Squaring the circle: lessons from the role-playing exercises on S3 regional and multi-level governance

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Abstract

Whilst there is widespread agreement on the importance of developing an appropriate governance structure for S3, there is little empirical evidence on the challenges this entails. The JRC, as part of its activities of Targeted Support, has developed a working group to address these issues. The working group operated in the first half of 2018, built upon an extensive background research as well as two role-playing exercises. The latter aimed at understanding and addressing key policy challenges, by enacting realistic policy scenarios.

The paper explores both policy and methodological questions. As for the former, the paper investigates the main bottlenecks inhibiting the effectiveness of multi-stakeholder policy development, identifying the administrative and technical needs of those in charge of S3 governance. As for the latter, the paper provides an opportunity to reflect on role-playing as a tool for policy analysis in the context of Cohesion policy.

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1. Introduction

The development of Smart Specialisation Strategies (S3) has put considerable pressure on EU regions/member states, which have had to reflect on their governance of innovation policy. On the one hand S3 governance requires embedding participatory elements to the policy process; on the other, as S3 is framed against broader socio-economic objectives, it demands coordination across government departments and policy actors that were previously peripheral to innovation policy (European Commission, 2012).

Whilst there is widespread agreement on the importance of developing an appropriate governance structure for S3, there is little empirical evidence on the challenges this entails. The JRC, as part of its activities of Targeted Support (Boden et al. 2018), has developed a working group to address these issues. The working group operated in the first half of 2018, built upon an extensive background research as well as two role-playing exercises. The latter aimed at understanding and addressing key policy challenges, by enacting realistic policy scenarios.

The paper explores both policy and methodological questions. As for the former, the paper investigates the main bottlenecks inhibiting the effectiveness of multi-stakeholder policy development, identifying the administrative and technical needs of those responsible for S3. As for the latter, the paper provides an opportunity to reflect on role-playing as a tool for policy analysis in the context of Cohesion policy.

The paper is organized as follows: section two introduces the methodology of the two role-playing exercises; section three and four report, respectively the scenarios and the outcomes of both the exercises; section five concludes highlighting the key implications for policy, commenting on the current proposal for the regulations of Cohesion Policy in 2021-2027.

2. Methodology

The use of role-playing has been acknowledged by the literature as a valuable tool for policy analysis (Geurts and Joldersma, 2001), yet, to the best of our knowledge, it had not previously been applied to S3 governance. As indicated by Geurts and Joldersma (2001) a game should be based on a simulated model derived from a real system, which is translated into roles, rules of the game, and the scenario, enacted by actual stakeholders.

Whilst originating in the military field, games have been increasingly applied to other policy areas (Mayer, 2009). Gaming and its value is usually contrasted with computer simulation and formal modelling. Whilst the latter have the advantage of rigorous codification, the former has emerged as more appropriate for policy learning, providing the opportunity to work on both the technical-physical and the social-political complexities of policy problems (*ibid.*). In this context, role-playing is not intended to be predictive, but to stimulate learning by fostering dialogue and consensus-building (Duke, 2011). Games are powerful tools to improve communication between competing stakeholders, which are relieved momentarily from real-life pressures, whilst facing real-life situations. They are particularly useful because they permit exploring non-reversible decisions, whilst improving communication and generating a shared overview of the problem (*ibid*).

In this paper we report two role-playing games which focused on, respectively, intra-regional and multi-level S3 governance. Between 30 and 40 participants took part in each event. All the participants were closely involved in S3 and specifically in the type of tasks required by the role-playing itself. In line with Duke (2011) an extensive preparatory work was required to prepare the exercises (see full methodologies attached in Appendix 1 and 2). One of the main challenges was to build up scenarios appealing to all the regions participating in the experiment, which came from very different institutional settings, ranging from highly centralised member states (i.e. Romania) to highly decentralised ones (i.e. Spain). As a result, the scenarios include and combine

features from different member states. The topics selected for discussion emerged following a set of case-studies conducted in the partner-regions of the JRC Targeted Support project[1], as such, they are empirically grounded and recognised as challenging by the regions themselves. The scenarios embedded the asymmetric information that characterises different bodies involved in S3 governance, with each set of actors having only a partial understanding of the objectives and instruments used by other actors. In both exercises, each set of actors was assigned a moderator and a rapporteur. The latter provided the JRC with an account of each discussion.

The **first meeting** covered the process of *Negotiating a S3 Revision* and enacted the interaction between five groups:

a. The S3 Technical Office

b. The Managing Authority for the ERDF (European Regional Development Fund) Operational Programme

c. The Managing Authority for the ESF (European Social Fund) Operational Programme

d. Stakeholders

e. Regional decision-makers (politicians).

The role-playing scenario revolved around re-negotiating the policy mix of the current S3 and planning for the next programming period. In particular it focussed on balancing instruments fostering human capital (vocational training and industrial PhDs, falling under the scope of support of ESF) with instruments funding research and innovation (innovation vouchers and collaborative research grants, falling under the scope of support of ERDF). The exercise allowed exploring four aspects of intra-regional governance, namely:

1) The coordination of complementary policies related to S3 (i.e. training and innovation).

2) The communication within different bodies of the regional administration

3) The trade-off between the short-term needs of OP management vs the strategic needs of S3 implementation.

4) The coordination of the policy and political cycle

The scenario was deliberately built to explore the tensions arising when pursuing a strategy which (1) requires harmonising instruments that follow different logics and regulations, (2) has long-term objectives that cannot be met within the timing of political cycles.

The **second meeting** enacted a much more complex *multilevel* scenario (see graph 1). This involved the following actors:

    a. national administration
    b. two regional administrations (the capital and peripheral region)
    c. DG REGIO were interacting

who have to pursue two parallel tasks:

    1. The definition of a **capacity-building programme** to support the coordination of S3 implementation between the national and regional level (in which DG REGIO was largely involved as an observer and advisor).
    2. The negotiation of a **technical assistance project** between DG REGIO and the peripheral region of the country (in which the S3 technical body of the national level and the capital region were engaged as observers/advisors).

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[1] These are: North East and North West Romania, Severen Tsentralen (Bulgaria), Warminsko Mazurskie (Poland),Észak-Alföld (Hungary), Eastern Macedonia and Thrace (Greece), Puglia (Italy), Centro (Portugal), Extremadura (Spain).

Both the capacity building programme and the technical assistance project responded to the need of improving monitoring, the coordination of calls, the revision of S3 and state aid. The scenario embedded several conflicts and trade-offs.

Both games required participants to try and reach consensus to fulfil their own individual objectives. However, the aim of the exercises was not the consensus itself, rather, it was the opportunity to discuss different aspects of S3 governance, providing experiences from the different regions and countries, thereby generating a collective learning process. In this paper, we will not report the details of the consensus building process, but rather highlight the key lessons from the process.

3. Intra-regional governance of S3: key outcomes of the first role-playing exercise

3.1 Scenario

The first role-playing exercise is set up in a rural and middle-to-low income region in 2018 and is focussed on the agrifood sector. Economically, the sector revolves largely around SMEs, mainly family businesses, and a handful of large firms which have started to engage in research activities. The large firms work on the upper end of the oil and dairy industry.

The public Agrifood RDTI activities are based on one public agricultural university and one public research centre. The former has limited engagement with firms and with the local business school, though some new members of staff are willing to change that culture. The latter has been somewhat more engaged with the private sector.

Since the crisis in 2008, the region has lost much employment share in manufacturing. As a better economic period starts, agrifood seems to be a good bet. One of the problems with the sector is that much of it runs in the informal economy, with limited reflection in the employment rate.

The region in the scenario has administrative competences and elected representatives but is relatively new to innovation policy. The technical body in charge of S3 is competent but understaffed. The region has two separate OPs for the European Social Fund (ESF) and for the European Regional Development Fund (ERDF).

The S3 technical body is reviewing the S3 Strategy for the priority "Agrifood". The S3 technical body has shared with stakeholders the results of the Mid-Term Review of the S3 strategy. They have identified, as weaknesses of the sector:

- the lack of demand for innovation from firms in Agrifood
- the lack of skills (within firms and within the labour market) to adopt/implement available innovations
- the lack of a strategic research plan to valorise leading products
- very limited culture of collaboration in RDTI actors.

In reply to these concerns, the technical body is suggesting to reflect on the following instruments for the forthcoming revision of the S3 and in the preliminary discussion for the post-2020 programming period.

- Vocational/professional training, to generate human capital able to use innovation in the sector.

- Industrial PhDs, especially in leading products which could help position the region internationally.

- Vouchers for innovation services to stimulate the demand for innovation in SMEs

- Collaborative research grants between the private and public sectors.

The instruments concerned are also present in the current ERDF and ESF OPs. The technical body wants to learn more about them, maximise synergies in the next programming period and probably boost some of them.

The technical body needs to come up with a proposal to decision makers (i.e. politicians). To this aim, the technical body needs to first interact informally with the two MAs and the stakeholders to refine a viable proposal.

Everyone is aware of the need to revise the S3 and think about the next programming period. Everyone is acting in good faith, but there are multiple agendas and deadlines to be managed. Just to mention a few:

- The managing authorities are analysing the situation in light of the administrative constraint of their OPs management (take-up of funds; coming mid-term evaluation; etc).
- The legal department struggles to come to terms with the loose definitions embedded in S3 and the difficulties related to State Aid and other regulations in the instruments proposed.
- Regional politicians are worried about the next electoral cycle and are reflecting on whether these measures are electorally good.
- Stakeholders in the private and research sector always feel support is insufficient and unnecessarily fragmented

The exercise started with a moment of self-reflection within each group of participants, followed by bilateral dialogue between the technical body, stakeholders and the managing authorities with a final plenary with politicians and all the other regional actors.

3.2 Key outcomes

a. **Short-term needs of OP management vs strategic needs of S3 implementation.**

An S3 is often described as an evolving document, one that adapt to market changes and new technological trends, through a governance system that allows information from stakeholders and the monitoring process to feed into decision making. This view, however, fails to acknowledge the reality of S3 implementation, in the current regulatory setup. The flexibility of S3 collides with the legal boundaries of the ESIF funds deployed for S3 (especially in less developed regions, which rely more on them).

This governance challenge was embedded in the scenario as the S3 technical body had to propose and negotiate changes to S3 implementing instruments with the ESF and ERDF MAs. In the exercise the S3 technical body, based on monitoring results, developed the following proposals:

(1) to support short-term employment contracts for innovative projects, rather than Industrial PhDs. This is because local firms in the agrifood sector (with few exceptions) are unable to absorb PhDs.

(2) to differentiate between two research grants streams: "excellence" (to serve the needs of the few highly-innovative firms) and "capacity building" (to serve the needs of the several SMEs in the sector).

(3) to extend the remit of innovation vouchers to "social or organisational innovation", which is considered crucial in an incipient innovation system.

All these proposals, which were crafted by the technical body based on sound strategic reasons, were evaluated by the managing authorities largely in their implications for spending targets. Similarly, when -in line with the monitoring results- the S3 technical body proposed to narrow-down the priority area "Agrifood" to the top-end of the dairy and oil industry, the ERDF managing authority rejected this idea, as it would restrict the pool of potential applicants to its calls, hence slowing down spending. Furthermore, the ERDF MA team had a lawyer, who drew attention to State Aid issues. In particular, given

the complexity and the legal nature of these rules, it was suggested that any planned S3 measure be evaluated as early as possible for its State Aid implications, which would outweigh any strategic considerations.

Along similar lines, the ESF managing authority, in discussing a potential engagement with S3, clarified that this would only be possible insofar as measures for training and innovation were able to generate measurable employment outcomes (which are central to their programme evaluation). The ESF MA would lukewarmly consider policy experimentation though pilots if, and only if, their scope and budget were limited and the time frame would enable an evaluation ahead of the new programming period.

This vignette clearly shows that one cannot understand S3 governance without taking into account the modus operandi (structure, performance framework, monitoring, assessment and review cycles) of ESIF operational programmes, especially after they are approved for execution.

b. **Coordination of complementary policies related to S3 (i.e. training/employment and research/innovation)**

One of the key challenges for S3 is the coordination between policies related to human-capital development and those supporting research and innovation. Indeed, any policy that puts research and innovation at the core of territorial development, must also take into account the skills and employment structures that will need to sustain such a techno-economic model. Remarkably, it is the less developed regions that most need such integration of policies, as the gaps between skills demanded and skills available for implementing innovation policies are larger than in more developed areas.

At the EC level, this aspect was not duly taken into account in the period 2014-2020. Indeed the European Social Fund (which supports employment, training and education) and European Regional Development Fund (which supports research and innovation) have different objectives, different regulations and are administered by different actors at EU and often national and regional levels. Specifically, the S3 was an ex-ante conditionality to access ERDF resources for research and innovation, whereas it had no legal bearing on ESF resources.

In order to explore the practicalities of the coordination of these different policies, in the scenario, the S3 technical body was attempting to align training and employment programmes (financed through ESF), with traditional innovation and research policy instruments (vouchers and grants, financed through ERDF and hence directly linked to S3). The S3 technical body had, de facto, the challenging task of trying to persuade the ESF MA to engage in S3.

Through the exercise, the technical team was fully exposed to the thinking of a typical ESF MA that operates under its own ex-ante conditionalities and programming constraints, including a performance and monitoring framework, that are not related to an S3; furthermore, the S3 technical team was put in the realistic situation of having to convince an MA to introduce novel interventions in the light of an OP that was inherently inflexible; they also understood what factors are of primary concern from the perspective of an MA upon approving (or rejecting) such requests for change, and therefore, how to prepare for similar interactions.

The exercise revealed, in practice, the challenges inherent in pursuing synergies between training, employment and innovation policies financed through different ESIF funds. For synergies to be exploited it is necessary to identify common incentives and objectives. However, the burden of proof of the existence of such common space lies largely on the S3 technical body which has limited leverage to demand involvement from the ESF MA. As such, S3 technical bodies require a good command of monitoring and communication skills to engage meaningfully in such negotiations and persuade the ESF MA of the mutual benefits of collaboration. Pilot projects have emerged as useful tools to explore ESF involvement in S3.

Two technical points, emerged from the exercise, are worth mentioning:

● In relation to human-capital development policies, the S3 technical body and the managing authorities agreed that Industrial PhDs were not suitable for the Agrifood sector in the region and were keen on experimenting with other types of instruments (proposals ranged from industrial masters; to more general students research projects in firms). At the same time, the ESF MA stressed the need to include Life-long-learning, as well as VET for S3. Both bodies agreed to study and anticipate the demand and supply of skills.[2]

● Secondly, in the rapporteurs' reports received by the JRC, there was an interesting misunderstanding. Whilst the ESF managing authority revealed to be open to collaboration with the ERDF Managing Authority in the future, the S3 technical body did not perceive such openness and understood that a legal basis would be necessary for the two MAs to collaborate regularly in the next programming period. The misunderstanding is a simple yet telling indication of the communication barriers to be overcome.

c. **Engagement of stakeholders**

S3 is defined as a bottom-up strategy, one in which stakeholders from the quadruple helix (private, public, research sectors and civil society) engage with each other to identify and pursue avenues for specialisation. Governance is seen as critical to embed such bottom-up elements: proper arrangements need to be identified for stakeholders to be informed and involved through the S3 policy cycle.

The scenario addressed this aspect with the S3 technical body having to consult stakeholders over its proposals on policy instruments. Role-players acting as stakeholders came from academia and from the private sector; as such their personal experience and knowledge was suited to the exercise. Following a realistic approach, stakeholders had no power over policy decisions; their opinion was valued but not binding. Stakeholders' contributions were considered insightful: in their discussion with the S3 technical body, they found most proposals appropriate, with the exception of research grants, which they considered too biased towards the needs of companies rather than universities. They stressed the importance of fostering the creation of extended partnerships of stakeholders, remarking the role of public policy in creating social capital by connecting actors that would not naturally gravitate towards each other.

Furthermore, stakeholders suggested exploring a series of policy schemes for interregional cooperation including: short-term visits of researchers, professionals and students in SMEs, tools to detect the local demand for innovation, tools to reduce the uncertainty faced by SMEs when engaging in innovation, etc. Remarkably, these suggestions were not raised by any other group in the exercise, revealing the value of opening up the policy process beyond public authorities. Stakeholders also felt it was crucial to organise a pre-assessment and post-evaluation to bridge the gap between instruments' goals and real needs. This confirms the importance of monitoring as a tool to engage stakeholders: developing and accessing sound information about the territory and its actors is something of high value to the actors themselves.

Whilst stakeholders contributed valuable and original ideas, the exercise revealed that it was difficult to take them formally into account, mainly due to their programme-agnostic nature. The ideas could not easily fit into programme structure[3] and indeed, throughout the interaction and negotiations among the different elements of the governance system, they were diluted due to political and administrative constraints. Needless to say, this generated frustration among stakeholders, exemplifying how difficult it is to sustain trust throughout the policy cycle.

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[2]This is actually an ESF ex-ante conditionality for the investment priority A*daptation of workers, enterprises and entrepreneurs to change*.
[3] This finding is in line with what described in Marinelli et al. (2016)

d. **Coordination of the policy and political cycle**

The S3, as a long-term strategy, is unlikely to lead to economic outcomes that are a good match for the immediate concerns of the electorate, nor to do so within politically relevant timeframes. Furthermore, the EU programming period does not typically overlap with the electoral cycles of member states and region. This aspect was embedded in the role-playing exercise, whereby the final proposal of the S3 technical body, had to be discussed with the regional S&T ministry (and his team). The regional ministry was facing re-election and had previously committed to increasing exports and employment.

In the role-playing game, the political representatives applauded the proposal by the S3 technical body, as it was in keeping to their own ideas, which included establishing a "Centre for Training and Skills" for Agrifood.

However, the decision-makers expressed concern at the lack of explicit mentions of indicators or other visible/documentable outcomes. They stressed the importance of tangible outcomes materialising before 2021, that is the year before the regional elections. They also noted that the policies proposed were missing an export-led growth, or environmental dimension, key elements of their electoral pledges, upon which they counted for re-election. They thus suggested to steer the region's S3 priority *Agrifood* towards products and services that are *environmentally friendly*. As this is an area of growing global demand and may generate export-led growth. They recommended that a "Future Council" is set up, with high-level stakeholders from the Agrifood sector and wider system, that drafts strategy, steers, coordinates and finally advises the executive agency (-ies).

The exercise showed that the extent to which local political leadership embraces the S3 approach -and empowers local administrations to implement it- is very much dependent on the electoral relevance and credibility of the S3 vision. Because electoral cycles and programming periods are not synchronised, political principals are not always in a position to take credit (or blame) for the S3 vision. Strong political support at the top can make much difference to implementation.

4. The second role-playing exercise: Multi-level governance of S3

4.1 Scenario

The second role-playing exercise looked at the multi-level nature of S3 governance, exploring the relationship between the regional, national and EU level (i.e. DG REGIO). The exercise explores the relationship between the following governance bodies, by enacting a realistic policy scenario.

- S3 technical body of Country X
- S3 technical body of Region P – the Peripheral region in country X.
- S3 technical body of Region C – the Capital region in country X
- European Commission - DG REGIO

Country X is composed of two regions: Region C (where the national **C**apital city is located) and Region P (**P**eripheral) both are classified as less developed, yet in region C the area of the capital city is well developed.

In relation to Cohesion Policy, and in particular ERDF, Country X operates in a hybrid setting, whereby most of the resources on Research and Innovation are concentrated on National Operational Programme (NOP), yet the two regions have their own Regional OPs (ROP). A national S3 strategy co-exists with two regional ones. The regions can organise their ROP calls, however, such calls need to be formally approved by the national ministry, which checks for State Aid issues, as well as other formalities.

Each region and the member state has its managing authority (responsible for the implementation of ERDF OP) and a separate S3 technical body. The latter is tasked with

supporting S3 implementation but lacks any decision-making power in relation to funds (as is typically the case). The S3 priorities of the two regions show some degree of overlap and the national S3 aims at encompassing both sets of priorities.

The NOP on Research and Innovation is implicitly biased towards the capital region, in that it places a lot of resources on research and research infrastructure, hence providing a competitive advantage to the university and research centres in the capital city, where the strongest labs and universities are located. The peripheral region has one university which has limited research capacity and limited ability to manage large research infrastructure and attract the adequate talent. This bias is further reinforced by the fact that stakeholders in the capital region, or more precisely, the capital city, are better skilled at applying for funds. Nevertheless, except for the capital city, stakeholders in Region P and Region C have similar problems accessing the funds.

The NOP has a **budget for technical assistance**, to improve coordination between national and regional S3 implementation and to improve access to the NOP for those less able. The National Managing Authority is delegating the National S3 technical body to devise and implement a programme of capacity building and define an appropriate governance structure for S3. The programme should look into:

● Coordination of planning/issuing of calls, receiving and evaluating project applications, by S3 priorities.

● Coordination of State Aid procedures

● Coordination of S3 revision

DG REGIO will provide advice on whether the National Capacity Building project is adequate to the needs of the country, which according to DG REGIO are:

● Inefficiency, and therefore delays, in issuing calls

● Limited take-up of funds, especially from companies

On top of these, DG Regio is considering investing in some technical assistance targeted to region P to complement any gaps that will be identified in the national capacity-building programme. This is because it has noticed that region P is experiencing an extremely slow delivery of calls, poor take-up by stakeholders once calls are issued and unclear alignment between instruments and S3 objectives.

This scenario, summarised in graph 1, is significantly more complicated than the previous one, two different outputs are being negotiated (a) the capacity building programme funded by the national level (b) the potential technical assistance to region P funded by DG REGIO.

Graph 1 – Summary of Multilevel governance scenario.
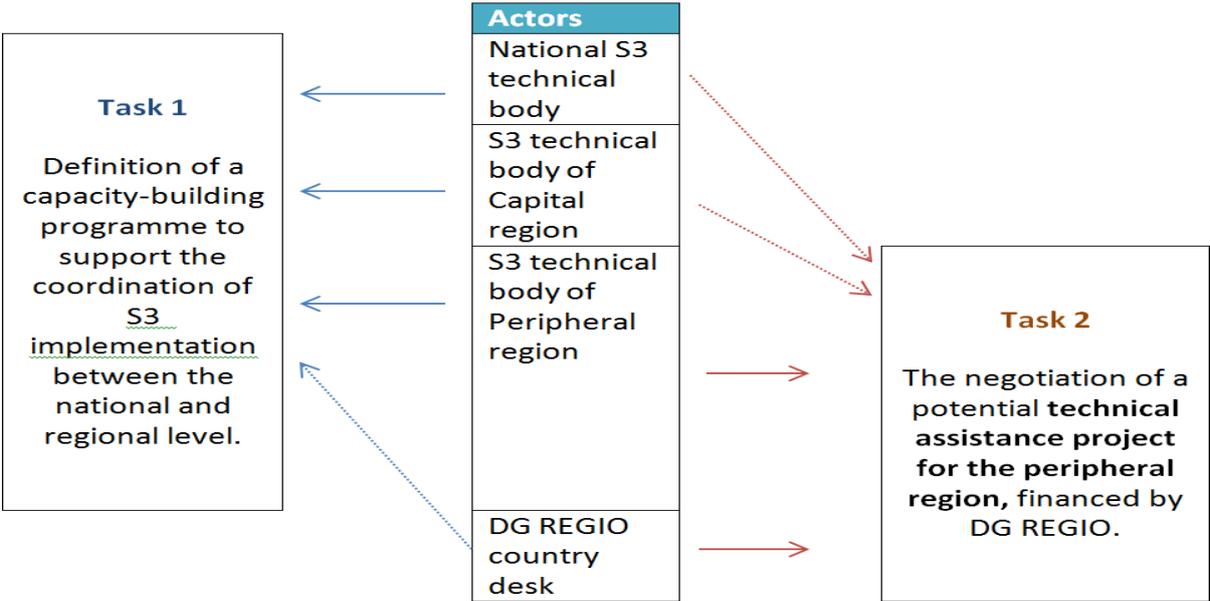
Note: Solid lines identify actors central to the tasks. Dotted lines identify actors involved as observers/advisors.

The exercise embedded a series of trade-offs and asymmetric information across all characters (as reported in Appendix 2).

In more detail: whilst the two regions wanted to cooperate in certain aspects, they were competing for the same national funds, which were more easily taken up by the more developed capital region (and in particular by actors in the capital city). The actors also needed to manage the mix between national and regional competences, whereby the national level was responsible for some administrative aspects, whereas most policy formulation was conducted at the regional level. The peripheral region lagged behind not only in terms of economic activity but also in terms of policy capacity. Last but not least, the scenario called in question the DG REGIO desk, as a potential source of technical assistance, testing whether the three different levels had a common understanding of S3 and of their respective needs and opportunities for cooperation.

As for the previous exercise, each governance element represented was assigned a moderator and a rapporteur. The latter provided the JRC with an account of each table's discussion.

4.2 Key outcomes

The role-playing game provides the opportunity to reflect on three crucial aspects of S3 governance:

- The challenges involved in co-ordinating S3 functions at the national and regional levels.
- The importance of developing a shared understanding of S3, across levels.
- Key characteristics of a functioning multi-level governance structure

a. Coordinating S3 functions sub-nationally

The role-playing game was set up to discuss the coordination of S3 implementation between the national and regional level. This aspect is relevant as, in most EU member states, competences on regional development and research and innovation are diffused - in different configurations- among a plurality of entities at the national and regional level.

The role-playing game addressed these aspects, focussing on the need to coordinate the monitoring process, the EDP, the development and publication of calls and the application of State Aid regulations.

In relation to monitoring, all actors clearly expressed their will to collaborate and jointly define their capacity-building needs. As in the scenario the capabilities for monitoring are concentrated in the capital city (where the national and regional administration are located), the capital region offered to support the peripheral region with training and capacity building, contributing to a network of seconded experts. It was also considered crucial to gain support from the national level to build a set of indicators common to all regions.

Coordinating similar or complementary calls was considered crucial yet extremely difficult, both because of the large resources required and because of the uncertainty characterising the process of calls-planning and launching. With limited hope to find viable solutions in the short-term, the group considered nonetheless worthwhile to develop a national-regional working group to identify bottlenecks hampering such coordination.

The entrepreneurial discovery process was discussed in view of the forthcoming S3 revision. The main concern was the limited participation of stakeholders, with exception of those in the capital city. Both regions saw the opportunity to collaborate in initiatives targeted to less active stakeholders.

At the governance level, State Aid was presented as an issue that, if not properly managed, could undermine the whole policy process. Participants pointed out that, in their experience, rules on State Aid procedures are clear, but not easy to implement; causing an additional layer of bureaucracy and generating fear and paralysis, typically resulting in very risk-averse behaviour. The discussion provided limited suggestions to improve the situation, however, raised a red flag.

The exercise revealed three points, rich in implications for governance. First, participants are responsive to collaboration opportunities and value peer-learning activities as a way to address common policy challenges (hence the desire to build working groups, etc.). Second, some of such challenges are extremely difficult to address, and such inherent complexity should be duly acknowledged to avoid setting unrealistic expectation as to what a governance system should achieve. Last but not least, the exercise confirmed that even sub-regional disparities in development have a bearing on S3 implementation[4] and this aspect should not be overlooked.

b. **Developing a common understanding of S3 at the different levels**

S3 governance is often defined as multi-level, referring to the fact that actors at different territorial levels, i.e. regional, national and EC are involved in it (Edwards et al. 2016). Whilst the notion of multi-level governance is undisputed, there is little analysis of how such multi-level arrangements are articulated and what their implications are. To explore this aspect the scenario enacted a parallel negotiation, one centred around regions and the national level and one centred around the peripheral region and the EC (i.e. DG REGIO), aimed at exploring opportunities for technical assistance.

DG REGIO is formally involved in S3 through the supervision of the Operational Programmes. Indeed, the interaction of regions with the EC level occurs mainly through their corresponding programme managers, within the process of OP definition, monitoring and implementation. Against this background, the role-playing exercise showed that the perception that DG REGIO and S3 Technical Bodies have of Smart Specialisation is significantly different. Throughout the exercise, dialogue with EC level proved difficult for all those involved revealing a large communication gap. The major issue that emerged from this role-playing exercise was that, from the perspective of DG REGIO, after member states or regions have their ERDF programmes approved and thus they have fulfilled their S3 conditionalities, the main attention is on programme (and not S3) implementation and monitoring. Although this is in line with regulations governing

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[4] The example appeared useful, for instance, in the case of Bulgaria where actors in Sofia – the capital city- are much better skilled to take up funds

ESIF, it leaves S3 as a background process that has no legal standing in the programme cycle. S3 technical bodies perceive that there is unexploited potential at the DG REGIO level, as a super-national actor that can provide support and information, as well as clarifications on technical aspects.

In the game, DG REGIO considered, in the end, that it was not possible to launch a technical assistance project with the peripheral region, given that the assistance is provided only under narrowly specified circumstances. Nevertheless, DG REGIO shared information about other options for support (i.e. TAIEX, peer to peer learning, online tools). Such tools were considered inadequate from the region as they were not sufficiently targeted.[5]

c. **Governance as capacity building**

The role-playing game also aimed at discussing/identifying appropriate governance arrangements, to improve national/regional interactions. Two relevant aspects emerged from the discussion, which reinforce the findings emerged in the first role-playing exercise.

First, the S3 national and regional technical bodies felt they needed to be empowered with more capacity in order to be able to coordinate better all the S3 processes. At the very least they felt they had to be formally consulted by the OP managing authorities and any other public body engaging with the S3 elements of structural funds (i.e. DG REGIO). Not doing so would prevent S3 to become the intended broad development strategy, relegating it to a simple technical appendix of the OP.

Secondly, the S3 governance structure also needs to embed opportunities for learning and sharing as, for many regions and member states, S3 is a demanding policy process. Capacity building needs to be embedded in the governance structure, through working groups and technical networks that take a mid-term outlook at the process and are able to accompany policymakers throughout the policy cycle. This is especially important for less developed regions, for which access to external experiences and expertise is crucial.

5. Summary and conclusions

This paper has explored some key nodes of S3 governance through two role-playing exercises organised by the JRC within the activities of Targeted Support to less developed regions. This concluding paragraph summarises the key findings of the exercise, at the methodological and policy level, and draws some implications in relation to the current proposal for ESIF regulations (EC, 2018)[6].

At the methodological level, our experience suggests that role-playing is useful for participatory policy learning and analysis, as it opens a space to address realistic conflicts and trade-offs without the pressures of reality itself. However, the dynamics emerged in the exercise also highlight the difficulties in practising such a methodology, which requires an in-depth preparation from participants as well as moderators. Remarkably, the methodology resulted in much more dynamic exchanges in the first exercises than in the second, possibly because of the increased complexity of the scenario addressed.

At the policy level, the exercises showed that the current ESIF regulatory framework cannot easily accommodate the S3 governance needs, due to the (somewhat) conflicting institutional objectives of the different bodies involved. This is especially the case for less developed regions, which rely significantly on ESIF operational programmes that operate under logics different than S3. The concept of S3 governance itself appears somewhat elusive, in a context in which those technically in charge of S3 are not necessarily empowered to influence its implementation. This situation is mirrored by the fact that the concept of S3 itself, despite the attention received, is not understood in the same way by

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[5] An example of the diverging understanding is the support needed for State Aid. Regions and Member States feel unguided despite the fact that a rulebook is made available by DG REGIO

[6] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A372%3AFIN

those who designed the strategy (i.e. S3 technical body) and those who should support or overview its implementation (i.e. the managing authorities and DG REGIO). Such a lack of common ground bares significant consequences, especially for less developed regions.

Indeed, S3 requires significant skills and competences, which cannot be built exclusively with short-term measures (such as one-day workshops, or ready-made tools) and demand a long-term, targeted approach based on a common and in-depth understanding of the challenges at stake. This aspect cannot be overstated, especially in areas of the EU with incipient innovation system and limited regionalised competences. The governance of S3 thus also need to embed a capacity building element in order to allow the coordination of actors within the region, or at different territorial levels, which is crucial for many aspects of S3 implementation.

To conclude the exercise allows reflecting on the current proposal for ESIF regulations for the programming period 2021-2027, in which Smart Specialisation is addressed under policy objective 1: *A smarter Europe by promoting innovative and smart economic transformation*. The latter is articulated in specific objectives and identifies an enabling condition and the related criteria for fulfilment (see appendix 3). Two points seem particularly relevant:

1.   The specific objectives include *developing skills for smart specialisation, industrial transition and entrepreneurship*. This should help overcome the significant obstacles faced in the current programming period (exemplified in the first role-playing exercise), in harmonising training and human capital measures with innovation ones. At the same, it may support public administrations in building their broader skill-base to support their policy process.[7]

2.   The fulfilment criteria for the enabling condition "Good governance of national or regional smart specialisation strategy" include the *existence of competent regional/national institution or body, responsible for the management of the smart specialisation strategy.* This seems a crucial legislative step forward, yet it is necessary that the relationship between such institution/body, the OP Managing Authority and DG REGIO be based on a shared understanding of S3 in its objectives and its challenges, as well as on a clear definition and attribution of responsibilities.

To conclude, it is crucial to stress that the governance challenges underpinning S3 implementation are both complex and of long-term nature: caution, patience and an in-depth understanding of the institutional set-up of each region/member state is necessary if progress is to be achieved.

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[7] Needless to say, much more needs to be understood about these aspects and future research should explore, with policy makers, the main skills-gaps.

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List of abbreviations and definitions

DG REGIO   Directorate General for Regional and Urban Policy

EC   European Commission

EDP   Entrepreneurial Discovery Process

ERDF   European Regional Development Fund

ESF   European Social Fund

ESIF   European Structural Investment Funds

NOP   National Operational Programme

OP   Operational Programme

ROP   Regional Operational Programme

S3   Smart Specialisation Strategy

Annexes

Annex 1. Full methodology of role-playing game 1

RIS3 Governance Working Group– Role Playing exercise

Introduction

This document sets up the methodology for the Role-Playing exercise in the *Governance Working Group* in Madrid on the 28th of February

The exercise will explore the relationship between the following governance bodies/actors, by enacting a realistic policy scenario.

- RIS3 Technical office
- Managing authority of ERDF accompanied by a legal expert (State Aid)
- Managing authority of ESF
- Stakeholders
- Regional politicians (decision makers)

The document contains the following sessions:

- Baseline description of the scenario, that is information available to all governance bodies/actors.
- Methodology of the exercise
- Objectives, outcomes and outputs of the exercise

In addition to that, each group of stakeholders will receive specific background material.

Scenario: Mid-term revision of RIS3 and first reflections about the next OP – focus on Agrifood

Techno-economic overview

The region is rural and middle-to-low income. In the Agrifood sector the economy revolves largely around SMEs, mainly family businesses, and a handful of large firms which have started to engage in research activities. The large firms work on the upper-end of the oil and dairy industry.

The public Agrifood RDTI activities are based on one public agricultural university and one public research centre. The former has limited engagement with firms and with the local business school, though some new members of staff are willing to change that culture. The latter has been somewhat more engaged with the private sector.

Since the crisis in 2008, the region has lost much employment share in manufacturing. As a better economic period starts, Agrifood seems to be a good bet.

Administrative situation

The region in the scenario has administrative competences and elected representatives but is relatively new to regional innovation. The technical body is competent but understaffed.

The region has two separate OPs for the European Social Fund and for the European Regional Development Fund.

Policy situation: review of RIS3 and first discussion for 2021-2028 OP in Agrifood

The RIS3 technical body is reviewing the RIS3 Strategy for the priority "Agrifood".

The RIS3 technical body has shared with stakeholders the results of the Mid-Term Review of the RIS3 strategy.

They have identified, as weaknesses of the sector:

- the lack of demand for innovation from firms in Agrifood
- the lack of skills (within firms and within the labour market) to adopt/implement available innovations
- the lack of a strategic research-plan to valorise leading products
- very limited culture of collaboration in RDTI actors.

In reply to these concerns the technical body is suggesting that the following measures take priority in the forthcoming revision of the RIS3 Strategy and in the preliminary discussion for the post 2020 programming period. These instruments below are also present in the current OPs, but the technical body wants to maximise synergies in the next programming period and probably boost some of them.

The Technical Body is also exploring opportunities to learn more about these instruments in the current programming period.

- To invest in vocational/professional training, to generate human capital able to use innovation in the sector.
- To invest in Industrial PhDs, especially in leading products which could help position the region internationally.
- To invest in vouchers for innovation services to stimulate the demand for innovation in SMEs
- To invest in collaborative research grants between the private and public sectors.

A meeting with regional decision makers, with the technical body, the two managing authorities, key stakeholders and some legal experts has been set up to discuss these issues. The technical body needs to come up with a proposal. To this aim, the technical body needs to first interact informally with the two Mas, the legal expert and the stakeholders to refine a viable proposal.

Everyone is aware of the need to revise the RIS3 and think about the next programming period. Everyone is acting in good faith, but there are multiple agendas and deadlines to be managed. Just to mention a few:

- The managing authorities are analysing the situation in light with the administrative constraint of their OPs management (take-up of funds; coming mid-term evaluation; etc).
- The legal department struggles to come to terms with the loose definitions embedded in RIS3 and the difficulties related to State Aid and other regulations in the instruments proposed.
- Regional politicians are worried about the next electoral cycle and are reflecting on whether these measures are electorally good.
- Stakeholders in the private and research sector always feel support is insufficient.

A summary of the two OPs and the first output indicators (on spending) have been shared ahead of the meeting.

Summary ESF - OP[8]	Legal commitments of public expenditure (% of allocated budget)	Key monitoring points for Agrifood
Vocational Training (all sectors)	40%	Good demand for Agrifood training. Poor employment statistics, due to informal sector.
Industrial PhDs (all sectors)	60%	Funds-take up stronger in other RIS3 sectors, than Agrifood. Few positive experiences in Agrifood.

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[8] Next calls are foreseen in either 2018 or 2019.

Summary OP -ERDF[9]	Legal commitments of public expenditure (% of allocated budget in the OP)	Key monitoring points
Innovation Vouchers (all S3 priorities)	60%	Poor absorption from Agrifood, though the trend is improving
Collaborative research grants	60%	Poor absorption from Agrifood, concentrated in oil and dairy.

Methodology

The role-playing session is organised in four steps.

Internal reflection: Each group will first reflect on the scenario on its own and define its line of argument in view of their meetings (30 minutes). To this aim, each group receives a separate document, identifying guidelines for discussion as well as extra information that is only available to them.

Bilateral meetings: The technical body splits in three to discuss with:

- the Managing Authority of the ESF OP
- the Managing Authority of the ERDF OP and the legal expert
- Key stakeholders in the sector.

The idea is to test out with them their proposal and understand the issues at stake to receive feedback (40 minutes)

Finalisation of the proposal by the Technical Body: The technical body resumes following the bilateral meetings and finalises the proposal in light of the feedback (20 minutes)

Plenary presentation to decision makers, managing authorities, legal experts and stakeholders: The technical body presents its proposal, highlighting how it responds to the needs of the different actors engaged. Politicians ask question on the viability to all actors and open a debate. They finally decide on which aspects to retain or not of the proposal. (20minutes).

A moderator and a rapporteur will be present at each discussion-table. Both will be active participants to the role-playing. The moderator has the task of guiding the discussion, the rapporteur has the task of recording the outputs of the discussion and reflecting on the debate to provide the JRC with an analysis of the challenges for RIS3 governance emerged.

Outputs and outcomes of the discussion

Outputs

- Output of the internal reflection: notes from each body on the key challenges foreseen in the proposal
- Output of the bilateral meetings: notes from rapporteurs on the dynamics of interaction
- Output from the finalisation of the proposal: proposal to present to policy makers
- Output of the plenary: amended proposal approved by politicians

Outcomes

- The identification of the challenges involved in trying to push an integrated approach to smart specialisation.

Technical RIS3 body - Internal notes

These notes provide information to guide the discussions for the RIS3 technical bodies. These notes are not binding, if the discussion is moved to other aspects, it is ok.

What type of vocational training?

You know little about vocational/professional training. However, you know that currently vocational training in the ESF is not really designed around RIS3 but covers all sector with some premium assigned to RIS3.

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[9] Next calls are foreseen in either 2018 or 2019.

Monitoring data shows demand for training in the Agrifood sector but poor employment indicators for graduates of such programmes. This is, probably, due to the way the industry is organised, with significant submerged economy.

You are aware from your monitoring activities that stakeholders demand some specific skills that they can't currently find.

What should you propose?
- What type of training would work in the Agrifood sector?
- What could be proposed that could be appealing to ESF managers for the next programming period? Something targeted at a specific age group?
- Something targeted at people only partially employed?
- Is there scope for a pilot during this programming period?
- Should you engage further with firms in the sector to understand their needs?

Industrial PhDs.

Your monitoring data shows that the agricultural university in the region is finding it difficult to implement Industrial PhDs. The rector said she is unable to spend all the funds she receives from the OP, due to the lack of interest by SMEs. Indeed only a few engaged in the process and whilst they were happy with it, they really represent a minute fraction of the total. The programme is being successful with the few large firms (especially in the dairy and oil value chain).

In total, only 30% of the funds that you, as technical body, expected to go to Agrifood for Industrial PhDs were taken up.

Though the take-up is poor, the enthusiasm from the small and large firms that engaged in this process is huge and hence there is potential for it to increase the culture of collaboration in the region. You don't want to miss out on this potential and are looking for a way to keep this instrument in the forthcoming programme.

What should you propose?
- Should the programme be narrowed down to the specific fields that showed interest?
- Can pilot actions be considered in this programming period?
- Do you need to further understand the instrument by engaging with other regions and understanding about their experience?
- Should increase communication of the instrument and of the benefits to SMEs?

Research grants

Only 60% of the funds allocated was absorbed by stakeholders in Agrifood and much of the money went to large firms in the region operating in the oil and dairy sector respectively. As indicated by data on H2020, the firms involved and the local research centre, are also being able to win competitive funds and are active in successful international consortia. Clearly, the region is building capacity for collaboration and you think the current scheme should be kept in the next programming period, but with some caveats.

What should you propose?
- Does the evidence suggest narrowing down the priority to dairy and oil?
- Are there ways to build on the few regional good-practice and make sure that other firms participate to the scheme?
- Should continue to finance collaborative research, at the same time adding a measure supporting the economic valorisation of research results?

Innovation vouchers:

These are fairly habitual instruments and the region has used them a few times. Whilst the take-up of the instrument is still low (with only 40% of potential beneficiaries applying for a voucher in the Agrifood sector), you have seen an increasing trend of the years, especially around the dairy and oil value chain, and you believe there is still potential to be achieved

What should you propose?
- You want to advocate to keep this instrument, but what should you say to the MA

concerned about the poor absorption?
- What other accompanying activities could be proposed?
- Could appropriate vocational/training schemes generate synergies for demand of innovation?

More general questions:

- **ESF & ERDF coordination**

You are convinced that RIS3 needs to be pursued also in line with human capital policies. Yet: should you seek to develop a **multi-fund OP merging ESF and ERDF**? Or should you just attempt to **coordinate two separate programmes**?

- **What about EARDF?**

You will not meet the EARDF MA today, but should you propose to engage it in the process? If yes, how?

- **Should the region refine the priorities?**

Monitoring data shows that only firms in few crops were interested in the collaborative research projects and in innovation vouchers, and they seemed to come from few crops...Is these grounds for narrowing down the priorities?
You are aware that this is politically sensitive. What would you propose?
- **What about State Aid? Should we worry about it now?**

European Social Fund MA – Internal notes

These notes provide information to guide the discussions. These notes are not binding, if the discussion is moved to other aspects, it is ok.

ESF & ERDF Coordination

You know the technical body will argue for a better coordination of ESF and ERDF in the future programming period for RIS3 in Agrifood

You thus evaluate whether you think it would be better to work under the hypothesis of a multi-fund OP or rather a more coordinated approach in terms of governance.

Vocational/Professional training:

Agrifood is not doing bad in terms demand of vocational/professional training. In the past few years there has been increasing interest in going back to the primary sector. However, given the nature of the sector, much of employment occurs in the black market and the employment data of graduates is not great.
As you think this is due to the informal structure of the sector, you are willing to understand more about this instrument, especially as you are planning a call at the end of 2019.
You think that one way to improve the situation would be to involve large firms more on the training, which would then provide "formal" employment in the value chain.
Another interesting aspect would be to focus on mid-career unemployed. These are not the typical focus on innovation policy but you know that many of them actually are small land-owners who -after years in the manufacturing sector- are willing to go back to their origin.
You see this type of training also as an opportunity to foster entrepreneurship and you consider it important for the sector. You are aware that these are concerned that are more relevant for ESF managers than for other public bodies.

You are planning a call for vocational/professional training in this programming period, towards the end of 2019. You wonder whether the RIS3 technical body may have something to suggest. Maybe there is some scope for piloting something….

However, on the administrative side, you know that beneficiaries are struggling to cope with the paperwork and you are worried to getting new beneficiaries in the loop or experimenting too much may ultimately backfire.

Industrial PhDs

Industrial PhDs are notoriously difficult to implement in the Agrifood sector due to the low demands of local SMEs. You are aware of various success cases and high potential SMEs that are engaging in the process, but you also know that other RIS3 areas have performed much better in terms of take-up of funds.

- What do you make of this information?
- Does the presence of few successful cases warrant further investment as it indicates that there are opportunities for development?
- Or does the inability of the Agrifood actors to employ the funds is an indication of inappropriateness?

Other ESF instruments?

Would you suggest other instruments for the future of RIS3 in agrifood?

Coordination with other instruments

You know fairly little about Innovation Vouchers and Collaborative Research Grants, so you would like to learn more about the advantages of coordination.
What aspects in particular would you like to discuss?

More generally

Also, you wonder whether talking to the EARDF MA would be a good idea? What are the pros and cons? Do you know them much?

The table below summarises your OP

Summary ESF - OP	Legal commitments of public expenditure (% of allocated budget in the OP)	Key monitoring points for Agrifood	Questions for this programming period?	Questions for next programming period
Vocational Training (all sectors)	40%	Good demand for Agrifood training. Poor employment statistics, due to informal sector.	Involve more large firms in the training to increase formal employment? Involve potential small-land owners to increase entrepreneurship?	It is a potentially useful instrument in Agrifood, but too many uncertainties. Need to understand much more
Industrial PhDs (all sectors)	60%	Funds-take up stronger in other RIS3 sectors, than Agrifood. Few positive experiences in Agrifood.	What do we want to learn from the next call?	How to interpret the few positive experiences in Agrifood? Is the sector in a process of learning and hence in the future take-up will improve? Or would it just be wasted money?

European Regional Development Fund MA + Legal expert– Internal notes

These notes provide information to guide the discussions. These notes are not binding, if the discussion is moved to other aspects, it is ok.

Introduction

You are preparing for a bilateral meeting with the RIS3 technical body.
They want to discuss RIS3 and the ERDF in the **next programming period**, but probably they may also ask about **flexibility within the current programming periods to experiment**.
Your main concern, as managing authority, is absorption of funds in this and the next programming period.

ESF & ERDF Coordination - Administrative Coordination

You know the technical body will argue for a better coordination of ESF and ERDF in the future for RIS3 in Agrifood

You thus evaluate whether you think it would be better to work under the hypothesis of a multi-fund OP or rather a more coordinated approach in terms of governance.

In principle you see the benefits of such coordinated approach, however you also wonder why the Technical body is focussing so much on these aspects, rather than the coordination between TO1 and TO3 in the ERDF.
• What's your position about that?

ESF & ERDF Coordination - Thematic coordination

You do not know much about Industrial PhDs and Vocational/Professional training and you are willing to learn more from the Technical Body. Yet…

• Is the training most needed by SMEs in the region about innovation or is it about managing the paperwork and applying to grants?

Research grants

The call for research grants, issued for all RIS3 priorities, registered few applicants in Agrifood. In this priority area, the most active and most successful actors were few large firms operating in the oil and dairy sector respectively.

• Is that evidence to narrow-down the RIS3 priority?
• Or is that evidence that too much money was allocated to this instrument?
• Does this issue raise **State Aid concerns**?

Innovation vouchers:

These are fairly habitual instruments and the region has used them a few times. Whilst the take-up of the instrument is still low in Agrifood, you have seen an increasing trend of the years, at least in given crops.

There is still potential to be achieved, but your main concern is "actual" rather than "potential" absorption.

Also, you find that many SMEs are finding it too difficult to manage the administrative burden.

• Maybe the technical body has something to say about it?
• Maybe some technical assistance could be used to run some in depth studies of current beneficiaries?
• Maybe is too early to plan about the next programming period?

Summary OP - ERDF	Legal commitments of public expenditure (% of allocated budget in the OP)	Key monitoring points for Agrifood	Questions for this programming period?	Questions for next programming period
Innovation Vouchers (all S3 priorities)	60%	Poor absorption from Agrifood, though the trend is improving	What do we expect from the next call for Agrifood? How can we support firms coping with the administrative burden?	Do we want to increase the money for this type of instrument?
Collaborative research grants (all S3 priorities)	60%	Poor absorption from Agrifood, concentrated in oil and dairy.	How can we encourage Agrifood SMEs to take part to the scheme in the forthcoming calls?	Was too much money allocated to this instrument? Does the fact that the funds concentrate on few firms issue State Aid concerns?

Notes for politicians

These notes provide information to guide the discussions. These notes are not binding, if the discussion is moved to other aspects, it is ok.

- You are the regional minister for research and innovation and your closest collaborators.
- You are committed to improving the livelihood of your constituency and you believe that supporting research and innovation is a good way to do so.
- You see that forecasts for Agrifood are globally positive and want to invest in this sector.
- However, you are not an expert on research and innovation. You don't see how the proposed strategy will favour exports and growth in jobs, which is what your party campaigned for.
- You face elections in 2022, you hope to use the revision of the RIS3 strategy to your political advantage.
- You are also a keen environmentalist and want to appeal to an increasing electorate concerned about sustainable food production.
- You deal pretty often with the Education ministry, but less often with the agricultural ministry, you wonder whether you should get in touch.

Notes for stakeholders

These notes provide information to guide the discussions. These notes are not binding, if the discussion is moved to other aspects, it is ok.

You will be visited by someone from the RIS3 technical group to discuss with you their ideas for the future of RIS3. They are likely to want to know more about your experiences with the instruments under discussion:

- Vocational/Professional training, to generate human capital able to use innovation in the sector.
- Industrial PhDs, especially in leading products which could help position the region internationally.
- Vouchers for innovation services to stimulate the demand for innovation in SMEs
- Collaborative research grants between the private and public sectors.

You are particularly pro-active actors in the region. You know you are outliers and many of your colleagues in the Agrifood sector are not as engaged in research and innovation as you.

You believe these instruments are important, but you want to discuss some aspects with the

region:

General questions

- Are these instruments what the region needs?
- Are other instruments necessary?
- What is your experience with the administrative aspects?

Vocational Training

- What type of skills are needed for innovation in the Agrifood sector?
  - What can firms advice?
  - What can research centres/universities advice?
  - Who is best place to offer this training?

Industrial PhDs

- There is huge potential with some new recruits of the university and the research centre. There are some leading discoveries in dairy conservation and olive oil by-products and the research sector needs much more resources to give a jump.
  - Are Industrial PhDs enough?
  - Are they the right instrument?
  - What can you offer to engage other SMEs and make the instrument more broadly used?

Innovation vouchers

- What is your experience with these tools?
- How can they be taken-up more broadly by local SMEs?
- What can you do that may persuade decision makers that the instrument needs to be boosted, despite limited, though growing, interest from firms?

Collaborative research grants

- What is your experience with these tools (as large firms, research centres and innovation experts?
- How can they be taken-up more broadly by local SMEs?
- What can you do that may persuade decision makers that the instrument needs to be boosted, despite limited, though growing, interest from firms?

Administrative aspects

- How difficult it is to apply and comply with ERDF/ESF regulations for you?
- Does your institution provide adequate support?
- Are the strategic aspects trumped by the amount of bureaucracy?

RIS3 Governance Working Group– Role Playing exercise

Introduction

This document sets up the methodology for the Role-Playing exercise in the *Governance Working Group* in Madrid on the 8th of May.

The exercise will explore the relationship between the following governance bodies, by enacting a realistic policy scenario.

- RIS3 technical body of Country X

- RIS3 technical body of Region P – the Peripheral region in country X.

- RIS3 technical body of Region C – the Capital region in country X

- European Commission - DG REGIO

The document contains the following sections:

- **Baseline description of the scenario:** this is the information available to all the governance bodies participating in the scenario. It sets up the institutional background of the scenario and the key challenges to be addressed.
- **Methodology of the exercise:** the methodology highlights the mechanics of the exercise.
- **Specific background material:** each governance-body will receive specific background material.

The scenario aims at enacting a realistic interaction between the regional and national technical bodies in charge of RIS3, as well as DG REGIO. The aim of the scenario is to highlight the bottlenecks, complexities and difficulties in communication between the three levels. Whilst doing so, the exercise also provides the opportunity to work on possible solutions to these problems related to capacity building and governance structures.

Baseline scenario: Capacity building for RIS3 – Coordinating regional and national strategies

Institutional set-up

Country X is composed of two regions: Region C (where the national **C**apital city is located) and Region P (**P**eripheral) both are classified as less developed.

In relation to Cohesion Policy, and in particular ERDF, Country X operates in a hybrid setting, whereby most of the resources are concentrated on National Operational Programme (NOP) on Research and Innovation, yet the two regions have their own Regional OPs (ROP). A national RIS3 strategy co-exist with two regional RIS3s.

The regions can organise their calls, however, the calls need to be formally approved by the national ministry, which checks for State Aid issues, as well as whether calls respect the division or national/regional competences, other formalities.

Each region and the member state, has its managing authority (responsible for the implementation of ERDF OP) and a separate RIS3 technical body. The latter is tasked with supporting RIS3 implementation but lacks any decision-making power in relation to funds.

The RIS3 priorities of the two regions show some degree of overlap and the national RIS3 aims at encompassing both set of priorities, as indicated in the table below.

RIS3 priorities Periphery	RIS3 priorities Capital	RIS3 priorities National
Sustainable food-production	Smart Farming	Agrifood
Smart Materials	Industry 4.0	Smart Manufacturing
Healthy aging	Precision Medicine	Sustainable and healthy living

Country X

The NOP on Research and Innovation is implicitly biased towards the capital region, in that it places a lot of resources on research and research infrastructure, hence providing competitive advantage to the University and Research Centres in the capital city, where the strongest labs and universities are located. The peripheral region has one university which has limited research capacity and limited ability to manage large research infrastructure and attract the adequate talent. This bias is further reinforced by the fact that stakeholders in the capital region, or better, the capital city, are better skilled at applying for funds.

Nevertheless, except for the capital city, stakeholders in Region P and Region C have similar problems accessing the funds.

The table below summarises the instruments/calls/priorities addressed by the NOP. Please note that **all the calls address all RIS3 priorities.**

	Legal commitments of public expenditure (% of allocated budget in the OP of TO1)	Call(s) issued so far (Y/N) and % of allocated budget committed	Notes
Support to RTD&I projects (industrial research and experimental development", collaborative research, product development, etc.)	25%	Y – covering 15% of legal commitment.	The call was most successful in the Smart Manufacturing. Most applicants and beneficiaries come from the Capital region (and in particular the capital city).
Support to researchers' recruitment	20%	Y - covering 10% of legal commitment.	The call was most successful in the Smart Manufacturing. Most applicants and beneficiaries come from the Capital region (and in particular the capital city).
Support to research infrastructures	35%	Y - covering 15% of legal commitment	The call was most successful in the Smart Manufacturing. Most applicants and beneficiaries come from the Capital region (and in particular the capital city).
Innovation support services	10%	N	Call planned
Support to business organisations, innovation networks and platforms	15%	Y- covering 5% of legal commitment	The call received a good number of applicants from the peripheral region, though they were less successful compared to those from the Capital region.

The NOP has a **budget for technical assistance**, to improve coordination between national and regional RIS3 implementation and support the peripheral region and the areas in the capital region outside the capital city in improving access to the NOP. The National Managing Authority is delegating the National RIS3 technical body to devise and implement a programme of capacity building and define an appropriate governance structure for RIS3. The objectives of the project are:

1) Definition of the capacity building needs for national-regional coordination of RIS3.

2) Definition of a governance structure to coordinate national and regional RIS3

The following "governance needs" have been identified and the National RIS3 technical-body is trying to define the capacity building programme around them:

- Coordination of monitoring and evaluations of RIS3 at the regional and national level
- Coordination of planning/issuing of calls, receiving and evaluating project applications, by RIS3 priorities, so that calls at the national-regional level that do not overlap, and rather are complementary and are issued at adequate times.
- Coordination of State Aid procedures
- Coordination of RIS3 revision

To this aim, the National RIS3 technical-body has set up a meeting with the RIS3 Technical bodies of both the peripheral and capital region, to discuss their challenges in relation the aforementioned points and identify suggestions for capacity building and ultimately for an effective governance system.

The National RIS3 Technical body has circulated the following table with the regions and with DG REGIO, outlining its current line of thinking in relation to the capacity building programme.

Functions	Questions on capacities to address to the regions	Suggestions for capacity building
• Coordination of monitoring and evaluations of RIS3 at the regional and national level	Are regions able to run their monitoring system? What would be needed for a coordinated effort? Think ok: • Linkages between regional and national RIS3 Monitoring • Identification of common themes in the regional RIS3 evaluations and follow-up Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• Support for the definition of indicators/surveys by priority? • Partnerships with national statistical institute? • Joint IT infrastructure for calls (Which would support comparable output indicators)? • Analysis of instruments to see what worked and what did not? • Other type of training?
• Coordination of calls-planning, by RIS3 priorities, so that calls at the national-regional level that may be complementary are issued at adequate times and avoid overlap.	Are regions able to plan effectively their calls? Or the process is so unpredictable that coordination is impossible? Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• National-regional working group to identify bottle-necks? • Soft-mechanism (i.e. Peer-Review of calls?) • Other?
• Coordination of State Aid procedures	Regions do not have the capacity to check for State Aid, which is indeed managed centrally, with central government checking for State Aid issues in all applications).	• Training on State Aid? (with which characteristics?) • Create a decentralised network of experts that carry-out the functions of the ministry in the regions?
• Coordination for review of RIS3	As the mid-term review of RIS3 approaches and as the end of the programming period approaches, it is best to coordinate the review of the strategies, to make sure the national one can be aligned	• Support the EDP (participation of private sector)? • Peer review with international peers?

	and complementary to the regional ones. Are regions clear as to how this should be organised? Are regions clear as to what worked and what did not work? Do they have the capacity to assess whether the instruments in place are adequately aligned to the priorities?	

The capacity building project also needs to reflect on a potential governance Structure. Three alternatives are proposed below (other alternatives can be proposed).

- Should a formal body be set up with all the above functions (I.e. a body that would need to be approved by the parliament, have its own resources) Or would that create only extra bureaucracy and slow things down?
- Should the functions be carried out informally, with working groups or a platform see where things leads to?
- Can the RIS3 technical bodies –which do not have executive-decision powers over calls and funds from different programmes- address the situation in their current set-up?

DG REGIO

DG Regio encourages the MAs and the technical teams at all levels (national and regional) to improve their effectiveness in managing ERDF TO1 funds, improve their institutional capacity and co-ordination.

DG Regio is aware that region C -due to the presence of the capital region- has some competitive advantage in receiving the ERDF funding from the NOP, as this clearly emerges from the monitoring data; they're also aware of the problems in Region P and thus they will critically assess the potential of National Capacity Building project in addressing all problematic governance issues in X.

DG Regio will provide advice on whether the National Capacity Building project is adequate to the needs of the country, which according to DG REGIO are:

- Inefficiency, and therefore delays, in issuing calls
- Limited take-up of funds, especially from companies

On top of these, DG Regio is considering investing in some technical assistance targeted to region P to complement any gaps that will be identified in NCB project. In particular, in region P, they have detected the following problems for ERDF TO1 and RIS3 implementation:

- Extremely slow delivery of calls
- Poor take-up by stakeholders once calls are issued
- Unclear alignment between instruments and RIS3 objectives

Region – P (Periphery)

Region P has been advised in the Regional OP Monitoring Committee that some efforts should be made to improve the institutional capacity and the governance of RIS3.

This could, for example, be done by shifting some resources within the Regional OP to Technical Assistance, which would entail significant work and would be difficult politically.

Region P is thus looking at an alternative possibility, in light of the following:

- The afore-mentioned Capacity-Building project being organised by the national level.

- The afore-mentioned potential technical assistance by DG REGIO.

The region wants to explore whether by combining these two activities they can avoid the revising the OP.

The region relies heavily on its agricultural sector and – in terms of RIS3- is mainly concern by the poor performance of stakeholders in this sector both in the national and regional OPs.

Region P considers that the strong focus on Research in the NOP is particularly ineffective for the region, where the challenges lie in the limited demand for innovation from local firms. The region is struggling with delivering calls and identifying appropriate instruments for RIS3.

The table below summarises the characteristics of the TO1 in the ROP and its implementation. **All the calls address all RIS3 priorities**.

	Legal commitments of public expenditure (% of allocated budget in the OP of TO1)	Call(s) issued so far (Y/N) and % of allocated budget committed	Notes
Support to RTD&I projects (industrial research and experimental development", collaborative research, product development, etc.)	20%	N	Call currently being revised by the national level.
Support to researchers' recruitment in universities and firms	20%	Y – covering 10% of legal commitment	The first call was mainly successful in Sustainable food-production, where the local university is quite strong.
Support to research infrastructures	20%	N	The region is currently drafting the call.
Innovation support services with focus on SMEs	20%	Y – covering 10% of legal commitment	The first call was issued and the results were poor in terms of take-up, especially in Sustainable food-production.
Support to business organisations, innovation networks and platforms	20%	Y– covering 10% of legal commitment	The call was more successful compared to innovation support services, but still the take-up was low.

The region feels it needs to invest significant parts of its own OP in Research and Research Infrastructure, to compensate for its inability to compete with the Capital Region in the NOP.

Region – C (Capital)

The Capital region is less resource-deprived, largely due to dynamism of the capital city (outside the capital city, regions C and P are similar). Region C hosts the best universities (in the capital city) in the country and is satisfied with the NOP's focus on research and research infrastructure

The ROP is well designed to support complementarities with the NOP. Whilst the latter focusses more on research and research infrastructure, the former is geared towards supporting firms' in articulating and meeting their demands for innovation. This works particularly well for the priority Industry 4.0, which is the one that is currently getting more attention at the policy and political level and in which the stakeholders appear most active.

The table below summarises the key characteristics of the ROP for TO1 and the current level of implementation. **All the calls are addressed to all RIS3 priorities.**

	Legal commitments of public expenditure (% of allocated budget in the OP of TO1)	Call(s) issued so far (Y/N) and % of allocated budget committed	Notes
Support to RTD&I projects (industrial research and experimental development", collaborative research, product development, etc.)	10%	Y– first called issued covering 5% of legal commitment	Call successful (good take-up) in Industry 4.0, less so for other priorities
Support to researchers' recruitment	10%	N	Call currently being revised by the national level
Support to research infrastructures	10%	N	Call currently being revised by the national level.
Innovation support services with focus on SMEs	25%	Y – first called issued covering 10% of legal commitment	Call successful (good take-up) in Industry 4.0, less so for other priorities
Support to business organisations, innovation networks and platforms	25%	Y– first called issued covering 10% of legal commitment	Call successful (good take-up) in Industry 4.0, less so for other priorities
Support to Start-Ups	20%	Y– first called issued covering 10% of legal commitment	Call successful (good take-up) in Industry 4.0, less so for other priorities

Methodology

The simulation will be articulated in four steps.

- Internal group meetings – 45 mins
- Trilateral meetings – 45 mins
- Second individual meeting – 30 mins
- Final plenary – 30 mins

Internal group meetings – 45 mins

- **Region P** meets to discuss its position in relation to DG REGIO's Technical Assistance and the NOP Capacity building project. Region P reflects on what would ideally be covered by either set of activities.
- **Region C** meets to discuss its position in relation to the National capacity building Programme, highlighting what would be ideally covered by the national capacity building programme.
- **DG REGIO** meets internally to explore what their potential technical assistance should cover, based on the needs of the region P, and in light of the proposed national capacity building project. In particular, in relation to the latter, DG REGIO should also reflect its minimum requirements for the programme to be relevant (in general) and complementary to the proposed technical assistance to region P.
- **The National RIS3 Technical body** meets to articulate its proposal for the capacity building project.

Trilateral meetings – 45 mins

- **Region P – Region C – Country X** meet to discuss the capacity building project/governance structure.

The group tries to find an agreement on the key elements of the project and the structure.

- **DG Regio - Country X - Region P** meet for a first discussion of the "Technical assistance" and the "National Capacity Building Programme" to seek complementarities.

Second individual meeting – 30 minutes

- **Country X** resumes from the two meetings to finalise the proposal for the capacity-building project and governance structure
- **Region P** resumes from the two meetings to articulate their needs to maximise synergies between the national capacity building project and the technical assistance project financed by DG REGIO.
- **Region C** reflects on the outcomes of the trilateral meeting (was it good? which of their needs were addressed? Which were not?) and prepares for the final plenary, identifying which aspects of the National Capacity Building project are essential for the region.
- **DG Regio** reflects on the meeting and decides whether to go ahead with the technical assistance, fine-tuning its proposal.

Final plenary – 30 minutes

All actors meet and present to DG REGIO their proposal

- **Country X** discusses its proposal for the capacity building project/governance structure.
- **Region P** discusses its proposal to exploit synergies between the national project and the Technical assistance.
- **DG REGIO** presents its considerations
- **Region C** comments on whether the national level proposal meets its needs.
- At the end of the meeting, it must be clear whether:
  - The arrangements are sufficient for Region P or whether a review of their OP, with further funds for technical assistance will be necessary.
  - The National Capacity Building project satisfies or not the Capital region.

Information for National RIS3 Technical body

The national RIS3 technical body has develop the table below to run the discussion with the capital and peripheral regions. The first three columns of the table have been shared previously with the regions and DG Regio, for them to prepare. The fourth column contains the reflections of the National RIS3 technical body.

Two general points need to be made:

1. **There** is a **generally better coordination with the capital region**, which is mostly informal and is largely due to the fact that regional and national government are co-located, and that the most proactive stakeholders are in the capital city.
2. **There is a tension between the capital and peripheral regions in terms of priorities**. The former will press for more attention to be given to Industry 4.0 and the latter to Agrifood.

During the internal meeting the RIS3 technical body needs to identify some key suggestions for the capacity building project, to then propose to the regions and discuss with DG REGIO.

The ones provided in the table are tentative, the group can add other aspects if necessary.

Functions	Questions on capacities to address to the regions	Suggestions for capacity building	lections from the national level
Coordination of monitoring and evaluations of RIS3 at the regional and national level	Are regions able to run their monitoring system? What would be needed for a coordinated effort? Think ok:	• Support for the definition of indicators/surveys by priority? • partnerships with national statistical	Informally the national and capital region interact frequently, also with the national statistical institute, hence it could be easy to build on this informal

	• Linkages between regional and national RIS3 Monitoring • Identification of common themes in the regional RIS3 evaluations and follow-up Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	institute? • Joint IT infrastructure for calls (Which would support comparable output indicators)? • Analysis of instruments to see what worked and what did not? • Other type of training?	network and include the peripheral region.
Coordination of calls-planning, by RIS3 priorities, so that calls at the national-regional level that may be complementary are issued at adequate times and avoid overlap.	Are regions able to plan effectively their calls? Or the process is so unpredictable that coordination is impossible? Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• National-regional working group to identify bottle-necks? • Soft-mechanism (i.e. Peer-Review of calls?) • Other?	This is extremely difficult. The RIS3 technical body has limited impact on that, as much of the calls planning depends on the managing authorities. It would help if RIS3 technical bodies were granted more formal responsibilities.
Coordination of State Aid procedures	Regions do not have the capacity to check for State Aid, which is indeed managed centrally, with central government checking for State Aid issues in all applications).	• Training on State Aid? (with which characteristics?) • Create a decentralised network of experts that carry-out the functions of the ministry in the regions?	The National RIS3 Technical body is aware of its limited power. It can only assess the needs of the regions and provide support in terms of information/knowledge
Coordination for review of RIS3	As the mid-term review of RIS3 approaches and as the end of the programming period approaches, it is best to coordinate the review of the strategies, to make sure the national one can be aligned and complementary to the regional ones. Are regions clear as to how this should be organised? Are regions clear as to what worked and what did not work? Do they have the capacity to assess whether the instruments in place are adequately aligned to the priorities?	• Support the EDP (participation of private sector)? • Peer review with international peers?	he mid-term review of RIS3 approaches, it is best to coordinate the review of the strategies. national strategy currently is composed by broad priorities which encompass the regional ones. This results in very broad priorities. The national RIS3 technical body is interested in seeing whether it is possible to narrow this priorities down.

In terms of governance, the National RIS3 Technical body thinks that it would be useful to have some more power, as right now, the MA just consults them ad-hoc and the opinion of the technical body is not binding. The MA does not prioritise RIS3, in its strategic dimension, as it is focussed on spending ERDF funds for the sake of spending.

The National RIS3 Technical Body believes that no major revolutions can be held in the way structural funds are managed. However, it would be useful and viable to establish a body coordinating the different RIS3s and establish formal consultation mechanisms (rather than ad hoc) with the Managing Authorities. Managing Authorities would need to acknowledge the input and advice of this body and, at least, provide justifications if such advice is not followed.

Information for Capital region

In the table below you can find your reflections in relation to the table circulated by the national RIS3 Technical body. In the individual group discussion, you will identify which capacity-building actions are relevant for your region, taking into account the information in the fourth column.

Functions	Capacities	Suggestions for capacity building	Capital region
Coordination of monitoring and evaluations of RIS3 at the regional and national level	Are regions able to run their monitoring system? What would be needed for a coordinated effort? Think ok: • Linkages between regional and national RIS3 Monitoring • Identification of common themes in the regional RIS3 evaluations and follow-up Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• Support for the definition of indicators/surveys by priority? • Partnerships with national statistical institute? • Joint IT infrastructure for calls (Which would support comparable output indicators)? • Analysis of instruments to see what worked and what did not? • Other type of training?	The region can access t right human capital in t city, less so in other par The monitoring system ok, but they would like develop the opportunity benchmark internationa and nationally. They would also like to understand why actors outside the capital regio are less active. For instance, it would be interesting to compare depth the different take of funds in the capital-c vs the rest of the region Informal coordination w the national level and w the national statistical institute works fine.
Coordination of calls-planning, by RIS3 priorities, so that calls at the national-regional level that may be complementary are issued at adequate times and avoid overlap.	Are regions able to plan effectively their calls? Or the process is so unpredictable that coordination is impossible? Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• National-regional working group to identify bottle-necks? • Soft-mechanism (i.e. Peer-Review of calls?) • Other?	There are two problems this respect. 1) RIS3 needs to coordinate calls under ERDF, ESF (and potenti EARDF), however, the relationship is only smo with ERDF. Hence, relev RIS3 calls that fall unde ESF will not fall under t RIS3 technical body rad and cannot be coordina 2) given the institutiona set-up, which requires checks and approvals fr the ministry, it is very difficult to foresee, realistically, how long it will take to issue a call, even for ERDF. Furthermore, given the poor performance of stakeholders outside th capital city and outside

			"Smart Manufacturing" the region argues that piloting efforts should cover the less active priorities.
Coordination of State Aid procedures	Regions do not have the capacity to check for State Aid, which is indeed managed centrally, with central government checking for State Aid issues in all applications).	• Training on State Aid? (with which characteristics?) • Create a decentralised network of experts that carry-out the functions of the ministry in the regions?	The capital region has access to good experts and tends to do quite good preliminary checks on state aid. The capital region is happy to find ways to share this expertise.
Coordination for review of RIS3	As the mid-term review of RIS3 approaches and as the end of the programming period approaches, it is best to coordinate the review of the strategies, to make sure the national one can be aligned and complementary to the regional ones. Are regions clear as to how this should be organised? Are regions clear as to what worked and what did not work? Do they have the capacity to assess whether the instruments in place are adequately aligned to the priorities?	• Support the EDP (participation of private sector)? • Peer review with international peers?	The capital region has informally set up good contacts with the national level, given the geographical co-location. Industry 4.0 is likely to gain space and importance in the forthcoming RIS3 review. As long as due attention is put on that priority, the Capital Region has no particular preference At the same time, the region would like to find ways to make stakeholders outside the capital city more active in the EDP.

In terms of governance you are fairly satisfied with the relationship with the regional MA, less so with the national one. Your main concern is to find better ways to be heard at the national level. You don´t have any strong feeling about how to achieve that and are open to proposals.

In relation to the coordination with other RIS3 technical bodies you think that informal, thematic working groups should be fine and you think it is best to avoid too many layers of bureaucracy.

Information for Peripheral Region

In the table below you can find your reflections (fourth column) in relation to the table circulated by the national RIS3 Technical body. In the individual group discussion, you will identify which capacity-building actions are relevant for you as the Peripheral Region. In particular, you should reflect on which of your challenges would be best met through the national level project, and which would benefit from the Technical assistance from DG REGIO.

ctions	acities	gestions for capacity building	ipheral region
rdination of monitoring and evaluations of RIS3 at the regional and national level	regions able to run their monitoring system? t would be needed for a coordinated effort? Think ok: Linkages between regional	Support for the definition of indicators/surveys by priority? Partnerships with national statistical institute? Joint IT infrastructure for calls (Which would support comparable output indicators)?	ess to human capital is very limited. There is n personnel with adequat analytical skills. They rely on consultants for monitoring, which are not providing the region/specific type of service required.

	and national RIS3 Monitoring Identification of common themes in the regional RIS3 evaluations and follow-up …en the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	Analysis of instruments to see what worked and what did not? Other type of training?	Training would be helpful, but not sufficient. What they would really need is a seconded expert from the national government, to implement the monitoring system.	
…rdination of calls-planning, by RIS3 priorities, so that calls at the national-regional level that may be complementary are issued at adequate times and avoid overlap.	…regions able to plan effectively their calls? Or the process is so unpredictable that coordination is impossible? …en the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	National-regional working group to identify bottle-necks? Soft-mechanism (i.e. Peer-Review of calls?) Other?	…en the institutional set-up, which requires checks and approvals from the ministry, it is very difficult to foresee, realistically, how long it will take to issue a call. …hermore, whilst the relationship with the ERDF is ok, the one with the ESF is poor, hence it would be impossible to coordinate RIS3 relevant calls funded under an ESF programme. It would definitely be nice to be able to exploit synergies through a better timing of the calls, but this aspect cannot be considered a priority for the region.	
…rdination of State Aid procedures	…ions do not have the capacity to check for State Aid, which is indeed managed centrally, with central government checking for State Aid issues in all applications).	Training on State Aid? (with which characteristics?) Create a decentralised network of experts that carry-out the functions of the ministry in the regions?	…region is completely dependent on the national level for State Aid checks. As things stands, the region , given its limited knowledge of the topic, it's pursuing an extremely conservative approach. The region would welcome the opportunity to have access to expertise at the local level.	
…rdination for review of RIS3	…he mid-term review of RIS3 approaches and as the end of the programming period approaches, it is best to coordinate the review of the strategies, to make sure the national one can be aligned and complementary to the regional ones.	Support the EDP (participation of private sector)? Peer review with international peers?	Peripheral Region feels that much support is needed in this respect. …food is likely to become more important and more articulated in the next RIS3, so support should be geared	

			towards that priority.
	regions clear as to how this should be organised? regions clear as to what worked and what did not work? hey have the capacity to assess whether the instruments in place are adequately aligned to the priorities?		ever, much effort is needed to mobilise stakeholders in the EDP and offer the right incentives, especially to the private sector.

In terms of governance, the relationship with the Managing Authorities of the region and the country is quite difficult for you, as the RIS3 technical body. You are consulted ad hoc and your input/needs is often ignored. You would like to find ways to improve this aspect but are short of ideas.

In relation to the technical aspects discussed in the Capacity Building Project, you are afraid that, if they are addressed informally, they will simply die-out. You prefer some degree of formalisation.

Information for DG REGIO

Technical assistance from DG REGIO to the regions

As mentioned, DG Regio is considering offering some support in terms of technical assistance to region P, in a way that helps to solve the problems they see more pressing for ERDF TO1 implementation for the peripheral region, in light of the outcomes of the recent monitoring Committee, in which the following problems were observed:

- Slow delivery of calls
- Poor take-up by stakeholders once calls are issued
- Lack of communication of activities and promotion of available calls
- Unclear alignment between calls and RIS3 objectives

DG REGIO believes the following actions can be useful:

1) Workshops for writing and evaluating calls, to update capabilities.
2) Training for 4-ple helix stakeholders to write proposals
3) Support to innovation intermediaries (i.e. universities TTO, or clusters) to improve SMEs demand for innovation.
4) Promotion of helpdesks to answer to question related to calls or one-stop shop to provide information and advice beneficiaries.
5) Monitoring project implementation in the SMES.
6) Assure a continuous ongoing entrepreneurial discovery process in the region that favours the identification of areas with biggest potential and new business niches

National-level capacity-building activities

DG Regio is also interested in following the Capacity Building project proposed at the national level. The Action is financed through the Technical Assistance of the NOP, hence not covered by the normal monitoring committee/implementation. DG REGIO wants to avoid overlaps and facilitate synergies between this project and its potential technical assistance project to region P. At the same time, DG Regio wants to assess whether the project addresses what are considered they key problems of the country:

o Inefficiency, and therefore delays, in issuing calls
o Limited take-up of funds, especially from companies

There seems to be a significant degree of complementarity between the two lines of work provided they are properly implemented. In this case, region P would be able to meet its technical needs without shifting part of its OP to technical assistance.

By the end of the individual meeting DG REGIO will come up with a draft proposal of the minimum requirements of the National Capacity Building programme to see if it satisfies the national needs and the complementarity needs. These would then be discussed in the trilateral meetings and again in the final plenary.

Functions	Capacities	Suggestions for capacity building	DG REGIO
Coordination of monitoring and evaluations of RIS3 at the regional and national level	Are regions able to run their monitoring system? What would be needed for a coordinated effort? Think ok: • Linkages between regional and national RIS3 Monitoring • Identification of common themes in the regional RIS3 evaluations and follow-up Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• Support for the definition of indicators/surveys by priority? • Partnerships with national statistical institute? • Joint IT infrastructure for calls (Which would support comparable output indicators)? • Analysis of instruments to see what worked and what did not? • Other type of training? •	• Which of the measures proposed meet best the needs of the country? • Which of the suggestions would be best to enhance complementarity between capacity building and technical assistance? • Which region-specific needs are not-covered by the national programme? • Is there going to be competition between the two programmes in terms of human resources? • What are the risks that may undermine the success of the projects? • What suggestions do you have to mitigate these risks?
Coordination of calls-planning, by RIS3 priorities, so that calls at the national-regional level that may be complementary are issued at adequate times and avoid overlap.	Are regions able to plan effectively their calls? Or the process is so unpredictable that coordination is impossible? Given the limited resources, should efforts concentrate on given priorities? Or pilot efforts in given priorities?	• National-regional working group to identify bottle-necks? • Soft-mechanism (i.e. Peer-Review of calls?) • Other?	
Coordination of State Aid procedures	Regions do not have the capacity to check for State Aid, which is indeed managed centrally, with central government checking for State Aid issues in all applications).	• Training on State Aid? (with which characteristics?) • Create a decentralised network of experts that carry-out the functions of the ministry in the regions?	
Coordination for review of RIS3	As the mid-term review of RIS3 approaches and as the end of the programming period approaches, it is best to coordinate the review of the strategies, to make sure the national one can be aligned and complementary to the regional ones. Are regions clear as to how this should be organised? Are regions clear as to what worked and what did not work? Do they have the capacity to assess whether the instruments in place are adequately aligned to the priorities?	• Support the EDP (participation of private sector)? • Peer review with international peers?	

Appendix 3 Enabling condition relevant for S3 in the EC proposal for 2021-2027

Policy objective	Specific objectives	Name of enabling condition	Fulfilment criteria for the enabling condition
1. A smarter Europe by promoting innovative and smart economic transformation	1. enhancing research and innovation capacities and the uptake of advanced technologies; 2. reaping the benefits of digitisation for citizens, companies and governments; 3. enhancing growth and competitiveness of SMEs; 4. developing skills for smart specialisation, industrial transition and entrepreneurship;	Good governance of national or regional smart specialisation strategy	Smart specialisation strategy(ies) shall be supported by: 1. Up-to-date analysis of bottlenecks for innovation diffusion, including digitalisation 2. Existence of competent regional / national institution or body, responsible for the management of the smart specialisation strategy 3. Monitoring and evaluation tools to measure performance towards the objectives of the strategy 4. Effective functioning of entrepreneurial discovery process 5. Actions necessary to improve national or regional research and innovation systems 6. Actions to manage industrial transition 7. Measures for international collaboration

Thematic enabling conditions applicable to ERDF, ESF+ and the Cohesion Fund – Article 11(1)

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