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## Open Letter on the Future of the EU Budget (2028–2034) Ensuring Europe’s innovation and competitiveness leadership

Brussels, March 2026

*To the European Commission, the European Parliament and the European Council,*

Europe stands at a critical point. As negotiations on the 2028–2034 Multiannual Financial Framework (MFF) advance, the choices made in the coming months will determine whether the European Union strengthens its long-term competitiveness through its territories, or whether it drifts towards a more centralised, place-neutral investment model that risks weakening both its cohesion and innovation capacity.

**We welcome the ambition of the MFF proposal to reinforce Europe’s industrial base, research and innovation capacity, and strategic autonomy.** We recognise that achieving these objectives requires targeted investments in excellence and strong European value chains. **However, we are deeply concerned that the current architecture, particularly the proposed National and Regional Partnership Plans (NRPPs), risk marginalising the very territorial actors and policy tools that have proven essential to delivering these objectives.**

At the heart of this concern lies the uncertain future of Smart Specialisation Strategies (S3).

- Smart Specialisation: A Proven Instrument at Risk

**Over the last decade, Smart Specialisation Strategies have become the backbone of Europe's place-based innovation policy.** Introduced as an ex-ante conditionality in 2014 and later as an enabling condition, S3 has enabled regions to prioritise investment, mobilise stakeholders through entrepreneurial discovery processes, and build innovation ecosystems aligned with real economic potential rather than just abstract benchmarks.<sup>1</sup>

A Commission study<sup>2</sup> screened and assessed 185 S3 strategies across the EU (2014–2020 cycle), showing how 77% of S3 strategies (2014–2020) were based on an Entrepreneurial Discovery Process (EDP) specifically set up for the S3. This is proof of how the S3 has also contributed to the diffusion of joint inclusive and evidence-based policy approaches across Europe's territories.

More importantly, S3 has never been a purely regional tool. It has functioned as a multi-level governance framework, also providing evidence of the quadruple helix participation. In the same study was presented that stakeholder involvement included research sector (90%), private sector (90%), public sector (89%), civil society (53%) across the strategies screened, linking EU objectives with national strategies and regional capabilities, and enabling interregional cooperation among European value chains.<sup>3</sup>

S3 has been instrumental in enabling initiatives under the European Innovation Ecosystems programme of Horizon Europe, including the Regional Innovation Valleys which successfully connect different regional ecosystems over burning European challenges. Additionally, the Interregional Innovation Investments (I3) Instrument, one of the few EU tools explicitly designed to translate S3 priorities into cross-border, market-oriented innovation projects, particularly for SMEs and emerging industrial ecosystems has proven its value,<sup>4</sup> helping regions cooperate on complementary strengths, scale innovations, and reducing fragmentation in strategic sectors.

**Yet under the current MFF proposal, S3 faces strategic ambiguity and risks being reduced to an optional territorial reference. At the same time the I3 is no longer clearly visible as a dedicated programme.**<sup>5</sup> This creates a serious risk that place-based innovation will be diluted within larger, centrally managed funding envelopes, unless robust safeguards ensure that territorial strategies meaningfully inform investment decisions.

- A Structural Shift Away from Place-Based Policy

The proposed consolidation of cohesion, agricultural and related funds into a single national planning framework represents a profound shift in EU governance. While presented as simplification, the NRPP model significantly strengthens national discretion over territorial and

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<sup>1</sup> European Commission, Strengthening Innovation in Europe's Regions: Strategies for Smart Specialisation, COM (2012) 341 final.

<sup>2</sup> European Commission, Prognos AG, Study on prioritisation in Smart Specialisation Strategies in the EU, Final Report. 2021

<sup>3</sup> European Court of Auditors, Smart Specialisation: A New Approach to Regional Innovation, Special Report, 2025

<sup>4</sup> European Commission, Interregional Innovation Investments Instrument – Implementation Overview, 2024

<sup>5</sup> EURADA, A Seat at the Table, But No Fork? Regions in the Revised NRPP Framework, Policy Paper, December 2025

thematic allocations, with limited safeguards to ensure meaningful regional influence.<sup>6</sup> Although recent amendments have reinforced the legal language on partnership and multi-level governance, the core architecture remains largely national, and experience shows that formal consultation requirements alone are insufficient to prevent recentralisation.<sup>7</sup>

Experience from other centrally driven instruments shows that formal consultation requirements alone are insufficient to prevent recentralisation.

This shift risks eroding the partnership principle enshrined in the EU Treaties, marginalising regional innovation strategies in favour of national priorities, and widening territorial disparities by favouring already-strong ecosystems. Such an approach runs counter to Europe's competitiveness needs. Industrial and technological capabilities are territorially embedded, and Europe's strength lies in the coordination of its diverse regional specialisations.

S3 provides the only EU-wide methodology capable of aligning regional strengths with EU strategic priorities, supporting diversification into related technologies, and enabling structured interregional cooperation based on complementarity rather than duplication. I3 operationalises this model by building European value chains from the bottom up. Only by tailoring measures to territorial realities and harnessing comparative advantages, EU can unlock its full innovation potential, deliver meaningful impact and capitalise on its territorial innovation ecosystems to boost competitiveness through interregional collaboration. Weakening these instruments would therefore undermine the EU's own objectives on industrial resilience, open strategic autonomy and innovation diffusion.<sup>8</sup>

## Our Policy Recommendations

To ensure that the MFF 2028–2034 delivers competitiveness with cohesion, we call on the co-legislators to:

### 1. Safeguard and reinforce S3

- **Maintain S3 as a mandatory strategic reference within NRPPs, ensuring that regional and sub-national innovation strategies are used as an essential input into national planning,** regardless of the level at which funds are implemented, requiring Member States to demonstrate how regional S3 priorities contribute to EU-level objectives under a harmonised methodological framework. Regional and sub-national authorities should, where possible, continue to adopt and implement regional/local S3s. The core pillars of Smart Specialisation should be preserved (Entrepreneurial Discovery Processes, industrial transition and interregional cooperation) while avoiding fragmentation and ensuring comparability across Member States.
- **Recognise S3 as a multi-level governance and investment coordination framework, not merely a territorial planning tool under Cohesion Policy.** S3 priorities should be systematically recognised and mobilised across EU funding instruments, including Horizon Europe, the European Competitiveness Fund and other centrally managed programmes, to improve coherence along the full innovation and industrial value chain, following the

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<sup>6</sup> EURADA, From Partnership to Parenthood? Regions in the 2028–2034 EU Budget, Policy Paper, July 2025.

<sup>7</sup> European Commission, Amended Non-Paper on NRPP Governance, Autumn 2025.

<sup>8</sup> Friends of Cohesion Policy, Joint Statement on the Future of Cohesion Policy post-2027, 2025

example of European Innovation Ecosystems (EIE) action under the current Horizon Europe Programme. This multi-level approach would bridge top-down EU strategic goals with bottom-up regional innovation, integrating local strengths into Europe's broader competitiveness. In short, S3 must be treated as a core delivery engine for EU industrial strategy, ensuring place-based innovation remains central to Europe's twin transitions and strategic autonomy.

- **Smart Specialisation must also retain a clear pathway for interregional implementation and market uptake.** Instruments translating S3 priorities into concrete cross-border innovation projects, particularly for SMEs and emerging industrial ecosystems. Interregional cooperation mechanisms such as I3 helps bring innovations to market (TRL6–9) and operates interregionally to build European value chains rooted in regional S3 priorities. In the post-2027 framework, such interregional instruments should remain clearly identifiable and adequately resourced, with simplified and inclusive access conditions, a clear intervention logic and robust impact evaluation.

## 2. Protect multi-level governance in the new MFF

- **Introduce binding requirements for genuine regional involvement in the design, implementation and monitoring of NRPPs.** The legislation should explicitly mandate that regional authorities “*shall be fully involved in the preparation, implementation and evaluation*” of each plan, and require Member States to document how regional input was incorporated (“regional checks”). Robust monitoring mechanisms are needed to ensure these provisions are not reduced to a box-ticking exercise. Genuine shared management means regional voices must count, not just be heard.
- Prevent the effective recentralisation of cohesion-type investments, ensuring that simplification enhances, rather than weakens, territorial effectiveness. Simplification should not come at the expense of the partnership principle or regional empowerment. Sidelining regional and local actors in favour of national plans would undermine Cohesion Policy (critics warn it could weaken local authorities and widen disparities) and a broad coalition of Member States and MEPs has already opposed such overcentralisation, calling for a region-focused approach to ensure *no territory is left behind*.

### *In conclusion this is a call for a Balanced and Future-Proof Budget*

**The future EU budget must not force a false choice between competitiveness and cohesion. Europe's ability to innovate, transition and remain globally competitive depends on mobilising all its territories: urban, rural, coastal and industrial.**

Smart Specialisation and Interregional Innovation are not legacy cohesion tools. They are strategic assets for Europe's future and essential for boosting competitiveness.

We urge the European Commission, the European Parliament and the European Council to ensure that the final MFF framework reflects this reality, and that Europe's regions remain actors, not bystanders, in shaping Europe's economic future.