

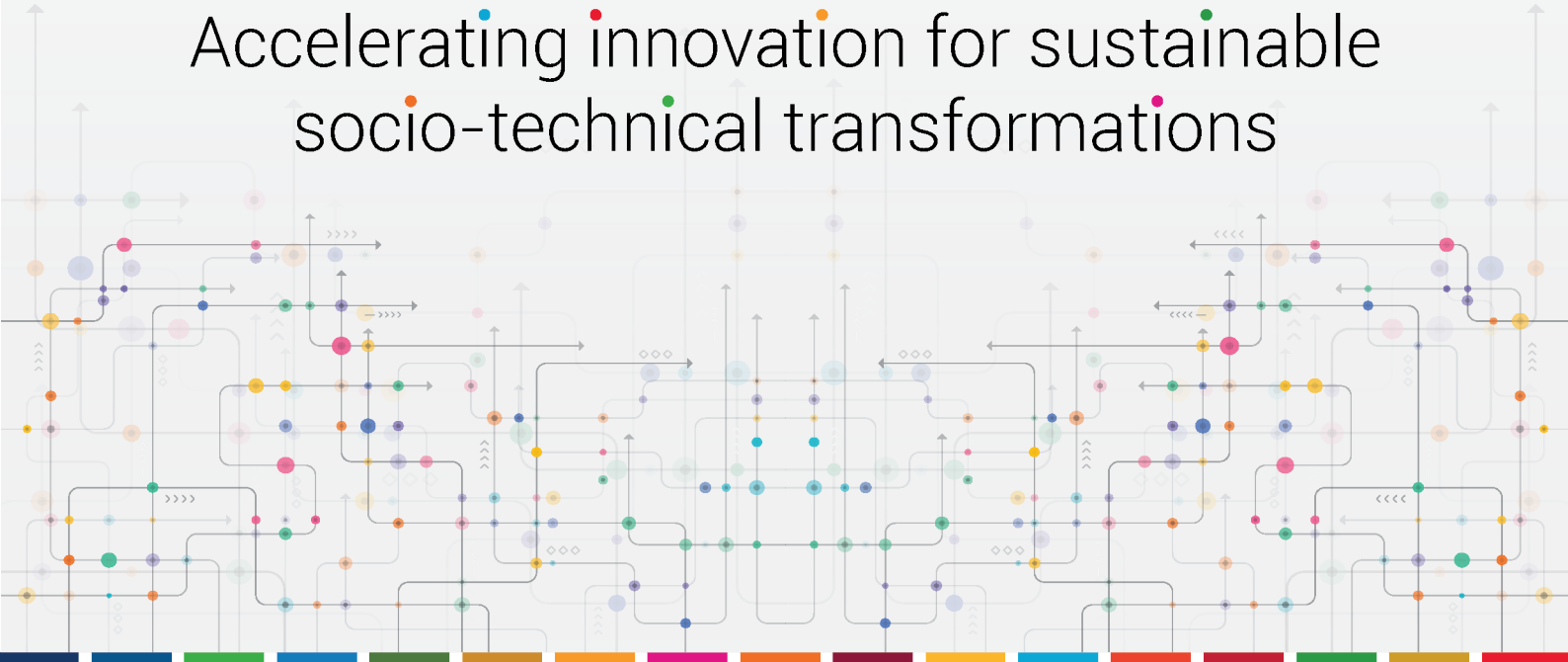


**TRANSFORMATIVE
INNOVATION
ACTION FORUM**



1-3 OCTOBER 2024 | EIT HOUSE | BRUSSELS

Accelerating innovation for sustainable
socio-technical transformations



Draft Meeting Report of the ETIN Transformative Innovation Action Forum

Overview of Discussions and Outcomes

Brief Overview

The ETIN Transformative Innovation Action Forum was co-organized by the United Nations Economic Commission for Europe (UNECE), the Joint Research Centre (JRC), the Directorate-General for Research and Innovation and the European Institute for Innovation and Technology (EIT) of the European Commission and was funded by the German Government. This event was attended by 60 participants from over 15 countries, including a broad range of policy makers, researchers and industry representatives from Europe, South Caucasus, Western Balkans and Central Asia to discuss the main challenges and opportunities in facilitating innovation for socio-technical transformations towards sustainable development. This Action Forum benefited from the work conducted by ETIN on ecosystem development and strategic learning for transformative innovation (2022-2024), as well as the work on systems dynamics and place-based innovation conducted by JRC. Discussions and input to the Action Forum were also based on the insights and outcomes of the “Engagement Week 2024: Scaling Experimentation – A Catalyst for Transformative System Change” organized by ETIN partner, the Transformative Innovation Policy Consortium (TIPC), and the Deep Transitions Lab on 18-20 September 2024.



BACKGROUND

The transition to a sustainable society, in line with UN Agenda and the Sustainable Development Goals (SDGs), is one of the most significant socio-economic endeavours of our generation. We face historically uncertain and structurally complex challenges and opportunities, arising from and integral to e.g. rapid technology developments, climate change, a decline in biodiversity and healthy ecosystems at land and in sea, social and economic inequality, pandemics, and war, which calls for systemic transformations of our economies and societies. Such transformation not only requires consumption and production patterns to become more sustainable (SDG 12) but also that these efforts are somehow coordinated to enforce one another. This includes leveraging emerging opportunities, while at the same time mitigating and addressing potential socio-economic risks and challenges.

Addressing these increasingly complex challenges requires innovation at an unprecedented scale (SDG 9). Providing responses to these challenges requires transformative innovation, which adds a new dimension to our understanding of innovation. The scale of action needed for transformative innovation calls for a broader, more inclusive approach. While public and private stakeholders have traditionally driven innovation, today's complex challenges require that new types of actors, such as end-users, marginalized groups, and communities with limited policy influence, are actively engaged. These groups bring unique insights and needs that are essential to shaping transformative solutions. This shift redefines innovation as a collaborative effort across diverse actors to address complex social needs effectively.

In this context, innovation is not only about new products, services, processes, and methodologies for everyday challenges. It is about **accelerating larger transformations in and of society at large including systemic changes in power dynamics, relationships, resource flows, behaviours, and mental models.** This means that any effort to stimulate innovation, in addition to technology development and innovation management, will also have to consider how to build the surrounding ecosystem's capacity to challenge the societal status quo and contribute to the generation, dissemination and assimilation of innovation. The ambition is to promote an adaptive society, capable of relying on the possibilities offered by innovation in rapidly changing and uncertain contexts, for its proper survival, well-being and sustainability. This implies developing supporting framework conditions, new and appropriate incentives, along with allocating alternative capacities and resources both in the public as well as the private sector.

This suggests that transformative innovation policy adds to our traditional ways of thinking about innovation. It is not only about addressing competitiveness and growth, but it is also expected to intentionally contribute to a transformation of society and the economy. Transformative innovation policy thus represents a global endeavor.

There is a growing need for concerted and structured dialogues on these issues. How does this ambition to transform entire systems change the way we understand and promote innovation? For what and for whom is innovation being promoted? What new policies and measures are needed to spur transformative innovation that accelerates a sustainable transition of our societies in line with UN Agenda 2030 and the SDGs? What are the opportunities and challenges in this process? What types of integrated learning processes and frameworks, evaluating past experiences while simultaneously pursuing foresight activities, can support experimentation that accelerates societal transformation in complex environments?

Responding to this clear need for concerted, structured dialogue, tools, and joint initiatives, the [UN-ECE Transformative Innovation Network \(ETIN\)](#) organized the **Transformative Innovation Action Forum**, 1-3 October 2024 in Brussels, Belgium, supported by the United Nations Economic Commission for Europe (UNECE), the Joint Research Centre (JRC) of the European Commission, and the Directorate-General for Research and Innovation.

The objective of the Action Forum was to facilitate discussions around the opportunities and challenges faced by economies in pursuing transformative innovation, i.e., identify how innovation can be leveraged to address the most pressing challenges we face today. It aimed to represent a starting point of an ongoing conversation between experts and international organisations working to support innovation for sustainable transformations. This was to fill a gap in the current policy debate, by providing a unique space for a diverse set of actors to have an honest and open dialogue about joint challenges and opportunities in pursuing transformative innovation. Accordingly, the Action Forum was designed to provide peer learning and interactive roundtable discussions for selected changemakers around the basic foundations and practical applications of policies and measures to promote transformative innovation.

Elements of Transformative Innovation

Innovation for transformation goes beyond traditional views of innovation, which primarily focus on new products and processes. It extends our understanding of the innovation process itself, by emphasizing its role in driving large-scale, sustainable societal change. Building on this, the ambition of the Action Forum was to gain a better comprehension of how various dynamics operate in this new context of transformative innovation, including:

- **Directionality** as an important first element in identifying and orienting our activities towards sustainable systemic transformations.
- **Experimentation and learning** as an approach to deal with the inherent unpredictability of complex adaptive systems (e.g., markets, societies, environment) and the associated uncertainty concerning how policy interventions contribute to socio-technical changes.
- **Coordination and governance** arrangements to encourage synergies and spill-over effects and enable seamless interaction between all the different actors involved in and required for transformative innovation.
- **Capacitation** to build the right skills (capacities and capabilities) to design and implement transformative innovation policy, fostering them to disseminate across all societal levels.

Based on this overarching structure, the participants of the Action Forum were assigned to one of eight groups, two of which were assigned to address one of the four themes listed above. As a result, the groups were invited to identify enablers and barriers across these themes, as well as potential means through which these could be either leveraged or mitigated.

International support in promoting innovation-led sustainable transformations

To kick off the Action Forum, representatives from each of the organizing entities provided an overview of their activities and support in accelerating innovation-led sustainable transformations, including:

- **Ms. Salla Saastamoinen**, Deputy Director-General of the JRC of the European Commission. She emphasized the importance of innovation, investment, and implementation in driving Europe's competitiveness and sustainability goals, particularly in the context of the recent political transition within the EU. Ms. Saastamoinen also

introduced the upcoming preparatory action of JRC on place-based innovation, which aims to address national, regional and local challenges, promote inclusive digital societies, and contribute to broader global challenges like climate adaptation and digital transformation. Lastly, she stressed the need for continued collaboration across institutions to ensure that transformative policies leave no communities behind.

- **Mr. Philipp Ludewig** from the Federal Ministry for Economic Affairs and Climate Action of Germany. Mr. Ludewig emphasized the critical role of innovation in driving sustainable transformation and addressing global challenges. He outlined several initiatives from Germany's Ministry for Economic Affairs and Climate Action, including funding programs for small and medium enterprises (SMEs), startup strategies, and the "Tailwind for Innovation" initiative. Mr. Ludewig stressed the importance of working together across countries and institutions to create meaningful change, which was the main driver for the establishment of ETIN with UNECE, which aims to foster international collaboration and knowledge exchange to tackle complex global issues like climate change and technological disruptions.
- **Mr. Manuel Irun Molina**, EIT Liaison Officer and Head of Public & Community Affairs Department. Mr. Irun Molina highlighted the European Commission's commitment to fostering innovation by building collaborative communities. He emphasized the importance of bringing together diverse perspectives to work toward common goals, praising the spirit of innovation communities, which are part of the EIT (European Institute of Innovation and Technology). These communities focus on areas like climate, digitalization, health, food, and raw materials, and a new community focused on water, marine, and maritime innovation has recently been launched. He also underscored the importance of bottom-up innovation, allowing these communities to identify key areas where they can make a difference. Mr. Irun Molina also stressed the need to consider societal challenges and systemic transformation, a shift from focusing purely on technological innovation.
- **Ms. Elisabeth Türk**, Director of the Economic Cooperation and Trade Division at UNECE. Ms. Türk welcomed the participants and expressed her satisfaction about the presence of a large number of experts with diverse backgrounds. Ms. Türk was particularly pleased that, on a topic of such cutting-edge nature like transformative innovation, the Action Forum also enabled participation from UNECE programme countries in Central Asia, Southern Caucasus and the Western Balkans. Ms. Türk also emphasized the context in which this Action Forum was taking place: half-way to the deadline for achieving the SDGs, only 20 per cent of these goals were currently on track. This highlights the urgent need for innovation-led sustainable transformations. Innovation that goes beyond technology advancements and considers societal change and overall directionality towards the SDG, is needed more than ever. Ms. Türk thanked the ETIN donor, the Federal Ministry for Economic Affairs and Climate Action of Germany, for the generous support, and emphasized her satisfaction and pride with what has been achieved under this extra-budgetary project. Two years after its launch, ETIN has successfully established itself by filling an important niche. It was now important to build on the current momentum and ensure continuity. Along these lines, Ms. Türk emphasized her commitment to ensuring the sustainability of ETIN in the medium and long term. Ms.

Türk concluded by encouraging continued partnership and innovation to further the ETIN's impact in driving meaningful change.

SESSION 1 – SETTING THE SCENE: TRANSFORMATIVE INNOVATION AND ITS CHALLENGES

Why transformative innovation and what are the challenges?

To provide an overarching framing for the subsequent group activities, the Action Forum featured a scene-setting panel discussion on the example of sustainable transformations in the steel sector and its spillovers and relevance for transformations in the energy sector. Moderated by Ms. Elisabeth Türk, the ensuing panel discussion set out to examine the challenges and opportunities when it comes to implementing transformative innovation in practice, including the contextual and other factors that may be holding back the desired transformations.

Starting off the discussion with a keynote speech, **Mr. Ola Hansén**, Director of Public Affairs at Stegra (formerly H2GreenSteel) in Sweden, discussed Stegra's ambitions in fostering the circular economy transition and end-to-end digitalisation as well as their efforts to decarbonise the steel sector. Mr. Hansén highlighted the steel sector's critical role as a hard-to-abate industry that is foundational to broader transformations across mobility, energy, construction, and other sectors. He emphasized that innovation in this sector is driven by both policy and market demand, with sustainability being a key element in each. Beyond merely introducing new technologies, systemic innovation in the steel industry requires a rethinking of traditional business models—impacting everything from production to sales structures to effective financing mechanisms and support. For instance, the shift to green steel in northern Sweden exemplifies a place-based model of innovation; however, replicating this transformation in regions like Germany or Austria presents challenges due to differing climatic and environmental conditions. Hansén noted that while such localized solutions are promising, achieving large-scale sustainability will require adaptable, yet regionally sensitive approaches across Europe.

Complementing the points raised in the keynote speech, **Mr. Stefan M. Büttner**, Director of Global Strategy and Impact at the Institute for Energy Efficiency in Production (EEP) and Chair of the UNECE Group of Experts on Energy Efficiency, Germany spoke about his experience on industrial decarbonization. He highlighted the importance of a just transition, ensuring inclusive growth and embracing uncertainty. Such transformations will need to be systemic, not only in producing green steel, but also in decarbonising sectors apart from the hard-to-abate and high impact ones. Only when all sectors are considered early on, net-zero can be achieved. Green hydrogen, generated by renewable electricity is one path to power industrial decarbonisation, but due to conversion efficiencies, price and availability other pathways such electrification might be cheaper overall despite investment costs to change end-use processes. This stresses the need to look at the efficiency of the entire system, not only of one part of the system, and helping stakeholders to better understand the available potential and systemically efficient options.

Additional perspectives on financing transformative innovations, **Ms. Johanna Schiele**, Policy Officer at DG CLIMA of the European Commission, elaborated on her work with the EU [Innovation Fund](#) to tackle strategic investments in high-risk innovative projects, much like a sandbox for transformative investments. She highlighted the need of not only needing to fund innovative projects, but also continue to develop funding mechanisms themselves,

so they stay close to market needs, unbureaucratic and cost-efficient. Ms. Schiele stressed the importance of considering the diversity within Europe as well as the need to pay close attention to the region's comparative strengths and advantages and to establish a united approach to investing in the sustainable energy transition.

Providing an external perspective to Europe's strengths and challenges, **Mr. Jorge Arbache**, Professor of Economics at the University of Brasilia in Brazil, emphasized the need to create new visions regarding transformative innovation, where alliances between countries and regions are crucial. An example of this is the potential for collaboration between Europe and South America. Specifically, he explained the concept of *power shoring*, a strategic approach for locating industrial plants in regions with abundant and reliable renewable energy. It aims to enhance industrial competitiveness by addressing rising energy costs and environmental compliance pressures, especially for energy-intensive industries. Mr. Arbache highlighted that this model is seen as crucial for industries looking to decarbonize, reduce their environmental footprint, and maintain global competitiveness. Mr. Arbache also encouraged participants to see uncertainties in system transformations as opportunities for innovation.

Based on the example of a sustainable transformation in the steel sector, the subsequent part of the Action Forum group activities was divided into four sessions, the discussions and outcomes of which built on each other, resulting in a comprehensive portfolio of challenges and opportunities for policy for sustainable transformations around a concrete narrative chosen by each group.

What contextual factors reinforce the existing challenges to sustainable transformations?

After the panel discussion provided the overall framing for the event, participants engaged in some networking and were further divided into their assigned groups for the first group activity. The aim of the group discussions was to identify the challenges and their related contextual factors that impede or facilitate transformative innovation. Several common themes emerged, including the complexity of systems, the difficulties in transferring learning across different contexts, and the need to address equity and injustice in innovation. Many participants noted the challenge of narrowing the focus to drive action while maintaining a systemic approach to ensure consistency. Groups also highlighted the critical importance of breaking free from rigid mental models that often inhibit experimentation and collaboration.

A significant topic of discussion was the inefficiency of current funding systems in promoting transformative innovation. Several groups pointed out that the one-size-fits-all approach to funding limits opportunities for innovation, particularly in areas where risk-taking and failure should be part of the process. Additionally, comparisons between funding mechanisms in Europe and the U.S. revealed differences in market structures and values, leading to fragmentation and inconsistent, inefficient and ineffective resource allocation. Participants agreed that there is a need to reform funding systems and resource reallocation decisions in policymaking circles to better support innovation and encourage cross-sectoral collaboration. Significantly, this involves policy innovation – especially through small scale experimentation and strategic policy evaluation and learning, a process where ETIN should play a useful role in diagnosing, facilitating and nourishing.

Policymaking and governance also presented considerable challenges, with many groups criticizing the siloed approach prevalent in government structures. Bureaucratic delays, complex reporting requirements and project financing processes, and cumbersome and costly regulations further complicate efforts to scale innovative solutions. Participants noted that while technology is abundant, it alone cannot solve systemic problems. Therefore, innovation policies must evolve to reflect the dynamic, changing contexts in which these challenges arise. Coordination among stakeholders, both public and private, was identified as a crucial step in advancing transformative solutions.

Beyond the immediate challenges, several groups emphasized the need to embrace experimentation without the pressure to always scale. Participants stressed the importance of fostering innovation through iterative, localized solutions, using mechanisms like frugal innovation and venture capital to support niche projects. Additionally, they identified the role of narrative-building and demonstration effects in shifting perceptions and encouraging broader acceptance of innovative practices. These discussions underscored that creating spaces for small-scale experiments could lead to more adaptable and resilient solutions, even if not all are (expected to be) scaled up universally. Finally, the importance of addressing “unknown unknowns” and uncertainties, both in policy-making and technological innovation, was highlighted as a crucial factor in driving long-term transformative change.

SESSION 2 – ACTIVITIES, PROCESSES AND ACTION TOWARDS TRANSFORMATIVE INNOVATION

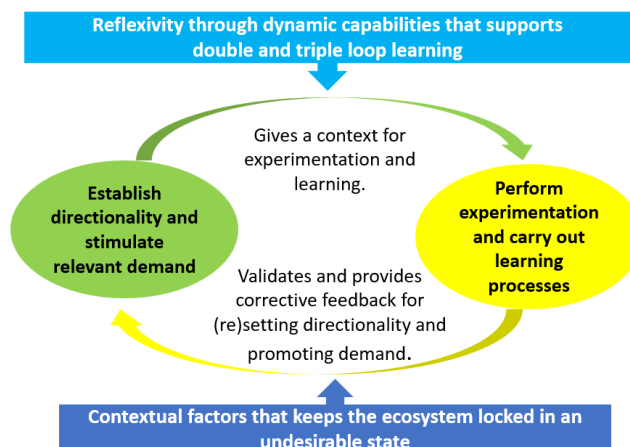
What can we do to facilitate transformative change?

Introducing the session, **Mr. Kjell Håkan Närfelt**, Chief Strategy Officer at Vinnova and Chair of the UNECE Team of Specialists on Innovation and Competitiveness Policies, elaborated on the relation between the components of transformative innovation policy, depicted in figure 1.

The policy measures for a desired transformative change takes place in an existing ecosystem that provides the conditions for the currently dominating economic, ecological, and societal orders or regimes. Setting or establishing new pathways and visions for policies (*directionality*) – in our case one that supports UN Agenda 2030 - and stimulating a *demand* that drives and contributes to consumption, development and production patterns that supports this directionality constitute the overall policy objectives. These policy measures in turn define and provide a context for the experimentation needed to find sustainable solutions.

However, experimentation without an assessment of the results and outcomes of the experiments have little value. Therefore, experimentation must be accompanied with measures to evaluate and assess the results of the experiments. Together, experiments and their evaluation and assessment provide the necessary feedback to validate, verify and provide corrective actions with respect to policy measures addressing directionality and demand. In that sense, the continuous iteration between experimentation and learning becomes the strategic compass moving forward.

Figure 1. The relation between components of transformative innovation policy



Source: Developed by Mr. Kjell Håkan Närfelt for the Action Forum.

For this session, groups were asked to examine what needs to be done to address the challenges identified in session 1. Participants were encouraged to think about what they can do on a personal and/or organizational/institutional level to initiate the needed change and what kind of forms of cooperation would be needed, covering the elements of directionality, experimentation and learning, coordination and governance, and capacitation.

In this regard, the importance of peer-to-peer learning and experience-sharing was emphasized as a key element in building a community dedicated to transformative innovation. It was noted that success in this field is not easily defined or analyzed; rather, it must be experienced and understood through collective coordination and the exchange of what works and what doesn't. Additionally, the need for fresh perspectives and skills to break free from entrenched systems was highlighted, with an emphasis on fostering collaboration, mutual support, and an open, forward-looking approach to innovation.

As further inspiration for the group discussions, lead experts of two ETIN workstreams were invited to talk about innovation-enhancing procurement and circular platforms as two of many possible means to achieve transformation.

Case example: Innovation-enhancing procurement

In his intervention, **Mr. Warren Smith**, Director of Insight, Innovation and Impact at Posterity Global stated that governments spend significant amounts – around €2 trillion across EU Member States annually and globally US\$13 trillion annually – on procurement, however, much of this spending is marked by inefficiencies, as noted in the Draghi Report and the European Court of Auditors' [Special Report '28/2023: Public procurement in the EU'](#). These reports highlight structural weaknesses, institutional failings and worsening policy implementations that require a fundamentally different paradigm; the need for re-booting the whole system of public procurement, creating new regulations and revisiting how the existing ones are interpreted. He stressed the importance of shifting the mindset around procurement to create an environment that encourages experimentation and innovation. Smith called for changes both at the macro and micro levels, with a focus on enabling innovation through targeted investment in experimentation, and empowering multidisciplinary teams to quickly learn what works and what does not through practical implementation. He also emphasized the importance of bringing together the right stakeholders from across different functions (e.g. policy, legal, digital, governance, etc.) to share knowledge and scale successful practices, warning against overregulation.

Case example: Circular platforms

The next intervention was given by **Mr. Peter Evans**, leading expert on enterprise transformation and platform business models. Evans emphasized the importance of digital platforms and platform business models, highlighting that while the United States and Asia have been strong in this area, Europe has significantly lagged behind. He pointed out that, despite being a major consumer of platforms like Amazon and social media, Europe has not established itself as a leader in platform creation, a concern also raised in the Draghi Report. Evans noted that while global attention is now focused on AI, European companies lag in the development of large language models, further contributing to the region's digital gap. He indicated that one area where Europe is competitive is in circular platforms as these platforms play an important role in reducing transaction costs and promoting more circular transactions. He also acknowledged that negative perceptions regarding "gate keeper" platforms in Europe could be an obstacle to further realizing this potential. Evans also pointed to how circular platforms align with broader policy initiatives like the Critical Materials Law and the Green Deal, underscoring that platforms will be essential to achieving Europe's sustainability and material security goals.

The subsequent group discussions focused on identifying practical measures to drive systemic innovation across various sectors. Discussions emphasized the need for better coordination and more holistic approaches, particularly in sectors like energy, where linear thinking and misaligned public procurement processes have hindered progress. Participants highlighted the importance of aligning actors and utilizing frameworks like the quadruple helix to improve collaboration and outcomes. A key takeaway was the necessity to move beyond incremental changes and engage in systemic transformation.

A major theme was the tension between short-term policymaking and the long-term vision required for transformative innovation. Risk aversion in public and private funding bodies was also identified as a significant barrier to systemic change. Without a compelling long-term vision, risk aversion perpetuates short-termism and stifles transformative innovation. Groups noted that overcoming short-termism, especially in funding, will require stable, long-term investment strategies and the creation of enabling environments for experimentation. In sectors like food, complexity and the cultural and social aspects of transformation proved difficult to navigate, reinforcing the need for cross-sectoral coordination and integration of overlooked factors such as social and cultural dimensions in the innovation process.

Additionally, some participants highlighted the need for a shift from relying on rigorous road maps and detailed theories of change to trusting and supporting innovators' capacity to strategize, monitor valuable data, evaluate progress, learn from experiences, and adapt within complex contexts, despite the prevailing status quo favouring the former approach. Throughout the discussions, participants recognized the need for affordable loss as a guiding principle, where risk is managed according to organizational capacity, and experimentation is encouraged to facilitate systemic innovation.

Another key discussion focused on the alignment of current implementation systems with transformative policy models, such as mission-oriented policies. Participants stressed that traditional connections between actors reinforce conventional thinking, and that leveraging digitalization could enhance engagement and policy feedback. Consultants were seen as crucial knowledge brokers, helping bridge gaps between policy design and implementation

through quicker feedback loops, especially in sectors like food, where the system's complexity has caused hesitancy to initiate meaningful change. Important would be to look for ways to also encourage such knowledge brokers to embrace the new mental models needed for transformative innovation.

Governance structures were another critical focus, as participants explored how to balance centralization and decentralization to foster more effective innovation systems. Collective problem-solving, improved collaboration across governance levels, and the need for transformative and collaborative—rather than competitive—funding mechanisms were key points raised. The challenge of operationalizing these ideas in practical contexts was repeatedly acknowledged, underscoring the need for robust feedback loops and adaptable policies.

Finally, the lack of transparency and traceability in value chains was highlighted as a systemic barrier to innovation, particularly in sectors with fragmented actors and misaligned incentives. Many groups pointed to the need to manage complex relationships within systems and emphasized that external shocks may be required to push established systems toward transformative change.

Across all groups, there was consensus that enabling transformative change requires addressing these structural challenges, building long-term visions, leveraging digital tools, and fostering coordination across sectors. Digitalization, feedback loops, and creating a culture of learning were seen as essential to drive the processes and activities needed for transformative innovation.

SESSION 3 – CREATING IMPACT FOR TRANSFORMATIVE INNOVATION

How can we achieve impact?

After identifying the activities and processes for transformative innovation as discussed in the session 2, this session investigated the approaches to facilitating the desired transformative impact. It began with some examples of methods and tools that can be used to act upon the previous defined challenges.

The discussions centered on the transition to sustainable systems, emphasizing a holistic approach to manage the complexities and unintended consequences of such transitions. Participants noted significant communication gaps among government, civil society, and industry, which hinder collaborative efforts, while emphasizing the need for leaders with a deep understanding of cross-sector challenges. The use of digital tools for evidence-based decision-making and the focus on transforming existing structures for resource efficiency were identified as key areas for improvement.

Several opportunity spaces were highlighted, such as developing action networks to help small players access larger markets, adopting adaptive management for flexible policy implementation, and fostering innovation through enablers like regulatory sandboxes and social impact bonds. Procurement and digitalization were identified as powerful levers for systemic transition, with proposals for a mandatory product passport to enhance transparency across global value chains. In transforming the food system, the group emphasized the need for new learning models, institutional collaboration, and tailored learning opportunities to accelerate sectoral changes.

Policy challenges were a central theme, as existing approaches were often seen as too prescriptive and not performance oriented. This leads to difficulties in translating high-level concepts into actionable strategies. Participants also pointed out the fragmented innovation systems in Europe, which hinder transformative outcomes. They suggested focusing more on societal adoption of innovations rather than relying solely on market-driven solutions. In addition, the conservative nature of current funding systems was seen as a barrier, with calls for a new narrative and leadership to drive systemic change.

The discussions concluded with a consensus on the need for adaptive and reflexive governance structures that evolve and learn over time. Enhancing collaboration, transparency, and building capacity across sectors were considered vital to achieving sustainability goals. Systemic change, participants agreed, must come from better coordination, more risk-tolerant leadership, and the development of innovative funding mechanisms that align with broader policy goals. Addressing fragmentation in Europe's innovation systems was also emphasized as critical for realizing transformative outcomes.

SESSION 4 – CONSOLIDATION OF DISCUSSIONS: COLLECTIVE REFLECTIONS AND LEARNING

The fourth and final session of the Action Forum consolidated the group discussions of the previous session into consolidated portfolios of areas where stakeholders can continue their efforts in accelerating sustainable transformations, including identifying transversal actions and opportunities for achieving impact.

The discussions evolved around the complexities surrounding policy reporting and the need for streamlined accountability across various sectors, including finance, sustainability, and social responsibility. As policies become more intricate, the burden on beneficiaries to report on an increasing number of topics intensifies. The use of AI systems was suggested as a potential solution to simplify and enhance the reporting process, enabling firms and other actors—such as universities and technology centers—to provide more efficient accountability.

To accelerate essential transitions in Europe, such as those in energy, defense, and sustainability, participants highlighted the need for a reassessment of the competencies held at the national versus EU institutional levels. The discussion emphasized that excessive national interests could hinder progress and affect overall competitiveness, calling for a more unified European approach. The effectiveness of initiatives like the Integrated European Policy was cited as an example of how "more Europe", i.e., a stronger, more unified approach across Europe, could drive meaningful change.

Moreover, the exchanges underscored the necessity for continuous and rapid diagnostics of EU territories to identify areas that require swift intervention, which could catalyze broader transformations. Participants advocated for the development of new indicators that extend beyond traditional metrics related to innovation and R&D, to include other critical but often "invisible" factors fundamental to effective transformation.

As the discussion progressed, participants examined the previously identified common challenges, stakeholders, and limitations of existing actions. They proposed practical solutions centered on enhancing leadership skills to manage complexity effectively. The suggested approach involved leaders engaging in bottom-up initiatives to gain a

comprehensive understanding of processes, which would inform their subsequent top-down decision-making. However, participants acknowledged the inherent difficulties in translating these objectives into actionable steps, reflecting the complexity of the transformation process itself.

Furthermore, to scale up the results of experiments, some participants emphasized the importance of structuring research and innovation funding to incentivize long-term investment thinking. This approach should support not only the scaling up of successful initiatives but also the creation of synergies with other funding opportunities to facilitate market uptake. Additionally, they highlighted the potential of innovative public procurement as an effective instrument for driving change, suggesting that it could be used to enforce specific standards, such as through shared investments, which would encourage the adoption of new practices. Another key strategy discussed was the use of shielded regulatory experiments conducted in collaboration with businesses. These experiments would allow stakeholders to test and observe the outcomes within a more innovation-friendly regulatory environment, offering insights into how best to foster change and adapt regulatory frameworks to support transformative innovation.

The discussions highlighted the need for a shift away from linear approaches to addressing complex systems, emphasizing the importance of connectivity among various actors to move from implementation 2.0 to 3.0. Concerns were raised about the risks of misalignment, such as involving the wrong people in the wrong roles, and the lack of transparency and traceability within global value chains. Participants stressed the conservative nature of current funding mechanisms, which tend to stabilize existing systems rather than foster innovation. Additionally, navigating trade-offs in complex adaptive systems was seen as a challenge, particularly with systems becoming reactive only during emergencies. The discussions also pointed to the multiplicity of ecosystems operating simultaneously but often without proper alignment. Finally, it was noted that the EU *acquis* offers limited guidance on innovation partnerships and procurement, leaving a gap in fostering more dynamic collaboration.

THE WAY FORWARD

In the final session of the Action Forum, **Mr. Alexandr Hobza**, Chief Economist at the European Commission's Directorate-General for Research and Innovation, emphasized the urgent need for action as the European Union undergoes a transition in leadership with new Commissioners. He highlighted the critical importance of prioritizing green and digital transformations to enhance the EU's competitiveness. Drawing on insights from the Draghi report, he stressed that boosting competitiveness is essential to achieving climate and social objectives. Mr. Hobza acknowledged the inherent trade-offs in decarbonization and competitiveness but advocated for synergies between the two, cautioning that not every situation presents an opportunity.

The conversation also addressed ongoing challenges in implementing the Horizon Europe program, which aims to tackle significant societal challenges through mission-driven initiatives. Mr. Hobza pointed out that while the program has great potential, translating that potential into actionable outcomes on the ground has proven difficult. He noted the importance of breaking down silos and fostering collaboration among different actors to enhance implementation efforts.

Mr. Hobza called for improved data provision and policy experimentation to support evidence-based decision-making. He acknowledged that evaluating projects can be complex but emphasized the need for a multidimensional assessment approach that aligns with long-term objectives and utilizes a portfolio strategy to address challenges comprehensively.

Ms. Elisabeth Türk applauded participants on the resounding success of the first ETIN Action Forum. Building on the insightful discussions, she called upon ETIN to now identify practical ways to translate conceptual insights into actionable steps. In that regard, she welcomed the so-called “design principles” envisaged to guide transformative innovation in practice, that are emerging from the exchange of diverse experiences and collection of insights from key change-makers.

Ms. Türk acknowledged that many of the challenges discussed were shared among different actors. She also stressed that proposed solutions typically highlighted the need for collective action in targeted areas. A key case in point was the steel sector’s response to climate change, where participants emphasized turning challenges into opportunities by understanding key drivers, focusing on insertion points, and adopting a realistic, place-based approach to financing and funding. Managing risk and uncertainty was seen as crucial for future actions.

Looking ahead, Ms. Türk referred to participants’ agreement that this Forum marked the beginning of broader collaboration. Next steps include developing the proposed Transformative Innovation Action Forum Charter that embodies co-created observations, messages, and principles for leveraging innovation-led transformations. The Charter will be distributed amongst Action Forum participants for their review and input.

Next steps also include continuing efforts through UNECE’s Team of Specialists on Innovation and Competitiveness Policies (ToS-ICP). Building communities around pressing issues will involve strengthening collaboration between research, policymaking, and practice, with a call for more practical examples, such as a pilot project for digital product passports. Cross-fertilization of ideas and integrating thematic groups will be essential to sustaining momentum and driving long-term innovation efforts.

Lastly, Ms. Türk proposed creating synergies between ETIN and other UNECE workstreams on areas where transformational change is needed. The UN’s Issue Based Coalition on Sustainable Food Systems, work on digital connectivity, and the circular economy all require unleashing the transformational impact of innovation and breaking down existing silos.

The Action Forum is set to serve as a launchpad for future activities that build on the insights and outcomes of this event. By focusing on bridging the gap between theory and practical application, the Forum aims to foster continuous dialogue on transformative innovation. This will involve translating research and ideas into concrete actions, enabling participants to tackle key questions in an iterative process. In addition, this Forum can leverage practical experiences from one context to create new opportunities for action in others. With this, ETIN can facilitate cross-contextual peer interactions and support the constructive examination of mental models, which is essential for enabling systemic change across Europe and beyond. To achieve this, ETIN plans to invest time, energy, and resources in building relationships, fostering deeper trust among peers. Such an environment will enable open and honest sharing of challenges and encourage strategic learning for transformative innovation. Ultimately, this approach will deepen collective understanding of emerging trends and

challenges, positioning the Forum as a catalyst for driving impactful, long-term innovation across sectors.