Economic diversification and greening of global value chains
Lessons from European regions

Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development, tenth session

Thomas Schwab

Geneva, 28 September 2023

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Starting point

- Ongoing green and digital transition is reshaping technological landscape *worldwide*

- Transition comes with *opportunities* and *challenges*

- Adaption of technology development key for *economic prosperity*

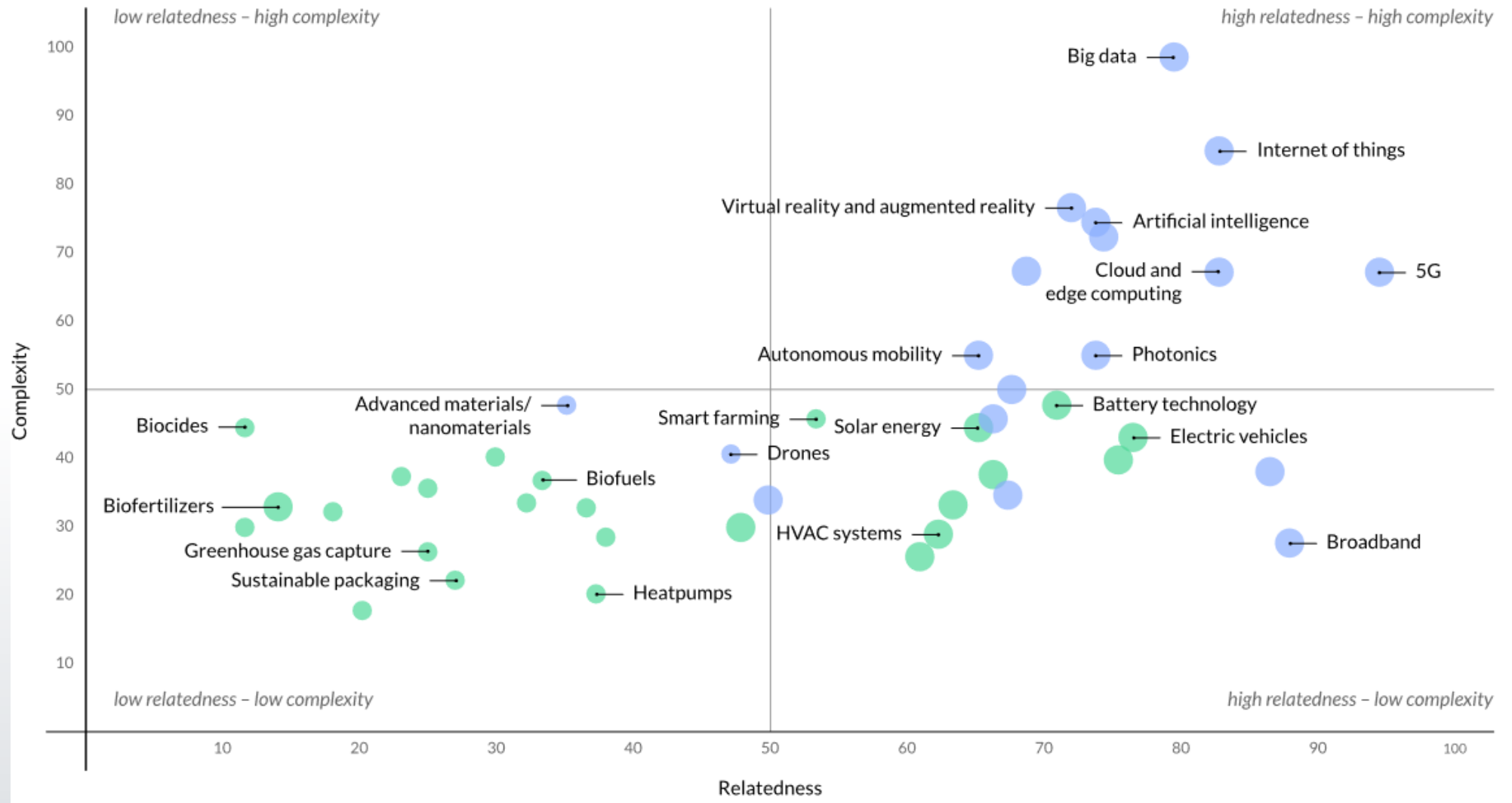- *Europe* faces the same challenges as the global community

Technological capabilities and the twin transition in Europe

Opportunities for regional collaboration and economic cohesion

GED
Global & European Dynamics

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Challenges and opportunities to leverage green and digital technologies
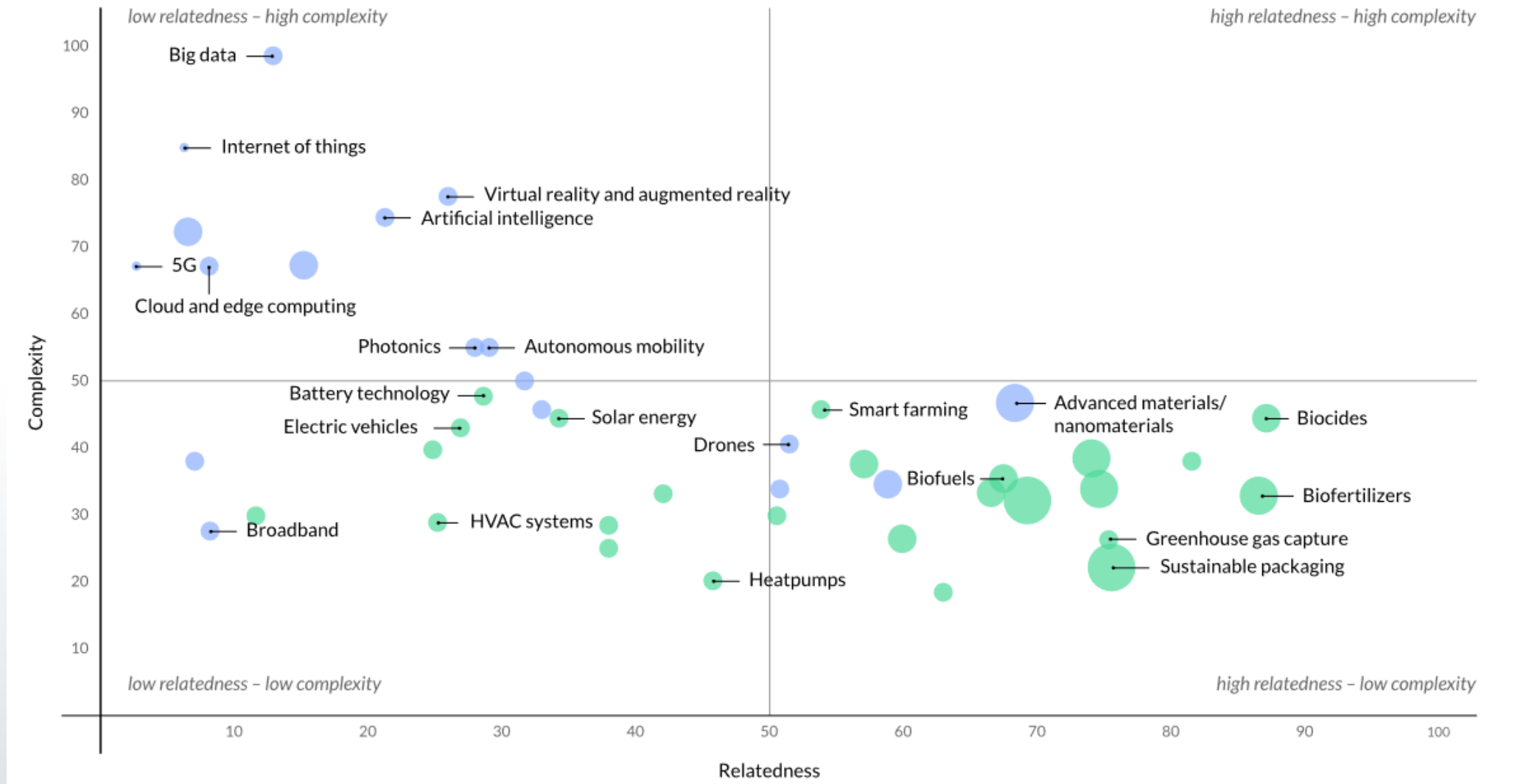
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Challenge: Technological Capabilities

- **Scarcity** in knowledge of existing technological capabilities

- **Lack** of technological capabilities in general

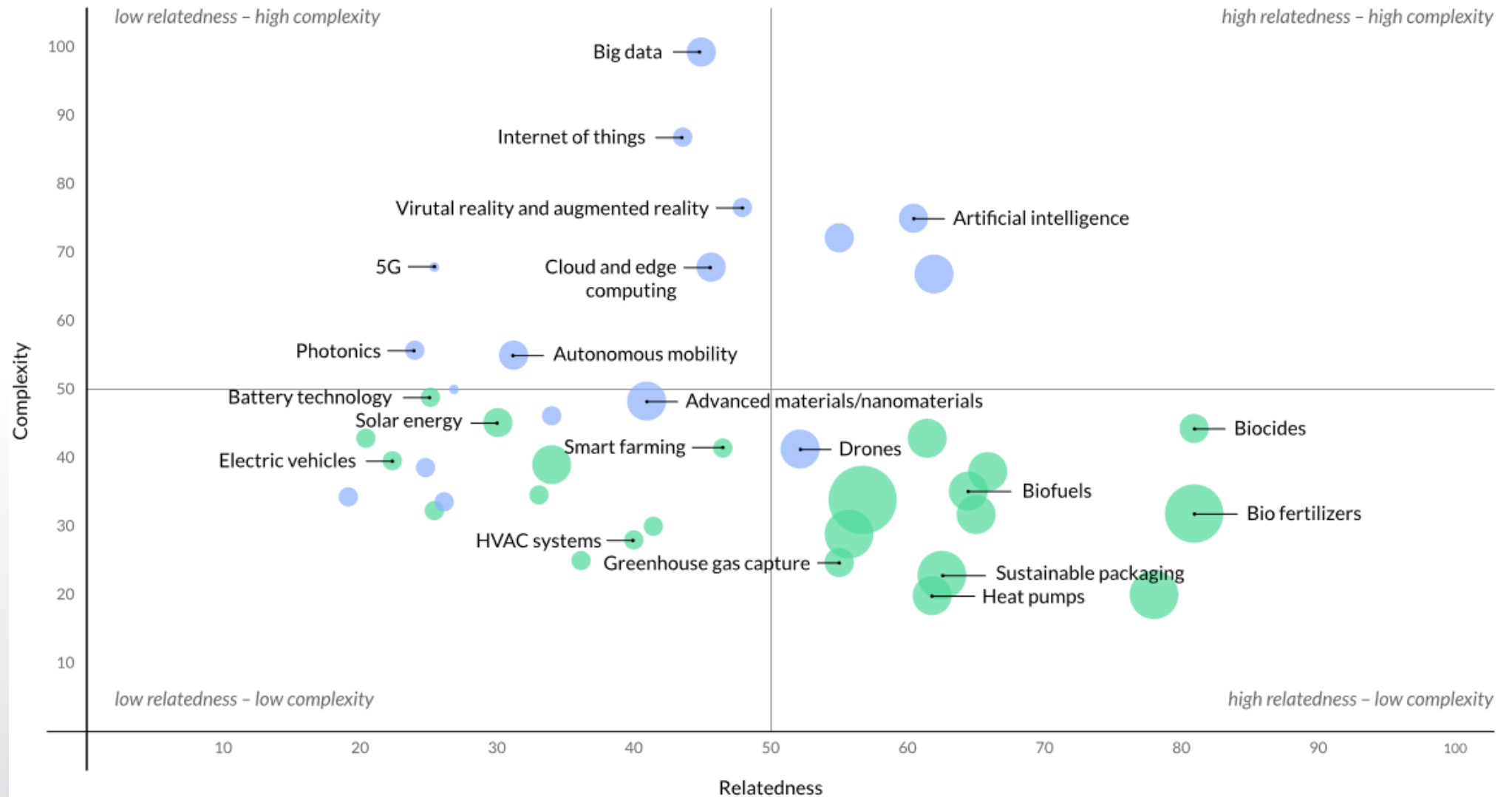- **Mismatch** in capabilities to develop green and digital technologies
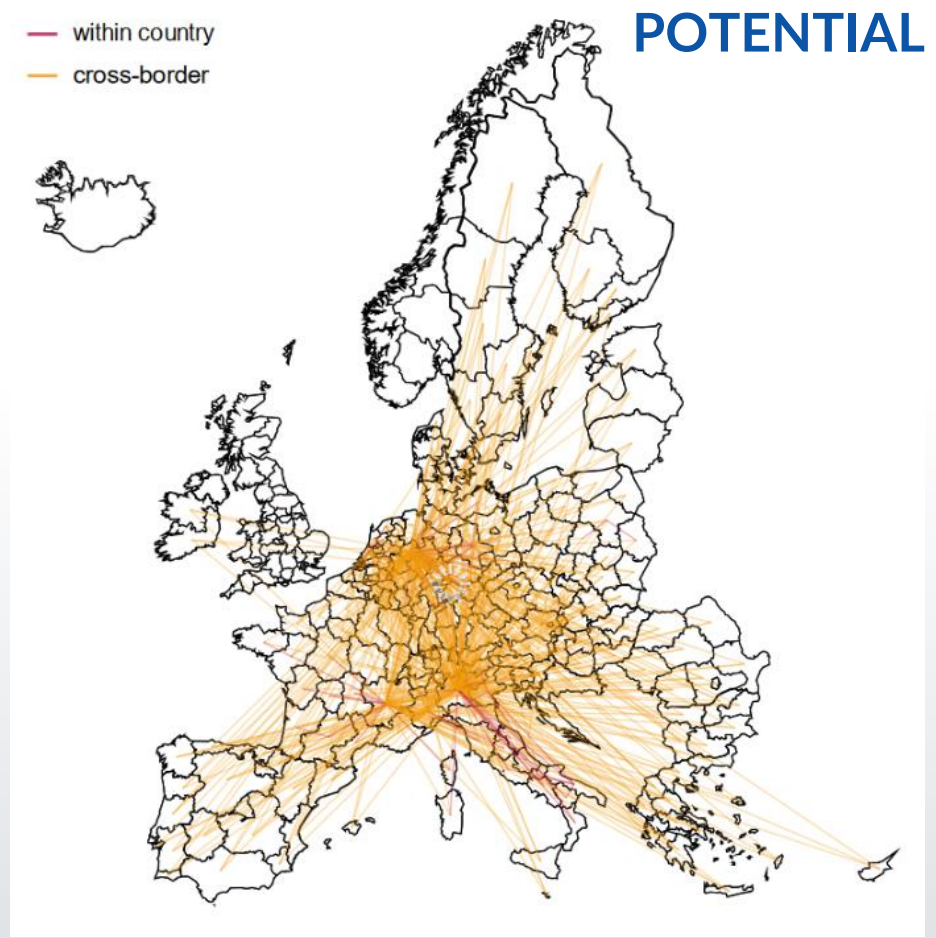
Technological Capabilities in European regions

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Technological Capabilities in European regions

TRANSITION REGIONS

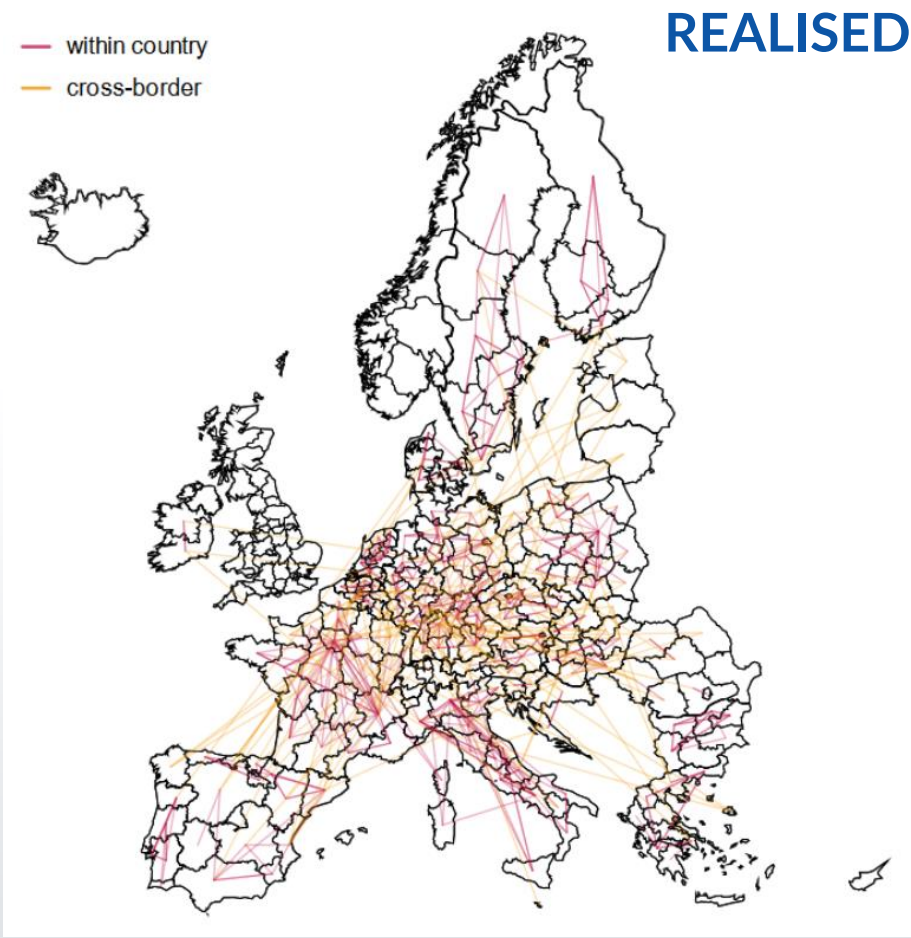# Technological Capabilities in European regions

LESS DEVELOPED REGIONS

Huge untapped potential collaboration in technology development

REALISED

POTENTIAL

— within country
— cross-border

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Take-aways from European regions

- Spread in economic prosperity between more developed and less developed regions might increase
  - *More developed regions* are best equipped with technological capabilities for the green and digital transition
  - Opportunities for lagging regions to catch up, in particular in digital technologies

- Focus and specialisation on the *right* technologies is key

- Plenty of opportunity to collaborate – beneficial for all regions involved

Two policy interventions to foster green and digital technologies in Europe

Bottom-up vs. excellency

Smart Specialisation Strategy (S3)

- Collecting information on regional assets and capabilities

- Bringing together ALL stakeholders from society

- Develop a region-specific strategy with clear priorities

- Foster innovation ecosystems within regions

Horizon Europe

- EU's flagship program for R&I (95.5 billion EUR 2021-2027)

- Focus on scientific and technological excellence

- Targeting of societal challenges („mission areas")

- Foster innovation ecosystems across EU and beyond: Team Europa (Africa Initiative)

Lessons learnt

- Smart Specialisation Strategy (S3)
  - Bottom-up approach to stimulate technology development in all regions
  - Leverages diverse technological capabilities in diverse regions
  - Societal challenges: Not always in line with the green and digital transition

- Horizon Europe
  - Top-down approach relying heavily on funding in some regions
  - Overarching missions introduced to address societal challenges
  - Streamlining: Not everything can be done at the same time

Charting the path forward: What can be done?

Take-aways for developing countries

- Knowledge is key:
  - What are the current technological capabilities?
  - What technological capabilities to foster?
  - What collaborations can be beneficial?
  - ⇨ Gathering knowledge is task for ALL stakeholders:
    governments, private sector, academia and civil society

- Fostering all technological capabilities is important – but also excellency
  - ⇨ Finding a „sweet spot" between going broad and focus on few

- Mission-orientation to channel R&I efforts
  - ⇨ Breaking down societal challenges like the green transition to prioritize

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Shaping the future.

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