pilot initiatives (examples from Flanders). Sustain collaborative platforms for exploring regional innovation potential. Promote the production of local collective goods for competitiveness: services, programmes and events aiming at creating value for companies, offering access to international production networks and new knowledge, providing information about markets, etc.

LESSONS LEARNT	Private sector involvement in EDP requires a better understanding of and attention to companies' perspectives and challenges. It is important to design specific incentives (not only monetary) to strengthen companies' engagement in RIS3. It is central to work with intermediate organisations and ambassadors to reach out to companies and get them involved in EDP.

[FLANDERS]

Questions/issues posed by the region for peer discussion

QUESTION 1	How to ensure alignment of the (higher) decisive power in European programmes with sub-regional strategies?
QUESTION 2	The effective use of the "Integrated Territorial Investments (ITIs)" instrument as it has been developed by the European Commission.
QUESTION 3	How to integrate specific border region issues in an integrated approach?

During peer discussions, participants were divided in three groups/tables, all of which had representatives from various EU Member States and regions. A facilitator from DG JRC was present to steer the work of each table. Each table was offered to choose one of the questions prepared by the representatives. A summary of these discussions is presented below.

EVOLUTION OF QUESTION 1

QUESTION	How to ensure alignment of the (higher) decisive power in European programmes with sub-regional strategies?

RECOMMENDATIONS	Include sub-regional governments, institutions and actors in the RIS3 governance structure and strengthen their coordination with the regional level (help sub-regional actors to develop their own coordination mechanisms as well). Explore new modalities and instruments to better represent the sub-regional level and include local governments' and actors' views in the regional vision (development of an umbrella strategy at regional level that includes different local needs). Align the different visions of regional and sub-regional entities and make sure that the different instruments and actions are coherently designed to achieve the objectives of those visions. Promote mutual recognition and trust among different territorial levels.

LESSONS LEARNT	Effective coordination mechanisms among different territorial levels and actors are essential to design and implement strategies and measures to strengthen the competitiveness of local production systems.

Evolution of Question 2

QUESTION	The effective use of the "Integrated Territorial Investments (ITIs)" instrument as it has been developed by the European Commission.

RECOMMENDATIONS	Promote an integrated approach in projects addressing economic, physical, social and cultural dimensions (examples from Catalonia – neighbourhood integrated development initiatives).
	Experiment first with small projects (easy challenges), evaluate them and, if successful, then move on to larger initiatives.
	Build integrated initiatives around specific territorial strengths and/or societal challenges.

LESSONS LEARNT	Effective institutional settings and coordination mechanisms are essential in integrated territorial development initiatives more than the availability of funds.
	The integration of different funding sources to support the integrated approach envisaged in strategies require a strong coordination, within the same public administration, across different departments and between different public administrations and other bodies.
	The integration of different funds and measures needs to be carefully addressed since the design phase of programmes to avoid coordination failures in the implementation stage.

Evolution of Question 3

QUESTION	How to integrate specific border region issues in an integrated approach?

RECOMMENDATIONS	Focus on functional territorial areas and identify common strengths, issues and challenges on which to build a common vision and specific initiatives

	(financial resources come after).
	Build political support and commitment around common visions and strategies in all cross-border territories.
	Clearly identify strategy's objectives and tasks' distribution among cross-border territories.
	Promote cooperation agreements between similar institutions across borders (agreements between local Chambers of Commerce, etc.)
	Set-up and finance cross-border institutions and organisations that work on common issues and promote joint initiatives.
	Support the development of common infrastructures.

LESSONS LEARNT	There is a need to change the "incentive structure" to nurture interregional cooperation. The provision included in the ERDF's regulation (possibility for regions to spend up to 15% of ERDF resources in other regions) has not really been used.
	It is necessary to simplify and homogenise ESIFs regulations (similar rules for all funds).
	When developing cross-border programmes and projects, it is absolutely necessary to build on common issues rather than just on the availability of money for interregional initiatives.
	Adopt common indicators, in cross-border areas, to measure trends and evolution processes across borders and identify common challenges.

ANNEX | PEER EXCHANGE & LEARNING – PXL

[ABOUT THIS REPORT]

Peer eXchange and Learning (PXL) is a methodology for reviewing specific elements of innovation strategies for smart specialisation (S3) and territorial development strategies and tackling the associated implementation challenges. It is an important instrument currently offered by the S3 Platform of the European Commission to EU Member States and regions.

PXL builds on the well-established peer-review approach of the S3 Platform. It supports transnational learning by bringing together regions and countries for an exchange of knowledge and experience, mutual learning and the exploration of ways in which innovation and development strategies can be effectively implemented, adjusted and revised.

PXL creates an open and trusted learning environment where practical and conceptual issues can be discussed and explored through the experience of individual regions and countries. It engages peers and experts in focused discussions on important issues that the regions and countries under review raised and guides them to distil a range of collective suggestions and lessons into a coherent picture.

PXL especially aims to tackle the challenges emerging during the transition from strategy design to implementation. It does so by: (1) focusing the discussion among regional and country representatives, experts and European Commission staff around a *thematic frame* which is typically a single theme, process or element of the strategy; (2) preferentially targeting a community of policy makers and practitioners who are at the stage of transforming planned objectives into results through concrete actions.

PXL Workshop

A PXL workshop has a single thematic frame (e.g. governance settings, priority definition, monitoring, policy mix, etc.). It runs over one full day and includes peer review of two to four regions and/or countries. Individual PXL sessions focus on one region or country and last around one and a half hour.

The workshop is opened by one or more expert presentations and a debate around the framing topic. This opening session should set the scene and provide a broad set of views, approaches and insights for the individual PXL sessions. The debate can take the form of a dialogue between experts who will alternately provide arguments in support of and against common practices or believed-to-be-good practices in the field defined by the workshop's framing topic. This type of dialogue would help to stimulate the following discussion to go beyond traditional formulations of problems and solutions.

The workshop continues with individual PXL sessions. A presentation of each region or country's current work on the thematic frame is generally followed by a Q&A session. Specific issues identified by the regions and countries under review are then discussed at individual tables in two iterations, which ensure that participants can: *work together* to understand the actual problems; *propose solutions* to these problems by discussing what worked well and what did not work; and *learn together* how to deal with new policy issues in new contexts.

An S3 Platform team member facilitates each PXL session in line with the participatory leadership approach. Such a participative approach encourages all participants to share or participate in the discussion and to identify key messages. It allows engaging participants in a dynamic and creative discussion, which benefits both the regions and countries under review and their peers.

PXL sessions are followed by a final session during which all participants (experts, representatives of the regions and countries under review, peers, and European Commission staff) summarise the results of the sessions, and discuss individually and mutually lessons learnt. At this point, the regions and countries under review have the opportunity to respond to any feedback collected throughout the workshop. Finally, they share their main insights with peers and may mention any short- to mid-term plans to apply them.

Building on the general structure described above, the format of the workshops is tailored according to the topic's requirements and needs expressed by regions and countries.

Objectives and Expected Outcomes

Regions and countries volunteer to be reviewed in an attempt to source both critical and well-timed advice addressing specific issues they are currently facing in the implementation of innovation and development strategies. Regional and national policy makers may also view PXL workshops as a good opportunity to build their networks of counterparts across Europe.

PXL sessions aim to achieve the following outcomes: (i) to better *understand* the thematic frame of the whole PXL workshop; (ii) to *provide* general feedback to each region and country under review; (iii) to *examine* the specific issues presented by each region and country under review and propose how they could be tackled or solved; and (iv) to *build up* awareness and knowledge about problems that are common across Europe.

During the workshop, the S3 Platform team collects any relevant information and data covering different elements of each PXL exercise. A brief summary/feedback report is drafted and circulated by the S3 Platform team as a final output of the workshop.