JUST, DEMOCRATIC, INNOVATIVE AND SUSTAINABLE INDUSTRIAL PLANNING (JUDISIP): INVESTING ON COUNTERVAILING ECONOMIC AND INDUSTRIAL POWER

Christian Iaione, Antonio Persico**, Gideon Galizzi****

Abstract

This article addresses the evolving role of the State in the economy, in the context of the renewed prominence of industrial policy. A growing awareness, in fact, is emerging that global challenges and the crises of our time call into question the very role of the State and demand outputs capable of steering economic dynamics toward socially desirable objectives. This contribution focuses on this ongoing transformation and seeks to identify the legal, economic, and financial toolkit for the revival of the planning State. It argues that this new trajectory must overcome the current neglect of societal and territorial well-being in economic planning, instead aiming at the generation of multidimensional impacts and enabling the active participation of communities in identifying needs, shaping solutions, and exercising stewardship over the implementation of economic initiatives.

* Full Professor, Luiss Guido Carli University, Co-Director of LabGov at Luiss Research Center Law & Investment on Future and Earth. The author wishes to thank the Horizon Europe Aware-EU.EU project which allowed the development and experimentation of his research on this topic, but also The New Institute, Kenneth Amaeshi and the Africapitalism program for hosting part of the research activities that led to the production of this study.

** Postdoctoral Researcher, Luiss Guido Carli University.

*** Research Fellow at African Desk for Fondazione E. Amaldi-Luiss LIFE/LabGov.

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1. An Industrial Policy for the Permacrisis (or Polycrisis) Age: the return of planning?

The climate crisis represents one of the most pressing economic and institutional challenges of our era. Drawing on scientific evidence, it has been recently highlighted how the current situation represents "a code red for humanity", and how the current trend is for crises and global risks to become the norm rather than the exception, questioning policy makers on which governance formulas are most suitable for providing just and adaptive responses[1]. However, the climate crisis is not the only factor that is challenging governments and markets. Other crises call into question industrial models of production and consumption of goods and services, the financial markets and the role of the public sector in governing the economy. The COVID-19 pandemic crisis has brought attention to the risk factors for human health in an interconnected and globalized world, confirming the need for a paradigm shift in public health management towards a holistic

[1] C. Iaione, L. Kappler, *Governing the Extreme: Self-Sustaining diverse Co-Cities for Just Adaption*, 6 Riv. Giur. Ed. 373 (2023).

model inspired by the one health and planetary health approaches. Most recently, concerns about war scenarios have arisen throughout the world, especially due to the outbreak of war in Ukraine and the expansion of the conflicts in the Middle East.

These crises, in turn, generate or aggravate other crises, such as humanitarian crises, migration crises, raw materials supply crises, and inflation crises. It has been argued that we have entered an era of permacrises or polycrises[2].

In this scenario, the model of a merely regulatory State[3], limited to defining a level playing field among economic operators, becomes rapidly obsolete. Competition and freedom of enterprise, themselves, do not guarantee that the outcomes achieved by the free play of the market and financial dynamics are socially desirable and moreover that certain public aims are met within a socially desirable timeframe. This is especially true, as it is recognized by economic literature, in the case of imperfect information, incomplete markets and, more in general, when perfect competition is not reached: outcomes can be pareto inferior and thus not

[2] The term permacrisis was coined by S.S. Cohen, C. Goldfinger, *From Permacrisis to Real Crisis in French Social Security: The Limits to Normal Politics*, in L.N. Lindberg, R. Alford, C. Crouch, C. Offe (eds.), Stress and Contradiction in Modern Capitalism: Public Policy and the Theory of the State (1975) according to whom "the permacrisis of social security is the result of the impasse between the imperatives of the economic system and the necessities of the political system which mediates economically imperative reform". The neologism was later used by the President of the European Central Bank Christine Lagarde in her speech at the sixth annual conference of the European Systemic Risk Board (8 December 2022). See C. Lagarde, *Macroprudential policy in Europe: building resilience in a challenging environment* (2022); the expression was also used by the World Health Organization Regional Director for Europe Hans Henri P. Kluge in his statement *The European Region is in a "permacrisis" that stretches well beyond the pandemic, climate change and war* (2022). More recently see the policy plan and strategy devised by G. Brown, M. El-Erian, M. Spence, R. Lidow, *Permacrisis: A plan to fix a fractured world* (2023). For the polycrisis concept see E. Morin, A.B. Kerne, *Terre-Patrie* (1993); the term was used by former President of the European Commission in his speech at the Annual General Meeting of the Hellenic Federation of Enterprises (SEV) on 21 June 2016, and then in his speech at the opening plenary session of the Ideas Lab 2018 "Europe – Back on Track" of the Centre for European Policy Studies on22 February 2018; on polycrisis, see also the interview given by the historian A. Tooze in relation to the World Economic Forum's Global Risks Report (2023).

[3] See G. Majone, *The rise of the regulatory state in Europe*, 17 West Eur. Politics 77 (1994).

optimal.[4] In the case of environmental issues, the market equilibrium is far from accounting environmental and social costs associated with pollution or other distortions. As a result, the State should intervene with corrective policies, incentives and regulation to align market outcomes with social and environmental goals. A useful and shared point of reference has been the sustainable development goals of the 2030 Agenda, representing a global political priority for quite a while with no clear success. The European Union – for instance – has adopted significant economic plans aimed at orienting the economy toward environmentally desirable outcomes[5]. At a strategic level, the European Commission (2019-2023) adopted the European Green Deal[6], with which it intended to incentivize the transformation of the European economy and industry towards a sustainable future, primarily on the environmental front, in pursuit of climate neutrality by 2050. Furthermore, within the framework of European Union law, particular relevance must be attributed to the Taxonomy Regulation[7], which aims to combat greenwashing in the financial sector by providing uniform and consistent criteria for assessing the sustainability of the economic activities underlying financial products. Equally significant is the Corporate Sustainability Reporting Directive (CSRD)[8], aimed at improving transparency, accountability, and sustainability across the corporate sector by modernizing sustainability reporting rules and expanding their scope of application, mandating the consideration of environmental, social, and governance (ESG) factors. These are two notable examples of public authorities (specifically, the European Union) intervening in the economy with the objective of steering

[4] J.E. Stiglitz, *The Revolution of Information Economics: The Past and the Future*, NBER Working Paper 23780 (2017).

[5] On the topic, see, in particular, M. Mazzucato, *A collective response to our global challenges: a common good and 'market-shaping' approach*, 2 UCL I.I.P.P. (2023); M. Mazzucato, M. McPherson, *The Green New Deal: A bold mission-oriented approach*, IIPP Pol. Brief (2018); R. Kattel, M. Mazzucato, *Mission-oriented innovation policy and dynamic capabilities in the public sector*, Industrial and Corporate Change, 787 (2018); M. Mazzucato, *Mission-oriented innovation policies: challenges and opportunities*, 27*Industrial and Corp. Change* 803 (2018).

[6] See Communication from the Commission COM(2019) 640 final of 11.12.2019.

[7] Regulation (EU) 2020/852.

[8] Directive (EU) 2022/2464.

corporate performance toward desirable and measurable outcomes in terms of sustainability.

The revival of the public sector economic planning and entrepreneurial role has not been limited to environmental matters. In response to the COVID crisis, then, the Next Generation EU (NGEU)[9] has financed national recovery and resilience plans that include reforms and investments in a variety of economic sectors, fostering ecological and digital transitions. Also noteworthy are the national integrated energy and climate plans that Member States must adopt[10] to define their contribution to the pursuit of the binding climate neutrality and energy transition objectives set by the EU Climate Law[11] and the Renewable Energy Directive (II)[12], also in light of the RepowerEU Plan adopted in response to the energy crisis resulting from the conflict in Ukraine[13]. More recently, another important EU policy initiative, the RearmEU - Readiness 2030 Plan[14], adopted by the current EU Commission, envisions a strong future economic orientation toward strengthening military security, including the development and deployment of dual-use technologies.

The process of redefining public action in the economy is finally underway in North America too, in particular in the United States, and it is well accounted for by the literature that calls for a return to industrial policy, understood as "*the deliberate attempt to shape different sectors of the economy to meet public aims*"[15].

However, the crises of recent years and the public or private responses seem to demonstrate that the dynamics of globalization have not led to a global socioeconomic development aligned with sustainability and peaceful coexistence among peoples. On the contrary, each crisis demonstrates a tendency to worsen pre-existing inequalities. Consequently, it becomes crucial to rethink the kind of intervention the public sector takes in economic governance, so that economic initiatives, both public and private,

[9] See Communication from the Commission COM(2025) 310 final of 4.6.2025.
[10] According to Regulation (EU) 2018/1999.
[11] Regulation (EU) 2021/1119.
[12] Directive (EU) 2018/2001, modified by Directive (EU) 2023/2413.
[13] See Communication from the Commission COM(2022) 230 final of 18.5.2022.
[14] See the Commission's White Paper for European Defence – Readiness 2030.
[15] See A. Kapczynski, J. Michaels, *Administering a Democratic Industrial Policy*, 8 Harv. L. & P. Rev. 279 (2024).

can be truly coordinated and oriented towards socially beneficial goals.

In short, a trend is emerging (at least in the North-Western world) whereby the public sector is (once again) orienting markets towards public interest goals, either through direct intervention or through the economic planning of various economic sectors. The rediscovered role of the State and public administrations in the purposeful direction of economic dynamics necessitates a reflection on the primary public objectives to be pursued, which today are to some extent different from the past.

However, this new perspective is not only characterized by a proactive role of the planning State[16], but also by a new sensitivity towards the component of participatory democracy, especially regarding local communities, adopting a new territorial governance perspective.

Thus, comes to an end the historical phase of the market-oriented approaches, marked by the period of global political integration that took place from the 1980s onwards, under the theoretical aegis of neoliberal theories of the minimalist State, in which the latter has the minimal task of repairing the so-called market failures.

This critique to the minimalist State takes shape and gains strength as historical evidence, using as a demonstration that a non-negligible number of innovations such as Internet, Biotechnology, Green Technologies, Aerospace Sector, often arise from the entrepreneurial courage of the State, which intervenes in high risk sectors such as no entrepreneur, in the Schumpeterian sense of the term – even if endowed with uncommon capabilities – would have ventured into them[17].

The intermediate phase of this theoretical transition is marked and supported by a growing attention and sensibility towards climate change, sustainability and demographic challenges and finally thanks to a new perception of public

[16] See A. Sandulli, *Economic Planning and Administrative Transformations in the NGEU and NRRP: A Paradigm Shift*, 14 Italian J. Pub. L. 3 (2022).
[17] See M. Mazzucato, *The Enterpreneurial State: Debunking Private vs. Public Sector Myths* (2013).

programming, under the name of "*Mission Oriented Innovation Policy*" (MOIP)[18] or "*Transformative Innovation Policies*"[19].

This finalistic orientation, at the European level, has been associated with a growing awareness of the functionality of innovation to meet sustainability goals. At the national level, instead, several member States, including Italy, have adopted legislation in strategic sectors, such as aerospace, which includes public strategic and programmatic documents setting out the sector's development priorities and the resources to be allocated to meet innovation and sustainability needs[20].

In this regard, the literature building on Mazzucato's critique has highlighted how in the Green Deal and especially in the Horizon Europe regulation no clear connection emerges between sustainability, innovation, on one side, and democracy and social justice, on the other side. In this regard, the concept of "Just Sustainable Innovation" has been used to indicate the need to integrate the public planning aimed at promoting innovation for sustainability with the social and governance dimension.

The starting point of this critique lies in the fact that entrepreneurial State actions can be often perceived as top-down approaches, equal in time and space. A careful and critical reading of the economic history and institutional economics literature confirms a well-established stylized fact on which most economists agree: the degree and intensity of economic growth and the effectiveness of public policies strongly depend upon the institutions[21]. The idea of "no one-size-fits-all" reflect the theoretical conclusion reached by institutional economists that the effect of the same policy intervention can be different geographically and scalarly, according to the types of institutions, their capacity, and their quality in the areas where the intervention

[18] See M. Mazzucato, *Mission-Oriented innovation policy: challenges and opportunities,* UCL I.I.P.P. (2017).

[19] See J. Schot, W. E. Steinmueller, *Three frames for innovation policy: R&D, Systems of innovation and transformative change,* 47 Research Policy (2018).

[20] See Italian Law No. 89/2025, in particular article 22.

[21] See D. Acemoglu, S. Johnson, J.A. Robinson, *Institutions as the Fundamental Cause of Long-Run Growth,* Handbook of Economic Growth, 385 (2005); R. Brown, *Mission-oriented or mission adrift? A critical examination of mission-oriented innovation policies*, 29 (4) Eur. Plan. Stud. 739 (2021).

takes place[22]. The concept of "*place-dependent conditions*", developed by the last wave of researchers, refers specifically to the idea presented in the previous paragraphs: the same policy issue or innovation challenge may be perceived differently with respect to the geographical and institutional context, introducing the idea of "place-blind policies" that characterize top-down entrepreneur State activities[23].

The new sensibility of the latest industrial policy theories highlights a sharp break between mission-oriented, prescriptive, and directional policies on the one hand, and the paradigm of place-based policies on the other, in which the key concept is the "*embeddedness*" in the local territorial context. This approach allows policy interventions to remain flexible, thereby better capturing the nuances of local institutions and citizens' needs.

These reflections prompt a consideration of the need to account for current and potential future social and territorial inequalities when forging industrial policies aimed at addressing the multiple and endemic crises of our time, while also acknowledging the needs of the affected populations and identifying context-appropriate solutions.

In addition, on the basis of the EU law and policy principle of just sustainable innovation the establishment of forms of democratic community-based governance for the implementation of the planned initiatives and measures has been identified as one of the most effective measures to tackle inequalities[24]. The legislation on energy communities and the Common Provisions Regulation, the Just Transition Mechanism and the Social Climate Fund, seem to represent the only examples of a democratic planning for just sustainable innovation which specifically targets inequalities and uses community-led governance mechanisms to

[22] See E. Uyarra, M. M. Bugge, L. Coenen, K. Flanagan, I. Wanzenbock, *Geographies of mission-oriented innovation policy*, 56 Environmental Innovation and Societal Transitions (2025).

[23] See E. Uyarra, I. Wanzenböck, K. Flanagan, *The spatial and scalar implications of missions: challenges and opportunities for policy*, J. Edler, M. Matt, W. Polt, M. Weber (eds.), *Transformative Mission-Oriented Innovation Policies* (2025).

[24] C. Iaione, *Just Sustainable Innovation: Shared Systemic Stewardship as Governance Impact of Sustainable Investment?*, 1 Munus 1 (2024).

overcome them[25]. Nonetheless, these instruments have a limited scope and do not appear to engage meaningfully with the Cohesion Policy, making it difficult to assert the existence of a radical paradigm shift in the formulation of the EU's economic policies aimed at generating territorial impacts. Moreover, the specifically industrial dimension is not adequately addressed by these instruments, which seem to endorse an artificial separation and disconnection between industrial development and the capacity to steer transitions and economic growth towards more equitable and just scenarios, in line with the needs of the populations affected by such changes.

In brief, the risk persists that strategic economic planning documents at the national or supranational level may suffer from a top-down approach and may be disconnected from societal needs, which may require specific solutions for different contexts. Such policies may pursue a primary public interest (e.g., ecological transition, rearmament), although neglecting the social aspect of sustainability, if not exacerbating pre-existing inequalities or creating new ones.

Thus, for example, it has been noted that the European Green Deal, despite promising to leave no one behind, does not actually lead to eliminating or reducing inequalities in terms of economic wealth and power between social groups and regions, failing to adequately address the issue of inequalities and providing inadequate tools to deal with the social implications of the transition[26]; likewise, it was found that the Green Deal is more in line with the sustainable development goals relating to clean energy, climate action, and sustainable consumption and production, but presents a significant "underrepresentation in areas related to social issues such as inequalities, poverty, hunger,

[25] This topic argument has been addressed in detail by C. Iaione, *Just Sustainable Innovation*, cit. at 24, 1. On energy communities see, in particular, C. Iaione, E. De Nictolis, *Le comunità energetiche tra democrazia energetica e comunanza d'interessi*, 4 Dir. e Soc. 589 (2022); A. Persico, *Le comunità energetiche e il ruolo sussidiario delle pubbliche amministrazioni territoriali*, 2 Amb. Dir. (2022).

[26] See. K. Arabadjieva, *The missing link between social inequalities and the European Green Deal narrative* (2022). In particular, on the gap between the ambition of the Just Transition Fund and its practical application see V. Cirillo, M. Divella, L. Greco, E. Ferrulli, *Europe's Green Transition: A Fund Under Pressure* (2025).

health, education, gender equality, decent work, and peace"[27], contributing to the creation of global injustice due to the extractive practices necessary for the green transition which are carried out above all to the detriment of the global south[28]. Furthermore, a top-down approach of the European Green Deal has been denounced, which would devalue the role of the communities affected by the transition processes[29], producing a significant increase in energy costs, especially to the detriment of the middle classes[30].

In 2025 the European Commission adopted the ReArm Europe Plan/Readiness 2030, which essentially lays out the new political economy approach of the EU for the next policy cycle. It will inevitably inform all the EU policies and in particular the new industrial strategy of the EU. This time the EU Commission blatantly admits undervaluing the issue of territorial and social inequalities by suggesting the redirection of the national allocations of cohesion funds towards 'defence-related projects, such as infrastructure, research and development' and reorienting the EIB investments towards dual use items (i.e. services and technologies which 'serve both civilian and military purposes'; 'a project must show at least one current or potential civilian application' to qualify as dual-use). This new policy mantra risks posing a further risk of contributing to the exacerbation of pre-existing social and territorial inequalities to the advantage of very few economic operators in specific sectors and regions of the EU.

To ensure a proper consideration of the social implications of this new breed of industrial policies and public investments, it appears necessary to develop accurate evaluation methodologies and tools, to adequately select those most appropriate for pursuing at the same time the three strategic goals that have dominated the EU policy cycles in the last decades: the original goal of market

[27] P. Koundouri, A. Alamanos, A. Plataniotis, C. Stavridis, K. Perifanos, S. Devves, *Assessing the sustainability of the European Green Deal and its interlinkages with the SDGs*, 3 npj Clim. Action 23 (2024).
[28] H. da Silva Hyldmo, S. Angen Rye, D. Vela-Almeida, *A globally just and inclusive transition? Questioning policy representations of the European Green Deal*, 89 Global Environmental Change, (2024).
[29] E. K. Gray, R. McArdle, *Communities and the European Green Deal: opening 'sites of struggle' for a democratic energy transition*, 47 Journal of European Integration 193 (2025).
[30] M. Carnegie LaBelle, T. Szép, *Europe's Green Deal: Is the Middle Class Left Behind?*, 61 Journ. of Pub. Gov. 3 (2022).

integrity and competitiveness, the more recent quest for climate action through the dismantlement of fossil-based industries, and the new goal of strategic autonomy through more defense spending.

Social and territorial justice has always been in the background, and it never gained the stage as a strategic dominant goal. But none of the above dominant strategic goals without jobs creation and reduction of social and territorial divides will guarantee the effectiveness of EU public policies. Also, all these policy variables do not adequately capture the added value of many investments if taken in isolation.

In this sense, it is necessary to adequately embed directionality and conditionality in public investments, understood by Borrás and Edquist as "the focus on problem identification with the intention of contributing actively to the transformation of socio-technical and innovation systems in a holistic way"[31]. In other words, it is necessary to develop techniques for setting, monitoring, and measuring multidimensional impacts for public investments in the economy, in view of assessing their positive benefits for local areas based on the specific needs of the affected communities.

Only in this way industrial and development policies can indeed achieve at the same time critical technological advancement, increased competitiveness, environmental and social sustainability, avoiding also top-down solutions that apply identical solutions to different contexts. From this perspective, it may be useful to examine and draw inspiration from the practices of long-term investors, such as the European Investment Bank and the African Development Bank (AfDB). Since decades now these investors select projects based on adaptive solutions and long-term, multidimensional evaluation that assess impacts not only in terms of economic return but also in terms of their ability to meet specific

[31] S. Borrás, C. Edquist, *Holistic innovation policy: Theoretical foundations, policy problems, and instrument choices* (2019). On the topic of directionality in relation to the European Union's investments in research and innovation, see the study published by the European Commission – Directorate-General for Research and Innovation, entitled "Directionality in R&I policy: a Methodology to Assess Practices in the EU Member States and associated Countries" (2024). On the role of conditionality as a tool of directionality see F. Molica, *Regional innovation policies and directionality: exploring the role of conditionality*, 32(8) European Planning Studies 1653-70 (2024).

needs, both economic and social, and more generally, the well-being of the affected population.

Given this premise, this paper will formulate, in Section 2, the hypothesis of a democratic industrial planning for a just sustainable innovation to orient public intervention in the economy towards the production of positive multidimensional impacts and externalities in terms of the creation of added value for society and the markets. Section 3 further elaborates the theoretical foundations of the JuDISIP (Just Democratic Industrial Sustainable Innovation Planning) framework, with a particular focus on its core design principle: economic democratization. It explores various forms of collective economic action and economic countervailing power, arguing for a shift beyond traditional public-private partnerships towards a multi-stakeholder governance approach. Section 4 introduces the policy tools that a JuDISIP shall invest on: in particular, sub-section 4.1 outlines the contractual and consensual tools available to public authorities to concretely stimulate the use of public resources to generate added social value; sub-section 4.2. advances the discussion on how to finance multiple impacts and forges the Just Sustainable Innovations and Infrastructure Impact Investment Assessment tool (JuSIIIIA), a metric designed to assess the value for society, the impacts in the context of economic planning and public investment selection. Section 5 presents several case studies from the practice of long-term public investors which are investing on multidimensional and multi-stakeholder initiatives and projects. In Section 6 results and shortcomings of the analysis will be discussed, focusing on the constitutive elements and current limitations of the emerging new planning State. Finally, Section 7 offers concluding remarks and considerations for further policy development and implementation.

2. Just, Democratic, Innovative, Sustainable Industrial Planning (JuDISIP)

Kapczynski and Michaels have recently highlighted how the topic of industrial policy has returned to the forefront, within a more general rethinking of the role of the State in the economy[32].

[32] A. Kapczynski, J. Michaels, *Administering a Democratic Industrial Policy*, cit. at 15.

According to these authors, industrial policy does not simply indicate a renewed role of the State in the economy, nor is it limited to the public conditioning on the processes of production of goods and services and even less is it reduced to the mere pursuit of economic competitiveness. In this view, not all economic policies give rise to industrial policy, but only those that are deliberately oriented to shape different sectors of the economy to meet public goals. The same authors use the term "*developmental policy*" to better capture the purposeful development of economic sectors shaped by public intervention.

These arguments are part of the ongoing public and scientific debate that, in recent years, seems to have acknowledged the inadequacy of the neoliberal approach that has prevailed for the past three decades (at least in the West), according to which the free play of market forces and competition would magically lead to socially desirable outcomes[33]. The climate crisis and health crises clearly demonstrate the contrary indeed. In this context, faith in the capacity of the market and in the supposed ability of the interplay of supply and demand to allocate available resources in an efficient, equitable and socially desirable manner has vanished.

In the new economic paradigm, the State no longer limits itself to dictating the rules of the game, regardless of the outcome, but intervenes directly in economic dynamics to stimulate the convergence of economic initiatives towards regulatory goals of public interest. The challenge facing the State is to assume an innovative role within economic dynamics by purposefully directing its actions toward the achievement of results—namely, the generation of multidimensional impacts capable of providing adequate responses to contemporary challenges.

This requires moving beyond a narrow focus on individual aspects of solutions (e.g., environmental or economic) and instead attempting to produce multiple, mutually interconnected benefits,

[33] L. Kramer, *What comes after neoliberalism?*, The London School of Ec. and Pol. Science (2024); L. Menand, *The rise and fall of Neoliberalism*, The New Yorker (2023); D. Lane, *Neoliberalism: A Critique* (2024); A. Fremstad, M. Paul, *Neoliberalism and climate change: How the free-market myth has prevented climate action*, 197 Ecol. Economics 107353 ff. (2022); M. Konczal, K. Milani, A. Evans, *The empirical failures of neoliberalism*, Rooseveltinstitute.com (2020); K. Bettache, C. Chiu, P. Beattie, *The merciless mind in a dog-eat-dog society: neoliberalism and the indifference to social inequality*, 34 Current Op. in Behav. Sciences 217(2020).

ultimately aimed at enhancing social well-being and improving the quality of life across different territories. To this end, purely proceduralist logics—focused on formal compliance rather than on outcome accountability—are ill-suited to the emerging model of public intervention in the economy.

In this context, it is the actual results or outcomes achieved—whose definition must be clear and democratically determined—that should serve as the primary benchmark for evaluating the legitimacy and effectiveness of public economic action, according to a results-based and outcome-based accountability logic[34].

Emblematically, Tirumala and Tiwari's contribution in *Advances in Infrastructure Finance* illustrates the shift towards results-based and outcome-based financing models in the field of infrastructure finance. In fact, they argue that infrastructure financing models are progressively evolving in the view of the achievement of clearly defined results and outcomes. This shift reflects a broader transformation in the role of public and multilateral financial institutions, which are moving toward models that emphasize performance, social impact, and long-term value creation[35].

Public intervention can maximize social impact, outcome or results of industrial policies by recognizing the economic and industrial role of societal actors. Such a proactive and innovative role for society in the economy finds secure anchoring in the Italian Constitution.

A good reference for this approach is Article 41 of the Italian Constitution, which envisions economic planning so that public and private economic initiatives can be directed toward both social and environmental goals[36]. This provides a basis for legitimacy for public intervention in economic dynamics, but at the same time indicates a path forward, as it is evident from the use of the

[34] See S. Parrado, A.M. Reynaers, *Public–private partnerships: procedural over results-driven accountability*, 87 Intern. Rev. Admin. Sciences 962 (2021). The article highlights that the accountability logic that prioritizes procedural compliance over the achievement of concrete outcomes, potentially undermines the effectiveness public action in the management of public–private partnerships (PPPs).

[35] R.D. Tirumala, P. Tiwari, *Advances in Infrastructure Finance* (2023).

[36] See M. Tomasi, M. Rosini, *The European and Italian Economic Consitution(s) after the recent crises: towards a new role for State Powers?*, 2 Italian J. Pub. L. 294 (2023).

adjective "appropriate" in reference to programs (and controls), thus denoting the appropriateness of such programs in the context of implementing the overall design of the Constitution, which still has the person and their dignity as its primary reference—the personalist principle of the Constitution (see articles 2 and 3) and at the same time the recognition of communitarian organizations and socio-economic pluralism (embedded in articles 2, 4, 5, 9, 38, 43, 45, 118.4)[37].

At the EU level, the original architecture of the Treaty on the European Economic Community had as its fundamental objective the establishment of a single market in which the four fundamental freedoms (free movement of goods, services, labor and capital) would be respected and safeguarded[38]. In other words, the European Economic Community was born as a supranational organization aimed at creating a single market without borders between member States, which would also indirectly create the conditions for lasting peace among the peoples of Europe. To implement this plan, public authorities have retreated, often abandoning direct intervention in the economy, ensuring the four fundamental freedoms and avoid distorting competitive dynamics based on protectionist or pseudo-protectionist logic[39].

In particular, starting in the 1990s, many markets have been liberalized, resulting in the breakup of monopolies[40]; furthermore, the equalization of public and private enterprises enshrined in the Treaty, together with the general prohibition on State aid, have in

[37] See E. Lamarque, *The Italian constitution: a personalist constitution,* 14 Italian J. Pub. L. 398 (2022); F. Bassanini, F. Cerniglia, F. Pizzolato, A. Quadrio Curzio, L. Vandelli (eds.), *Il mostro effimero. Democrazia, economia e corpi intermedi* (2019).

[38] On the topic, see C. Barnard, *The Substantive Law of the EU: The Four Freedom*, 8th edition (2025); P. Oliver, W.H. Roth, *The internal market and the four freedoms*, 41 Comm. Market L. Rev. 407 (2004).

[39] On the functionality of European integration in maintaining peace, see V.L. Birchfield, J. Krige, A. R. Young, *European integration as a peace project*, 19 The British J. Pol. and Int. Rel., 3 (2017); H. Anastasiou, *The EU as a peace building system: deconstructing nationalism in an era of globalization*, 12 Intern. J. Peace Stud. (2007); Nevertheless, in a critical sense, on the link between European integration and peace, see E. Polonska-Kimunguyi, *The Myth of Peace and Statehood in European Integration Theory: The Imperial Legal Order of the Rome Treaty*, 28 Europ. Foreign Aff. Rev. 185 (2023).

[40] C. Olson, *Job Centre: The Ongoing Demise of Public Monopolies in Europe*, 27 Denver J. Int. L. & P. 615 (1999), M. Siragusa, *Privatization and EC Competition Law*, 19Fordham Int. L. J. 1002 (1995).

many cases diminished the interest in direct State intervention in the economy[41]. Nevertheless, in parallel the Community has become a Union of rights[42], attentive to fundamental subjective legal positions as evidenced by the introduction of the Charter of Fundamental Rights of the European Union/Charter of Nice[43].

But, for the purposes of this discussion, it is important to note that Article 3 of the TEU is not axiologically neutral: this article, while defining the objective of establishing an internal market, simultaneously advocates the need for sustainable development in Europe, based on balanced economic growth and price stability, a highly competitive social market economy aiming at full employment and social progress, and a high level of environmental protection and improvement. In pursuit of these objectives, which must orient the final outcome of market performance, member States shall implement their economic policies, coordinating them with those of others member States (see Article 120).

In other words, the combined provisions of Articles 3 and 120 of the TFEU provide clear legitimacy, on a general level, to the new era of industrial policies aimed at shaping economic sectors towards structures consistent with public purposes of constitutional relevance.

How to leverage these constitutional provisions to develop industrial policy is largely left to the discretion of policymakers. However, some principles underlying the constitutional order and characterizing a few progressive legislations (e.g. in the subject of climate and energy law) should appropriately guide this process.

In this regard, the concepts of democracy, on the one hand, and just sustainable innovation, on the other, come to the fore. Indeed, an industrial policy that wants to be simultaneously democratic, just, sustainable, and innovative can mark a new era of public intervention in the economy. This policy best interprets the

[41] See A. Jones, B. Sufrin, N. Dunne, *Jones & Sufrin's EU Competition Law: Text, Cases & Materials* 603 – 657 (2023); V. Cerulli Irelli, *Impresa pubblica, fini sociali, servizi di interesse generale*, 5 Riv. it. dir. pubbl. comunit. 747 (2006).

[42] M.P. Chiti, *Dalla «Comunità di diritto» alla Unione dei diritti*, S. Micossi, G.L. Tosato (eds.), *L'Unione europea nel XXI secolo* 259 (2008).

[43] The Charter of Fundamental Rights of the European Union was originally signed in Nice by the Presidents of the European Parliament, the Council, and the Commission on 7 December 2000. Pursuant to Article 6(1) TEU, it has the same legal value as the Treaties.

need for a paradigm shift to address the crises of our time, without imposing top-down solutions that risk increasing economic and social costs for the less wealthy and influential, *id est* more vulnerable, groups, exacerbating the cleavages and inequalities that undermine the unity of a political community.

In other words, only industrial development that takes these fundamental concepts into account seems capable of meeting the societal challenges, ensuring that transitions are not the product of pre-existing ruling classes or strong economic powers, but rather enhance and satisfy the profound interests of society in its various facets, based on tailor-made solutions adapted to the conditions of specific contexts.

The need for the new industrial policy to be democratic was argued by Kapczynski and Michaels in their essay cited above[44]. According to the authors, without particular attention to democratic values, industrial policy risks enriching private firms that wield economic power over both the government and the common people, reflecting the stratifications of resources and expertise.

Democracy, in this perspective, can be considered from two different angles: on the one hand, democracy requires improving the capacity of institutions to achieve wildly shared public goals; on the other, it requires ensuring the ability to question and modify these objectives over time, based on the legitimate claims of members of the polity, ensuring the possibility of concrete representation and consideration of people's material interests, including those who suffer from forms of material and structural subordination in society. Strengthening the capacity of these vulnerable groups to make their voices heard and influence public decisions, including by encouraging their association in intermediate bodies and ensuring appropriate channels of participation, allows the creation of "*policy-feedback loops to entrench democratic authority over time*"[45] challenging pre-existing concentrations of power and their potential claims to shape public decisions to their exclusive advantage.

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[44] A. Kapczynski, J. Michaels, *Administering a Democratic Industrial Policy*, cit. at 15.

[45] A. Kapczynski, J. Michaels, *Administering a Democratic Industrial Policy*, cit. at 15.

On this point, it can be observed that industrial policy allows the public to reclaim some important decision-making spaces abandoned during globalization. For decades, the globalizing State has shied away from dictating and specifying the desired outcomes of economic initiatives, often leaving organized private economic powers the task of producing the market rules themselves, a new *lex mercatoria* governing international trade, or adopting the rules of private actors created to satisfy the needs of economic market participants, in the name of competitiveness[46].

The new era of industrial policy, therefore, implies a recovery of the centrality of public powers in economic dynamics, in the pursuit of shared public interest objectives. This is an opportunity to reduce the fragmentation of State political power and to bring the decision-making process back to the service of the communities, whereas in recent years we have witnessed antidemocratic tendencies that have seen fundamental decisions regarding economic development delegated to non-state private fora, the direct or indirect expression of organized economic powers instead of political communities established in the territories[47].

However, it is essential that the formal reappropriation of economic decision-making spaces by public authorities does not give rise to the substantial monopolistic conditioning of such political decisions by organized economic lobbies capable of exerting pressure on policymakers[48]. In this regard, the literature on "associative democracy" developed between the late 1980s and early 1990s is surely relevant[49].

According to Paul Hirst, associative democracy requires a more decentralized approach, encouraging a design of the welfare system that entrusts management rights also with democratically

[46] See L. Ferrajoli, *The crisis of democracy in the era of globalization*, 39 Anales de la Cátedra Francisco Suárez 53 (2005); M. D'Alberti, *Poteri pubblici, mercati, globalizzazione* (2008).

[47] See A.C. Aman, *Globalization, Democracy, and the Need for a New Administrative Globalization, Democracy, and the Need for a New Administrative Law*, 10 Indiana J. Glob. Legal Stud. 125 (2003).

[48] A. Kapczynski, J. Michaels, *Administering a Democratic Industrial Policy*, cit. at 15.

[49] Among the first uses of the expression associative democracy see J. Mathews, *Age of Democracy: The Political Economy of Post-Fordism* (1989).

accountable, grassroots movements and associations[50]. This approach addresses the democratic deficits created by the market economy on the one hand and by forms of economic planning on the other. The State should not take sides in favor of the establishment of specific associations representing particular groups or interests.

This conception, however, has been objected too because it rejects the idea of democracy as a project of transformation or transition toward a more egalitarian society[51]; in other words, this conception ignores the material preconditions that impact the representativeness and participation of subordinate social groups in the governance of public affairs.

In contrast, Cohen and Rogers's conceptions of associational democracy, in valorizing the role that intermediate bodies—secondary associations, in the authors' terminology—can play for the purposes of democratic governance, embrace the possibility of public intervention that supports and finances associations capable of leading to the equitable representation of excluded interests, thus encouraging society itself to make democracy more broad-based and more closely aligned with society's material substratum[52].

A confirmation of this thesis, from the perspective of the Italian Constitution, may be found in article 3, paragraph 2, of the Constitution, which requires the Republic to remove economic and social obstacles that, by effectively limiting the freedom and equality of citizens, impede the full development of the human person and the effective participation of all workers in the political, economic, and social organization of the country. Removing the obstacles that ultimately impede participation in democratic life and organization is a goal enshrined in the Constitution and should be duly considered in the development and formulation of a new industrial policy, encouraging appropriate forms of co-design, co-governance, and feedback loops that allow for the impact and responsiveness of public policies to social needs.

To this end, it is clearly necessary to channel the input of those who, affected by public decisions, tend to remain marginalized in traditional decision-making and view public

[50] P. Hirst, *Associative Democracy* (1994).
[51] A. Amin, *Beyond associative democracy*, 1 New Political Economy 309 (1996).
[52] J. Cohen, J. Rogers, *Secondary associations and democratic governance*, 20*Pol. and Soc.*393 (1992).

solutions as being adopted in distant and poorly representative forums[53].

In other words, a new breed of industrial policies can be truly democratic only if they invest on the self-development of vulnerable communities or, as Kapczynski and Michaels would put it on the creation of "countervailing power that organizes citizens into associations that can effectively participate in governance and ordering". The US-based discussion on democratic industrial policy is therefore linked to that on just sustainable innovation within the EU policy framework.

Indeed, to be just and sustainable innovation requires firms and governments to transcend their traditional barriers to integrate "*economic, technological, social, and environmental goals and actively engage with all stakeholders, in particular vulnerable communities*"[54]. From this perspective, innovation is produced through the cooperation of public, private and community actors to be placed at the service of society, increasing social well-being while respecting the scarcity of natural resources and the need to protect them.

Just sustainable innovation is pursued by the EU policy efforts only partially. Sustainable innovation, indeed, is a principle guiding the current research and innovation policy of the EU, which aim, by promoting technological innovation and respecting the need to preserve and improve ecological balances, to address societal challenges through civil applications. It does not guarantee the selection of projects worthy of support, based on their suitability for improving competitiveness, ecological sustainability while also ensuring a series of additional positive systemic social impacts in terms of the effectiveness of legally protected situations, and the benefits for vulnerable social groups, local communities, as well as future generations.

Only by embedding the justice dimension within sustainable innovation is possible to guarantee the equitable social distribution of resources and opportunities, ensuring that innovation benefits all groups and members of society, guaranteeing access to its results

[53] According to G. Berti, *La responsabilità pubblica. Costituzione e amministrazione*, (1994), the public administration is a free space called to develop and satisfy the needs of society.

[54] C. Iaione, *Just Sustainable Innovation: Shared Systemic Stewardship as Governance Impact of Sustainable Investment?*, cit. at 24.

and assets, and therefore equitably distributing the benefits and costs of innovation.

Beyond the realm of research and innovation, just sustainable innovation becomes a paradigm for evaluating public policies, which involves assessing their directionality and their suitability to meet the actual needs of society as it is structured across communities, including the most vulnerable. In fact, it is of the essence to ensure that industrial policy adequately addresses the social implications of ongoing transitions and to provide institutional responses to crises that can provide satisfactory answers to the distributional aspects underlying these changes, fostering people's empowerment through a wide-open technology transfer of innovation and research for the benefit of society.

The perspective this article intends to explore is to examine the possibility of adding the use of just sustainable innovation as an institutional design principle for a more democratic breed of development and industrial policies, leading to the conceptual and experimental roll out of a Just, Democratic, Innovative, Sustainable Industrial Planning (JuDISIP). In other words, the research hypothesis investigated in this study aims to examine whether a more democratic industrial policy leveraging innovation to pursue at the same time social justice and ecological sustainability is better suited to address the crises and related transitions that pose daunting challenges to humanity and the Planet.

3. Collective economic action and economic democracy: pathways for establishing countervailing powers

While fostering the production of multidimensional impacts and added value, a democratic, just, sustainable and innovative industrial policy must also avert the risk of being captured and manipulated by pre-existing centers of economic power which possess the capacity and the means to influence public decision-makers, exerting pressure to ensure that the emerging role of public authorities in the economic sphere is (knowingly or unknowingly) skewed toward individualistic or utilitarian economic interests that are misaligned with the guiding principles of the paradigm shift in public economic intervention discussed in the present work.

To this end, it is essential to establish democratic processes capable of ensuring the continuous, active and decisive

involvement of the interested communities, not only in assessing the need for public works, infrastructure and services, but also in the co-design of project solutions, in monitoring the implementation phase of the project and in managing the outcomes of the innovation. Such active participation and stewardship should ensure that the results effectively correspond to the intended objectives and remain functionally aligned with the needs for which they were originally financed.

The concepts of collective economic action and economic democracy come to the fore. With regard to collective action in the economic sphere, it is first necessary to recall the well-known theories advanced by M. Olson and G. Hardin. Olson[55] argues that members of a group would not spontaneously contribute sufficiently to the provision of public good, thereby failing to meet the common interests of the group. From this perspective, the problem of free riding would discourage a rational agent from contributing to the provision or maintenance of a public good, since they would benefit from the contributions of others regardless of whether they contributed themselves (the so-called "zero contribution thesis"). This dynamic would be even more pronounced as the size of the group increases.

Hardin[56], in turn, conceptualized the problem of managing the commons as a n-person prisoner's dilemma, in which each individual spontaneously engages in rivalrous uses of the resource, ultimately leading to its degradation, despite the fact that the common interest lies in its preservation. Therefore, common-pool resources, according to this view, should either be managed by external entities (such as the government) or privatized.

Both of these theses converge in downplaying the potential role of collective economic action in the efficient and satisfactory management of shared assets and resources.

In response, E. Ostrom[57] revitalized the role of collective action as a means to achieve efficient management of commons, to preserve collective utility, while avoiding overexploitation through

[55] M. Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (1965).

[56] G. Hardin, *The Tragedy of the Commons*, 162 Science 1243-1248 (1968).

[57] E. Ostrom, *Governing the Commons. The Evolution of Institutions for Collective Action* (1990); E. Ostrom, *Are Successful Efforts to Manage Common-Pool Problems a Challenge to the Theories of Garrett Hardin and Mancur Olson?* (1985).

mechanisms of self-governance. In her view, collective action can constitute an effective solution of managing common-pool resources without resorting to top-down governmental management and control or privatization, as local communities are capable of developing sustainable, self-regulated systems supported by appropriate governance structures. In this regard, Ostrom highlighted eight design principles that characterize long-surviving, self-organized resource regimes, which can serve as a foundation for replicating effective models of self-governance in various contexts: 1) the presence of clear boundary rules; 2) proportional allocation of benefits and costs; 3) participation of most of the individuals affected by the resource regime in making and modifying the rules; 4) reliable monitoring systems; 5) graduated sanctions; 6) rapid, low-cost, local arenas for conflict resolution; 7) Recognition by external authorities; 8) governance activities organized in multiple layers of nested enterprises[58]. In fact, the propensity to cooperate for the pursuit of the collective interest depends on social norms[59], understood as shared understanding about actions that are obligatory, permitted, and forbidden, which may strongly vary in the different local contexts, shaping individual behavior. Social norms guide collective action, but they are simultaneously subject to social evolution based on repeated social interactions and trust-building processes that may arise from the implementation self-governance mechanisms and practices grounded in the aforementioned design principles.

Subsequently, Iaione and Foster applied Ostrom's insights into the urban dimension, with reference both to commons understood as urban resources and assets[60], and to the broader concept of the city as a commons[61]. In particular, their contribution has highlighted the potential for introducing a collaborative and polycentric urban matrix aimed at redesigning public institutions[62].

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[58] See E. Ostrom, *Governing the Commons. The Evolution of Institutions for Collective Action*, cit. at 57.

[59] E. Ostrom, *Collective Action and the Evolution of Social Norms*, 14, J. of Econ. Perspectives 137 (2000).

[60] S.R. Foster, C. Iaione, *Co-Cities. Innovative Transitions toward Just and Self-Sustaining Communities* (2022); S.R. Foster, 87 *Collective Action and the Urban Commons*, Notre Dame L. Rev. 57 (2011); C. Iaione, *The right to the Co-City*, 9 Italian J. Pub. L. 80 (2017); Id. *Governing the Urban Commons*, 7 Italian J. Pub. L. 170 (2015).

[61] S.R. Foster, C. Iaione, *The City as a Commons*, Yale L. Pol. Rev. 281 (2016).

[62] See in particular C. Iaione, *Governing the Urban Commons*, cit. at 60.

The envisioned model ultimately seeks to transform cities into collaborative ecosystems that enable collective action for the commons[63], wherein citizens take care of the maintenance of local common goods in the broader pursuit of urban welfare regeneration. These authors have jointly emphasized how citizen co-governance can bring about not only greater equity but also innovation in the management of infrastructure and services. Indeed, this form of collective action proves to be particularly effective, as it enables the integration of knowledge and skills present within society—resources that are often unavailable to public administrations—while also allowing for the development of management solutions that are more closely aligned with the specific needs of local contexts. From this perspective, collective action gives rise to genuine forms of collaborative economy that drive sustainable local development. Moreover, on the public organizational side, Iaione has advocated the need to set up dedicated organizational units tasked with facilitation functions, such as a public relations office and a one-stop shop for active citizenship, as well as a government control room located in proximity to the highest levels of decision-making[64]. More recently, citizen science offices have been identified as tools for empowering and valorizing citizens' knowledge and capabilities, not only by systematizing them, but also by disseminating the enabling technological skills required for effective participation[65].

These authors, like Ostrom, identify their own design principles for a governance of the urban commons grounded in collective action: (1) co-governance; (2) enabling State; (3) pooling economies; (4) urban experimentalism; and (5) tech justice. Collective economic action is ultimately conceptualized within a quintuple helix development model, which systematizes and

[63] Ibid.

[64] Ibid.

[65] C. Iaione, *Urban sustainable development and innovation partnerships*, 14 Italian J. Pub. L. 521 (2022); Id., *Città, scienza e innovazione. Il diritto alla scienza per la città come pietra angolare di una nuova governance urbana orientata allo sviluppo sostenibile e alla responsabilità intergenerazionale*, 3 Munus 491 (2021).

operationalizes the synergies among public, private, scientific, social and community[66], based on a partnership principle[67].

The community thus becomes a key actor in the governance of urban commons, within a model of decision-making and management in which power and responsibilities are shared among various stakeholders—a framework referred to as urban co-governance[68]. Iaione, in particular, has emphasized the importance not only of access, but also of co-management and co-ownership of technology and digital infrastructures and services within the urban context[69]. The co-ownership scenario, in this view, represents the highest degree of technological justice, which, in turn, is a decisive enabling tool for efficient co-governance and co-management capable of placing innovation at the service of society, in the pursuit of collective well-being.

In summary, active collaboration among stakeholders can ensure that common assets and resources serve the common good and promote collective well-being through a just and inclusive governance model, in which all involved actors have a voice in decision-making, and particular emphasis is placed on sustainability, equity, and community engagement.

The concept of "economic democracy" was employed by R.A. Dahl to underscore the necessity of extending democratic principles to the economic sphere, beginning with the workplace and subsequently encompassing the broader economic system[70]. This approach represents an effort to reconcile the productive economic system with democratic values, grounded in the observation that contemporary economic decision-making processes are largely concentrated in the hands of a limited number of corporations and economic elites.

Dahl proposes mechanisms such as worker councils, cooperatives, and participatory decision-making structures as

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[66] S.R. Foster, C. Iaione, *Co-Cities. Innovative Transitions toward Just and Self-Sustaining Communities*, cit. at 60.

[67] On the partnership principle see C. Iaione, *Just Sustainable Innovation: Shared Systemic Stewardship as Governance Impact of Sustainable Investment?*, cit. at 24.

[68] S.R. Foster, C. Iaione, *Co-Cities. Innovative Transitions toward Just and Self-Sustaining Communities*, cit. at 60, see in particular Sec. 5.

[69] C. Iaione, *Legal infrastructure and urban networks for just and democratic smart cities*, 11 Italian J. Pub. L., 747 (2019).

[70] R.A. Dahl, *A preface to Economic Democracy* (1985).

institutional means to grant individuals a meaningful voice in how enterprises are governed. While he maintains the importance of preserving a market-based system in which firms remain subject to competition, he argues that internal corporate governance should be democratized and made more inclusive. In this context, the government plays a pivotal role in fostering economic democracy. This includes the adoption of regulations and public policies aimed at encouraging worker participation in decision-making processes, ensuring a more equitable distribution of wealth and protecting individuals and communities from economic exploitation. Ultimately, Dahl advocates for a form of "self-government of labor," rooted in the recognition of the ontological primacy of labor—understood as human activity—over other factors of production.

Economic democracy has subsequently been described as an antidote to the concentration of economic power and defined as "*a system of checks and balances on economic power and support for the right of citizens to actively participate in the economy regardless of social status, race, gender, etc.*"[71]. Although this theorization is embedded within a debatable framework oriented toward economic degrowth, it nonetheless contributes to highlighting the counterbalancing role of economic democracy against the dominance of powerful social and economic groups that are often more represented in decision-making processes to the detriment of vulnerable and minority groups.

Recently, Cumbers et al.[72] have contributed to updating the concept of economic democracy with the aim of identifying pathways for the establishment of countervailing powers capable of challenging dominant economic elites within the context of contemporary capitalism, and ultimately creating fairer and more sustainable forms of economy and society. From this perspective, the authors emphasize the importance of individual economic rights as a basis for broadening the discourse on economic democracy beyond the traditional focus on labor and the self-

[71] N. Johanisova, S. Wolf, *Economic democracy: A path for the future?*, 44 Futures 562 (2012).

[72] A. Cumbers, *The Case for Economic Democracy* (2020); A, Cumbers, R. McMaster, S. Cabaço, M.J. White, *Reconfiguring Economic Democracy: Generating New Forms of Collective Agency, Individual Economic Freedom and Public Participation*, 34 Work, Empl. and Soc. 678 (2019).

management of work and productive processes. They advocate for a more expansive understanding of individual participation in economic life—one that is not limited to the workplace but also encompasses the right to be involved in economic decision-making processes from a broader standpoint.

In this regard, the authors emphasize, on the one hand, the need to ensure the enabling capabilities and resources required for the exercise of such individual rights, drawing on the theoretical contributions of Nussbaum and Sen. They also highlight the importance of increasing transparency and openness in economic decision-making processes, which must include public participation. These processes should no longer be confined to the workplace, but should instead extend to a broad range of domains essential to quality of life, such as health, energy, food and housing.

On the other hand, the authors stress the necessity of collective action and mobilization—not only of traditional trade unions but also, in concert, of other social movements and political actors, including environmental and green groups.

Thus, while acknowledging the continuing relevance of collective representation for employees—particularly in light of the growing precariousness of labor markets and the ongoing marginalization of trade unions as collective actors—the authors argue that these efforts must be complemented by the creation of a public sphere capable of facilitating democratic deliberation. Such a sphere should promote diversity, tolerance and the emergence of alternative economic prospectuses.

Durand has recently further demonstrated the necessity of the involvement of the community, understood in its various constituent groups. This is crucial not only to guarantee the democratic character and social justice orientation of the new phase of industrial policies, but also to address the longstanding knowledge problem that historically affected 20th-century economic plannings, often contributing to their failure. Durand has addressed this issue in relation to ecological disruptions and challenges[73], highlighting both the failure of markets and the contradictions inherent in green finance in attempting to address ecological complexity, particularly due to their inability to process

[73] C. Durand, *The Problem of Knowledge in the Anthropocene. Hayekian Environmental Delusion and the Condition of Ecological Planning* (2025).

dispersed knowledge in relation to long-term, systemic ecological risks. In contrast, the author underscores the need to valorize multiple forms of knowledge—including local, scientific and experiential—in order to enable effective planning capable of confronting these risks and complexity. Such a process should be supported by the informed use of digital technologies (such as big data, sensors, and algorithmic modeling), but always embedded within democratic deliberation.

In brief, the literature on collective action (in the economic sphere) and economic democracy demonstrates that individuals, as members of groups or communities, can actively and effectively contribute to the pursuit of the common interest in an equitable and sustainable manner through the implementation of innovative solutions. This is contingent upon certain contextual conditions, which partly depend on the relevant legal framework and, in turn, influence social norms. Moreover, the most recent contributions on economic democracy have emphasized the *right to be involved* in all types of economic decision-making processes that have implications for the public sphere. The active engagement of society not only in decision-making but also in the assessment of how investments are conducted and their outcomes—through forms of decentralized stewardship—enhances the accountability of the state's renewed leading role in the economy. This, in turn, gives rise to a countervailing power capable of resisting instrumentalization by pre-existing centers of power.

To facilitate the active role of citizens in economic decision-making, it is necessary to establish dedicated facilitation units within the public sector—offices capable of systematizing knowledge, promoting knowledge transfer, reducing transition costs, enabling participatory democracy and fostering forms of co-governance and co-ownership in which the community becomes a key actor in decision-making processes, based on clear responsibilities and a fair distribution of costs and benefits.

Such scenarios give rise to collaborative and democratic economic mechanisms in which decisions are made with the community rather than merely for the community, whose contributions are duly valued within institutional institutions and processes of decision-making, impact measurement and review of the priorities. Such forms of collective economic action and economic democracy can constitute countervailing powers capable

of preventing instrumental and utilitarian distortions in the new industrial policy, thereby restoring the role of public intervention in the economy to one that fully serves society.

From a legal and constitutional standpoint, the aforementioned perspectives on economic democracy and collective economic action find solid grounding in Articles 2, 3, 43, and 118 of the Italian Constitution.

Article 2 affirms that "*The Republic recognizes and guarantees the inviolable rights of the person, both as an individual and in the social groups where human personality is expressed, and requires the fulfilment of the duties of political, economic, and social solidarity*". Based on this provision, the Constitutional Court has derived the principles of solidarity, shared interest, and civic cooperation in pursuit of the common good[74]. In particular, the combined operation of these principles requires individuals or community formations to exercise prerogatives, faculties, responsibilities, and duties in connection with activities that serve the general interest. Of particular relevance is Constitutional Court ruling No. 89 of 1970, which articulated the existence of a "*general principle of "civic cooperation," whereby every citizen is, depending on the circumstances, either obliged or empowered to engage in activities deemed urgently necessary for the collective interest—especially in cases where the public authorities, due to exceptional or unforeseeable circumstances, are unable to intervene promptly or sufficiently*". The Court explicitly connected such private engagement to the duty of social solidarity set out in Article 2 and noted a plurality of applications in existing law.

Article 3 of the Constitution, in turn, envisages the participation of all workers in the economic organization of the country. Although the explicit reference to "workers" may appear insufficiently inclusive by contemporary standards, it is important to recognize that the term "labor" – in the Italian Constitution – is meant to denote a universally shared human condition[75]. As such, the provision may be interpreted as legitimizing broadly inclusive

[74] On this topic see C. Iaione, *La collaborazione civica per l'amministrazione, la governance e l'economia dei beni comuni*, G. Arena, C. Iaione (eds.), *L'età della condivisione: la collabora zione fra cittadini e amministrazione per i beni comuni* (2015) and, more recently, C. Iaione, E. De Nictolis, *Le comunità energetiche tra democrazia energetica e comunanza d'interessi*, cit. at 25.

[75] M. Luciani, *Radici e conseguenze della scelta costituzionale di fondare la Repubblica democratica sul lavoro*, 3 ADL (2010).

forms of collective economic action that encompass all those who contribute to the material or spiritual development of society, in accordance with Article 4 of the Constitution.

Article 43 expressly provides that: "For purposes of general utility, the law may originally reserve or transfer, by means of expropriation and with compensation, to the State, to public bodies, or to communities of workers or users, particular enterprises or categories of enterprises that relate to essential public services, energy sources, or monopolistic situations and possess a character of preeminent general interest"[76]. While this provision has become partially outdated in light of the implementation of EU Treaties and the liberalization of markets under European Union law[77]—given that it would permit legal monopolies in liberalized sectors—it nonetheless offers a clear constitutional ground for the direct economic management of certain enterprises by workers or users. Such forms of collective economic action, or economic democracy, may indeed be more effective in ensuring that the management of certain enterprises serves the general interest. In this sense, Article 43 can be understood as providing constitutional legitimacy to collective economic initiatives, even in the absence of any exclusive legal reservation that would exclude other market operators.

Article 118, paragraph 4, introduced by the 2001 constitutional reform, states: "The State, Regions, Metropolitan Cities, Provinces and Municipalities shall promote the autonomous initiative of citizens, individually and in associations, for activities of general interest, on the basis of the principle of subsidiarity". Notably, an influential author pointed out that this provision is best understood as a specification of the principles already enshrined in Article 2, particularly those concerning the recognition and promotion of social formations[78].

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[76] For a recent comment on this article see A. Lucarelli, *L'articolo 43 della Costituzione: l'attualità dei suoi principi e prisma della forma di Stato*, 2 Dir. Pubbl. Eur. 256 (2024).

[77] A. Moliterni, S. Pellizzari, *La Costituzione dimenticata. La riserva di attività economiche alle comunità di lavoratori o di utenti*, 1 Riv. trim. dir. pubbl. 243 – 277 (2021).

[78] A. Barbera, *Costituzione della Repubblica italiana*, Enc. dir., VIII 263 (2015). See also G.U. Rescigno, *Corso di diritto pubblico*, XV ed. 641 (2014) who expresses a critical view of the principle of horizontal subsidiarity, considering it to be in conflict with the principle of substantive equality and instrumental in preserving acquired positions of wealth.

Finally, the principles outlined have been matched by EU legislation concerning energy communities, which represents a significant regulatory development in the recognition of collective economic action as a vehicle for a fair and democratic energy transition, which is an essential pillar of the broader ecological transition and sustainability agenda[79]. In fact, the European Union has explicitly recognized energy consumers as central and active participants in the transition process. If properly informed and empowered, they can catalyze this transition by reducing waste, improving energy efficiency and increasing the production and consumption of clean energy[80].

Under this framework, final customers assume the role of "prosumers"[81], simultaneously producing and consuming energy and related services. This may well lead to positive outcomes in terms of lower costs, reduced transmission losses (due to decreased reliance on public grids) and greater social acceptance of renewable energy infrastructure.

This model of 'prosumption', in many respects, echoes the solution outlined in Article 43 of the Italian Constitution, where communities of workers or users are envisaged as legitimate managers of enterprises or categories of enterprises related to energy sources and characterized by preeminent general interest. Naturally, the key difference lies in the fact that energy communities under EU law are not granted any form of legal monopoly or exclusive rights over economic activity.

In conclusion, the pathways of collective economic action and economic democracy are not only constitutionally grounded and legitimized within the Italian legal system but are also reinforced by recent developments in EU law—particularly in the energy sector—which place citizens at the center of the ecological

[79] See article 22 of Directive 2018/2001/EU and article 16 of Directive 2019/944/UE. On the topic see I. López, N. Goitia-Zabaleta, A. Milo, J. Gómez-Cornejo, I. Aranzabal, H. Gaztañaga, E. Fernandez, *European energy communities: Characteristics, trends, business models and legal framework*, 197 Ren. Sus. Energy Rev. 114403 (2024).

[80] See A. Persico, *La partecipazione nelle comunità di energia rinnovabile*, 5 Federalismi.it (2024).

[81] The neologism employed in the text is drawn from A. Toffler, *The third wave*, (1980).

transition and contribute to advancing more just, democratic and sustainable economic models.

4. Policy tools for JuDISIP

The operationalization of a Just, Democratic and Sustainable Industrial Policy (JuDISIP) requires a set of legal and financial instruments capable of enabling multi-stakeholder collaboration, mission-oriented innovation, and community-driven development. The following Sections (4.1 and 4.2) introduce the core policy tools through which JuDISIP can be implemented in practice. Section 4.1 examines the institutional architectures—such as Public–Community Partnerships (PCPs), Public–Private–Community Partnerships (PPCPs), and strategic multi-stakeholder contracts—that allow communities, public actors, private entities, and knowledge institutions to jointly design, manage and govern projects of public relevance. Section 4.2 then presents the complementary financial dimension, illustrating how blended finance mechanisms and the JuSIIIIA evaluative tool can support these collaborative arrangements by aligning funding structures with long-term, multidimensional impacts. Together, these instruments constitute the legal, organizational and financial infrastructure necessary for advancing a new generation of industrial policies grounded in justice, sustainability and democratic participation.

4.1. PCPs, PPCPs and Strategic Multi-Stakeholder Contracts

The new phase of industrial policy must rely on legal instruments capable of enabling the development model that is, by design, socially just, innovative and democratic. This approach should aim to generate multidimensional impacts through the active contribution of society, beginning with the identification of societal needs and extending through the implementation, monitoring and revision of the projects intended to fulfill those needs. To this end, as highlighted in the previous Section, it is necessary to promote forms of economic democracy by enhancing collective economic action.

The legal instruments for implementing JuDISIP are those that place communities on an equal footing—while respecting the

distinct roles and functions—alongside public and private actors who have traditionally acted as promoters and/or implementers of investment lines for the provision of public goods and services, or services of general interest.

In this regard, legal scholarship has emphasized the need to develop partnership models that move beyond the traditional public-private dichotomy, in order to enable the direct involvement of affected social groups. This should be pursued in accordance with the principle of intra-categorical solidarity, fostering their self-organization and cooperation, with particular attention to communities and vulnerable groups[82]. Indeed, traditional public-private partnerships (PPPs) have shown significant limitations, including the lack of participation by the local community. As a result, such a lack of participation may well cause overlooking local needs and forfeiting community support[83]. New partnership models entail the implementation of an approach based on strategic and entrepreneurial public leadership, aimed at pursuing mission-oriented innovation directed toward the generation of multidimensional impacts through co-governance as a new method of inclusive and multi-stakeholder collaboration: thus, communities become the primary partners of public intervention in the economy, as they are the sole true stewards of the ecosystems being created[84].

It has been observed that partnerships which leverage the active role of society serve as both legal and negotiation tools that enable these forms of collaboration, and, consequently, a mission-oriented innovation that is just and democratic[85], capable of addressing the challenges posed by ecological and digital transitions, particularly the gaps and inequalities arising from such transitions[86].

Such partnerships may take the form of public-community partnerships (PCPs) or public-private-community partnerships

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[82] C. Iaione, *Il diritto all'innovazione sostenibile per l'investimento nelle infrastrutture sociali. Un'analisi empirica*, 6 Riv. Giur. Ed. 301 (2021).

[83] C. Iaione, *Partenariato e Finanza di Progetto di Comunità*, 6 Riv. Giur.Ed. 433 (2024).

[84] Ibid.

[85] C. Iaione, *Il diritto all'innovazione sostenibile per l'investimento nelle infrastrutture sociali. Un'analisi empirica*, cit. at 82.

[86] C. Iaione, *Partenariato e Finanza di Progetto di Comunità*, cit. at 83.

(PPPCs), depending on the actors involved and, in particular, on whether a private entrepreneurial entity (such as a service provider or contractor/operator of public works) is part of the partnership. PCPs and PPCPs have been applied to a range of resources and infrastructures—including public assets, infrastructure and public service networks—transforming them into shared goods and services. They are managed through collaborative arrangements involving diverse actors, all of whom are committed not only to advancing their individual interests, but also to cooperating toward the achievement of a common general interest.

Emblematic instruments of PCPs that can be leveraged transversally in the new phase of JuDISIPs include co-programming and co-design initiatives with third sector entities, as well as City Science Offices and collaboration pacts in the urban context[87]. At the general regulatory level, an important legal reference concerns the procedures for co-programming and co-design with third sector entities pursuant to Article 55 of Legislative Decree No. 117/2017. This provision establishes that public administrations, in the exercise of their functions related to the territorial planning and organization of interventions and services in areas of social interest, must ensure the active involvement of third sector entities through forms of co-programming, co-design, and accreditation. It clarifies that co-programming is aimed at identifying, by the responsible public administration, the needs to be addressed, the necessary interventions to meet those needs, the methods of implementation and the resources available. In this regard, a recent ruling has also clarified the possibility of derogating from public tendering requirements in favor of a collaborative approach. Specifically, the Regional Administrative Court of Lombardy, Milan, ruling no. 2533/2024, in a case concerning the adoption of a management model for a reception center based on the institutions of co-programming and co-design provided under Article 55 of Legislative Decree No. 117 of 2017, held that this constitutes an "*organizational model inspired not by the principle of competition but by that of solidarity in relation to activities with a pronounced social significance*". The ruling further specified the scope for mutual collaboration and progressive co-creation of value, emphasizing that the evaluation criteria for the offer should

[87] Ibid.

not preclude the subsequent development, in agreement with the Administration, of the project presented by the operator. This is precisely because the procedure outlined in Article 55 of the Third Sector Code is not strictly competitive but collaborative; only in public procurement tenders is the project prepared solely by the participant, and the contracting authority can evaluate it but not modify or integrate it[88].

Regarding PPCPs, living labs have been identified as notable examples, where businesses, researchers, public authorities and citizens collaborate to rethink and redesign the urban system. In these cases, as well, public-private-community partnerships are established to provide affordable housing, particularly in the sectors of student housing, co-housing and senior housing[89].

An interesting example of a PCP or PPCP—depending on the specific configuration—can also be found in social impact bonds (SIB)[90], a form of impact investing in which capital is invested in consideration of the social objectives that the investment actively aims to achieve[91].

In the Italian public law debate, the social impact bond (SIB) has been described as a new form of public-private collaboration aimed at maximizing the private actor's capabilities in achieving inherently public interests through financial incentives. Notably, it does not provide for either the right to capital repayment or a fixed return on investment[92].

From a systemic perspective, it has been argued that the SIB may be classified as an atypical form of public-private

[88] See A Crismani, *Co-progettazione vs appalti: discrezionalità amministrativa e nuovi assetti tra il mercato degli appalti e il terzo settore (nota a TAR Lombardia n. 2533/2024)*, available on the website: https://www.giustiziainsieme.it

[89] C. Iaione, *Partenariato e Finanza di Progetto di Comunità*, cit. at 83.

[90] On Social Impact Bonds, in general, see F. Dahbi, I. Carrasco, B. Petracci, *A systematic literature review on social impact bonds*, 62 Fin. Res. Letters (2024); A. Del Giudice, M. Migliavacca, *Social Impact Bonds and Institutional Investors: An Empirical Analysis of a Complicated Relationship*, 48 Nonprofit Vol. Sec. Quart. 50 (2019); M. Liang, B. Mansberger e A. C. Spieler, *An Overview of Social Impact Bonds*, 13 The J. of Intern. B. & L., 267 (2014).

[91] See D. Lenzi, *La finanza d'impatto e i green e social bonds. Fattispecie e disciplina tra norme speciali e principi generali*, 1 Banca Impr. Soc. 115 ff. (2021).

[92] A. Blasini, *Nuove forme di amministrazione pubblica per negozio: i «social impact bonds»*, 1 Riv. trim. dir. pubbl. 69 (2015).

partnership[93]. However, the contract is necessarily characterized by multi-stakeholder involvement and, in an innovative way, allows for the alignment of all participants' interests around a clearly defined social impact outcome.

The operation is designed to finance specific socially relevant activities through an agreement with a public authority. Under this agreement, the public administration commits to remunerating the services provided by an economic operator—who may be a traditional private entrepreneur or a third sector organization—only if the agreed-upon objectives are effectively achieved, as precisely outlined in the contract. However, the financier of the operation is not the public administration, which is not required to bear the economic consequences in the event of the initiative's failure. Instead, the funding is provided by a third party external to the administration. Unlike service or construction-and-operation concessions, the activity funded under a SIB does not generate direct financial returns. Instead, remuneration is conditional upon the delivery of measurable social impacts, which must be subject to objective evaluation.

Within this multi-stakeholder framework, the community may play at least three roles: a) in the co-programming and co-design phase, contributing to the identification of specific needs of the target population, thereby avoiding the reliance on competitive dialogue procedures, which, while sometimes proposed as tools for need assessment, can be difficult to manage and not fully adequate to bridge the information asymmetries; b) as a financier, by directing personal savings or voluntary contributions towards the project's funding; c) as an implementer, by managing the good or service through non-profit associative bodies (e.g., non-profit third sector organizations).

Finally, at a higher level of complexity and multi-stakeholder engagement, public-private-community-nonprofit-science partnerships (5Ps) art more articulated and actor-diverse models that reflect the increasingly significant role of cognitive institutions, such as universities and research centers, within partnership frameworks. These collaborations may focus on the production of

[93] A. Blasini, *Nuove forme di amministrazione pubblica per negozio: i «social impact bonds»*, cit. at 92; C. Napolitano, *Social Impact Bond: an innovative tool searching for its own law*, 3 Nuove Aut.e 563 (2018).

research and innovation, or on urban regeneration initiatives aimed at the creation of science parks or shared spaces for research and innovation[94]. Foster and Iaione have demonstrated that this instrument can represent an effective response for generating a complex, inclusive and democratic model of urban infrastructure financing and management[95]. The evolving trajectory of the European legal framework, particularly as reflected in the interpretation of the Horizon Europe Regulation[96], envisions the transformation of the "knowledge triangle" [97] into a "knowledge square." This shift aims to ensure that education, research, and innovation not only engage in mutual dialogue but are also placed at the service of, and simultaneously leverage, knowledge produced by society. "Services to society"—that is, the transfer of scientific knowledge and research outcomes to the public—represent, metaphorically, the new corner of the knowledge polygon and, in fact, constitute the innovative and challenging mission of research institutions.

The challenge, therefore, lies in the operationalization of the knowledge square, through the identification of channels and pathways that effectively recognize and valorize the needs of communities. This takes place within a framework where

[94] See C. Iaione, *Partenariato e Finanza di Progetto di Comunità*, cit. at 83.

[95] S.R. Foster, C. Iaione, *Co-Cities. Innovative Transitions toward Just and Self-Sustaining Communities*, cit. at 60.

[96] See Reg. (EU) 2021/695, of which recital No. 51 affirms the need to encourage the engagement of all social actors in participating in and contributing to the design and creation of programs and content through responsible research and innovation processes. These processes should respond to the concerns, needs, and expectations of citizens and civil society, promote scientific education, make scientific knowledge accessible to the public, and facilitate the participation of citizens and civil society organisations in research activities. To this end, it is deemed appropriate to remove barriers and foster synergies among science, technology, culture, and the arts in order to achieve a new, sustainable quality of innovation.

[97] On the knowledge triangle metaphor see M. Unger, W. Polt, *The Knowledge Triangle between Research, Education and Innovation – A Conceptual Discussion*, 11Foresight and STI Gov., 10 (2017); M. Markkula, *The Knowledge Triangle: Renewing the University Culture*, in *The Knowledge Triangle: Re-inventing the Future* 11 (2013); E. Hazelkorn, *Teaching, Research and Engagement: Strengthening the Knowledge Triangle*(2010). See also the Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, of 26 November 2009 on developing the role of education in a fully-functioning knowledge triangle (2009/C 302/03).

communities themselves become key agents of innovation, embracing sustainable models of (co-)management of common resources, also in the interest of future generations. Crucially, this process requires systematic integration of synergies that may develop between communities and the realms of research and scientific education.

An important testing ground for 5Ps partnerships can be found in energy communities. Several Italian energy communities have been developed through the systematic integration of multi-stakeholder contributions, following institutionalized partnership frameworks that establish a new legal entity based on internal democratic co-governance. Control powers are vested in actors located in proximity to the facilities, on the basis of parity rather than financial participation, and management is oriented toward the shared distribution of benefits. Indeed, a crucial contribution to the dissemination of energy communities has often been provided by research institutions, such as universities and the National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA). These institutions have offered technical support and facilitated knowledge transfer during the assessment and feasibility evaluation phases, accompanying the initiatives throughout their development. This has taken place against the backdrop of an innovative and challenging regulatory framework, requiring engagement from diverse public, private and community stakeholders.

Lastly, a particularly interesting model of 5Ps is provided by Article 70 of the Municipal Regulation on Urban and Climate Democracy and Justice in Reggio Emilia[98]. This regulation establishes the Partnership for Sustainable Development and Innovation (PSSI), a flexible and atypical instrument that explicitly focuses the partnership's actions on the interdependence between sustainable development, inclusion, and innovation. The PSSI aims at the development and implementation of experimental projects in urban innovation and sustainability to combat climate change, developed through co-design procedures.

[98] Municipal Regulation on Urban and Climate Democracy and Justice in Reggio Emilia, approved by City Council Resolution No. 141 of September 12, 2022, and amended by City Council Resolution No. 48 of March 18, 2024.

PSSIs constitute multi-stakeholder partnerships based on the sharing of objectives, actions and resources, as they are founded on the sharing of responsibility as well as benefits. PSSIs foster experimental solutions and new evaluation tools, involving urban actors from diverse socio-economic categories who cand public authorities who choose to act in a non-authoritative manner.

An accountability tool has also been defined to assess the value generated, grounded in principles of public transparency, both public and private reporting, and social remuneration understood as the production of collective value from the partnership experience. This tool is the Community Balance Sheet (Article 80), designed to evaluate partnership experiences and potentially engage the various types of collaborating entities, thus better legitimizing collective action beyond traditional metrics, for both public administrations and the market, based on the calculation of multidimensional impacts [99].

In light of the foregoing, it should be noted that various instruments exist to enhance the active role of the communities in their different expressions, in order to develop a new just, democratic, innovative, sustainable industrial planning. The new phase of public intervention in the economy can capitalize on ongoing experiments, successful initiatives, and innovative frameworks that seek to harness, expand, and exploit synergies among the diverse actors shaping institutional, economic and social dynamics. This includes sharing benefits and responsibilities and developing tailored solutions, anchoring economic remuneration to public administration activation and the achievement of socially defined, collectively agreed upon, and objectively measured and verified social value on the basis of multidimensional impacts.

A transversal and open issue rather concerns the modalities of financing the operations and instruments in question, in light of the usual scarcity of resources available to public partners and the general unwillingness of private actors to invest in initiatives where the economic return is uncertain or deferred over time, or where profit is neither the sole nor the primary added value expected from the funding. In this regard, the role of institutional investors—

[99] See N. Levi, F. Della Ventura, *Innovazione e sostenibilità degli strumenti contrattuali alternativi per la lotta al cambiamento climatico. Il caso di Reggio Emilia*, 1 Munus 275 (2024).

primarily non-profit banks, also referred to as patient investors—comes into focus. Part of their mission includes identifying the most appropriate financing instruments to support long-term, multi-stakeholder initiatives, as will be further illustrated through the case studies (see Section 5). In this capacity, institutional investors act as community investors[100] and can serve as intermediaries in the implementation of community-based project finance operations[101].

4.2. Blended Finance for PCPs, PPCPs and Strategic Multi-Stakeholder Contracts: the JuSIIIIA tool

In the context of industrial planning rooted in just sustainable innovation outlined in the preceding paragraphs, the need to rethink public intervention in the economy as a key ingredient of a transformative and adaptive development strategy —focused not only on economic growth but also on social justice, environmental sustainability, and territorial cohesion—has become unmistakably clear. This reorientation demands however a blended investment and financial approach capable of understanding and measuring the long-term integrated economic value linked to the assessment of a multidimensional set of systemic and intergenerational externalities, therefore moving beyond traditional economic performance metrics[102].

Indeed, it has been suggested that sustainable and impact finance might be the right solution to this end but recent academic literature on the EU policy framework regulating sustainable finance has highlighted significant shortcomings in the functioning of current sustainable investment mechanisms. In particular, it has been demonstrated the inability of traditional ESG indicators and scores to adequately reflect the actual impacts generated by investments. Specifically, Scheitza and Busch have shown that 40%—in a sample of 1,000—of investment funds classified under Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) pursue a general Environmental, Social, and Governance (ESG) strategy, without a clearly defined impact-oriented approach. Nevertheless, these funds receive ESG scores that are not

[100] G. Serafeim, *Investors as Stewards of the Commons?*, 30 J. Appl. Corp. Fin. 8-17 (2018).
[101] C. Iaione, *Partenariato e Finanza di Progetto di Comunità*, cit. at 83.
[102] D. Schoenmaker, W.Schramade, *Shareholder primacy or stakeholder governance?*, 69 Finance Research Letters 106244 (2024).

appreciably or significantly different from those attributed to funds that do follow an impact-oriented strategy[103]. Similarly, Consolandi et al have explored the limitations of ESG ratings, proposing the integration of externality data to improve the representation of an investment's overall impacts in terms of systemic outcomes[104].

Bearing these considerations in mind, this Section introduces an operational framework designed to support the planning and evaluation of public investments and innovative, multi-stakeholder partnerships, drawing inspiration from the Just Sustainable Innovation paradigm. Specifically, it proposes the use of the JuSIIIIA tool as a tool developed to interpret and measure the transformative impacts of public interventions in complex contexts.

The tool acknowledges that public value creation often occurs through collaborative pathways involving institutions, organized civil society, businesses, and local communities. From this perspective, adopting an evaluation logic that recognizes the plurality of actors, the systemic nature of the transformations sought, and the necessity of a long-term impact approach is essential to democratic innovation governance.

The JuSIIIIA tool is built on a robust methodological foundation, integrating international evaluation standards (such as OECD DAC guidelines) with reflective, mission-oriented approaches. At the core of the model lies the distinction between output, outcome, and impact—not as mere technical categories, but as expressions of a co-design and learning journey among stakeholders. This allows for assessing not only what is produced, but also the changes generated and the structural, systemic transformations that may emerge in the medium to long term.

In a context where public investments are increasingly expected to address integrated objectives of environmental

[103] L. Scheitza, T. Busch, *SFDR Article 9: Is it all about impact?*, 62 Finance Research Letters 105179 (2024).

[104] C. Consolandi, A. Roncella, *Finance for Impact: The New Era of Sustainable Finance*, C. Busco, C. Consolandi, I. Malafronte, F. Sammarco, E. Scognamiglio (eds.), *The Impact of Organizations: Measurement, Management and Corporate Reporting* (2023); C. Consolandi, J. Hawley, *From ESG to Sustainable Impact Finance: Moving Past the Current Confusion*, A.B. Schmidt (ed.), *Sustainable Investing. Problems and Solutions* (2025).

sustainability, social justice, and democratic innovation, it is indispensable to equip decision makers with tools that allow for a systemic and transparent assessment—not only of what is realized, but also of how and with what long-term structural effects. It is from this perspective that the JuSIIIIA tool is positioned—a methodological device designed to support planning through the measurement of transformative impacts generated by policies and interventions.

Unlike many traditional metrics, which focus predominantly on economic performance or the immediate delivery of outputs, JuSIIIIA presents a multidimensional, mission-driven approach, grounded in a long-term, causal logic. This enables a focus not only on the efficiency of employed means, but above all on the public intervention's capacity to create enduring and just change—aligned with the principles of Just Sustainable Innovation.

To support this vision, JuSIIIIA is built on a solid, integrated theoretical framework capable of connecting policy design with the evaluation of its transformative impact.

JuSIIIIA is grounded in three core theoretical pillars. The first pillar is the Theory of Change (ToC) introduced by Weiss (1995)[105] and Reed et al. (2021)[106]. ToC enables the construction of a logical chain linking activities, outputs, outcomes, and impacts—useful for defining and measuring expected change. In multi-stakeholder public-private-community partnerships (PPPCs), where actors' complexity demands coherence between intent and results, ToC helps to make implicit assumptions explicit and improve project design. The TOMS Shoes case[107] illustrates how unexamined assumptions can lead to unintended side effects, highlighting the value of a rigorous theoretical framework. JuSIIIIA adopts ToC to guide impact assessment transparently and verifiably.

[105] C.H. Weiss, *Nothing as practical as good theory: Exploring theory-based evaluation for comprehensive community initiatives for children and families*, 1 New approaches to evaluating community initiatives: Concepts, methods, and contexts 65 (1995).
[106] M.S. Reed, *Stakeholder participation for environmental management: a literature review*, 141 Biological conservation 2417 (2008).
[107] B. Wydick, E. Katz, B. Janet, *Do in-kind transfers damage local markets? The case of TOMS shoe donations in El Salvador*, 6 J. Dev. Effectiveness 249 (2014).

The Social and Transformative Innovation – Transition Theory (TRANSIT)[108] developed within the European TRANSIT and ARTS projects[109], examines how social innovation can generate structural and relational change. It focuses on processes like translocal diffusion, institutional embedding, and stakeholder collaboration. JuSIIIIA adopts this approach to assess an intervention's systemic impact—measuring its capacity to take root locally, shift norms, and enable new forms of governance.

Finally, JUSIIIIA builds on the principle of Just Sustainable Innovation [110] inspired by Rawls (1971)[111] and Ostrom (1990)[112], this concept promotes innovations that combine environmental sustainability, social justice, and economic inclusion. Its focus is on equitable transitions, inclusion of vulnerable communities, and shared governance of common goods. JuSIIIIA incorporates this approach to ensure that intervention benefits are distributed equitably, and that impact assessments reflect environmental, social, and intergenerational justice criteria—consistent with EU standards such as the CSRD and CSDDD directives.

To translate these theoretical references into a coherent operational and evaluative structure, JuSIIIIA adopts and adapts the IOOI model as the core framework for interpreting and monitoring change. JuSIIA uses an IOOI structure (Input – Output – Outcome – Impact), but reinterprets it through its transformative lens: i) Input: financial, human, technological, or institutional resources deployed; ii) Output: immediate products or services generated; iii) Outcome: observable short- to medium-term changes, such as in behaviors, capacities, or service quality; iv) Impact: long-term transformations that often exceed an intervention's direct control but must be anticipated, monitored, and made visible.

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[108] A. Haxeltine et al., *A framework for transformative social innovation*, 5 TRANSIT working paper (2016).

[109] B. Pelet et al., *Transformative Social Innovation: Insights from the TRANSIT Project*, Journal of Social Entrepreneurship (2020).

[110] C. Iaione, *Just Sustainable Innovation: Shared Systemic Stewardship as Governance Impact of Sustainable Investment?*, cit. at 24.

[111] J. Rawls, *A Theory of Justice*, Harvard University Press (1971).

[112] C. Iaione, *Just Sustainable Innovation: Shared Systemic Stewardship as Governance Impact of Sustainable Investment?*, cit. at 24.

In the case of multi-stakeholders strategic partnerships, for instance, the output might involve building a green infrastructure or launching a shared service—but the true outcome unfolds over time through new trust relationships, institutional shifts, or enhancements in community resilience. Only via an approach like JuSIIIIA's can these second-order, often invisible yet fundamental effects be captured and valued. To render these impacts observable, comparable, and aligned with social justice principles, JuSIIIIA incorporates a comprehensive set of impact dimensions:

1. Technological – Capacity to innovate in accessible, ethical, and responsible ways;
2. Social & Civic – Protection of rights, inclusion, and promotion of equity;
3. Economic – Equitable growth, support for local economies, and decent work;
4. Financial – Feasible and responsible long – term production of revenues;
5. Governance/Institutional – Strengthening participation andeconomic countervailing power of citizens and social organizations;
6. Environmental – Climate mitigation, resource sustainability, and adaptation;
7. Health – Care for human and ecosystem well-being, following planetary health principles.
8. Territorial – Responsiveness to local specifics and enhancement of resilience;
9. Educational & Cultural – Promotion of shared knowledge, creativity, and critical capacity;
10. Generational – Safeguarding the future with respect for intergenerational equity.

These dimensions can be used as a shared interpretation framework among stakeholders—facilitating participatory evaluation, setting objectives in PPPCs, and constructing relevant indicators for shared development contracts.

JuSIIIIA is not just a tool for ex post measurement. It can also be used ex ante in project design. It enables the definition of desired impacts from the outset and the mapping of the logical path to achieve them. This makes it particularly effective for public–private–community partnerships, where establishing strong alignment among actors around a shared purpose is essential.

Within co-design processes, JuSIIIIA can serve as a common language among public institutions, businesses, citizens, and third-sector organizations—fostering an adaptive learning process that evolves alongside the project itself.

JuSIIIIA represents a leap toward impact-oriented innovation governance, where evaluation is not bureaucratic but strategic—guiding public decision-making, assessing partnership value, and legitimizing long-term transformative processes.

In the current environment, where public investments must deliver concrete environmental and social outcomes, adopting tools like JuSIIIIA helps make economic planning more just, inclusive, and territorially grounded, while strengthening communities' role in shaping a sustainable future.

Within this theoretical and operational landscape, the JuSIIIIA framework emerges as a tool that operationalizes justice as a guiding principle for sustainable innovation—integrating transformative visions into territorial planning, public investments, and community-based public–private partnerships. JuSIIIIA stands on a multi-layered evaluative architecture that coherently unites the systemic ambitions of Planetary Health theory with territorial justice needs—translating such principles into an operational methodology for measuring impact across nine interconnected dimensions. In this logic, health is viewed not only as a healthcare outcome but as an indicator of collective well-being, ecological balance, and socio-spatial justice—serving as a normative compass for just transitions. Thus, innovation is evaluated not only in technical or economic terms but in its capacity to generate systemic, equitable, and durable transformations in real-world contexts. JuSIIIIA also plays a strategic role in structuring multi-stakeholder contracts—facilitating co-definition of objectives and shared reporting of results in complex public innovation processes.

Anchored to a contextual baseline built from official data and local knowledge, it allows tracing project outcomes via a Theory of Change-inspired causal logic—integrating quantitative evaluations with reflective narratives from involved actors.

A distinctive feature of the framework is its assignment of a multiplier role to institutions—as regulatory and relational environments influence the generativity and durability of produced effects. From this standpoint, governance is not a neutral backdrop, but a living component that can either enable or obstruct

transformation. For this reason, JuSIIIIA is particularly well-suited to support the co-design and monitoring of experimental territorial policies like PPPCs—where building social, environmental, and institutional infrastructures takes place through cooperation, mutualism, and shared responsibility. The framework's dialogic and hybrid approach transcends the top-down and bottom-up dichotomy—creating a mediation space between technical knowledge and situated perception, standardized indicators and community priorities, public logics and civic practices—thus reinforcing projects' transformative impact through an evaluation method that is both measurement and collective learning.

Although conceived to assess systemic change generated by projects and policies oriented towards just and sustainable innovation, JuSIIIIA recognizes the inherent complexity of measuring impact in real-world contexts. In many cases, the deepest, most transformative effects emerge beyond an intervention's temporal horizon and intertwine with institutional, social, and ecological variables that are difficult to isolate. For this reason, the framework adopts a flexible yet rigorous approach—enabling impact inference even from observable changes at the outcome level, provided they are supported by sound theories of change, empirical evidence, or shared contextual knowledge. This allows JuSIIIIA to maintain a balance between methodological sustainability and evaluative reliability—avoiding both oversimplification and analytical paralysis.

Another cornerstone of the model is the use of multidimensional evaluative rubrics—which go beyond a single indicator to interrogate the quality, depth, equity, and relevance of change with respect to the nine impact dimensions. Every assessment begins with a baseline—a snapshot of existing conditions—which allows reading indicator evolution over time and attributing a comparative and contextualized meaning to observed outcomes. The baseline is not just a technical datum, but a lever for building shared responsibility and collective learning, since it provides a common reference point for all involved parties. Where initial data are lacking, JuSIIIIA encourages the participatory construction of an alternative baseline through secondary sources, public consultations, or analysis of similar cases. Adaptable to local specificities but anchored to a standard 1–5 scale, the indicators ultimately allow classifying impact intensity—

distinguishing negligible outcomes from structural transformations. In this way, JuSIIIIA asserts itself as a dynamic and dialogic tool—capable of measuring what truly matters: not just whether something has changed, but how significant, just, and lasting that change has been for the communities, territories, and systems involved.

In an era where complex social, environmental, and economic challenges call for new forms of collaboration among public institutions, private entities, and communities, the JuSIIIIA tool emerges as a strategic device to guide and assess high-impact transformation processes. Transcending linear and sectoral logic, it enables the interpretation of interventions' systemic effects—promoting the emergence of new institutional, cultural, and territorial alliances. Its multidimensional, justice-, sustainability-, and co-design-based evaluative architecture transforms JuSIIIIA into more than a technical measurement instrument—it becomes a catalyst for collective learning and shared responsibility. In this way, it represents a tangible contribution to transformative public finance—capable of steering investments and policies toward outcomes that are more equitable, resilient, and generative over time.

5. Case studies

In this section, four case studies drawn from the practices of two major long-term institutional investors — the European Investment Bank (EIB) and the African Development Bank (AfDB) — will be analyzed. The section is divided into two sub-sections. The first sub-section examines two case studies related to Social Outcome Contracts (SOCs) in the financing of social infrastructure and services. The second sub-section focuses on two case studies of Results-Based Financing (RBF) in the fields of water and energy infrastructure.

In line with the distinction outlined in Tirumala and Tiwari's discussion of innovative financing instruments, this analysis welcomes a conceptual differentiation between results-based and outcome-based financing[113]. Results-based financing, indeed, refers to mechanisms in which payments are linked to the achievement of

[113] R.D. Tirumala, P. Tiwari, *Advances in Infrastructure Finance*, cit. at 35, 66.

specific results, based on incentive structures that link financial disbursement to the achievement of measurable outputs. Outcome-based financing, instead, ties repayment or financial returns to the achievement of predefined outcomes, understood as verifiable improvements in quality of life generated by the intervention. This form of financing, exemplified by social impact bonds, places greater emphasis on real-world effects rather than the mere delivery of outputs.

Although in practice distinguishing between these two approaches is not always straightforward, it is preferable to maintain the conceptual distinction throughout the following sub-sections, aiming at spreading familiarity with its use and promoting its wider adoption, while ensuring attention to its underlying implications.

5.1. Case studies of Social Outcome Contracting

In the context of outcome-oriented public policy, it is essential to clearly distinguish between Social Outcome Contracts (SOC) and Social Impact Bonds (SIBs)—two instruments that are often used interchangeably but differ significantly in both contractual and financial terms. An SOC is an agreement between a public authority and one or more service providers, where payments are conditional upon the achievement of clearly defined and measurable social outcomes. This model shifts the focus from funding activities to achieving results and can be structured in various ways, with or without the involvement of private capital. A SIB, on the other hand, is a specific type of SOC that involves private investors who provide the upfront capital to implement the social intervention and are repaid—often with a return—only if the predefined outcomes are successfully met. In this arrangement, the financial risk is transferred from the public sector to the investor. Understanding these differences is crucial for properly analyzing real-world cases, avoiding terminological confusion, and assessing the practical and strategic implications of each model within the broader field of social impact finance.

5.1.1. The KOTO-SIB case

KOTO–SIB (Kotouttamisen SIB) represents one of the first nationwide experiments in Europe applying Social Impact Bonds (SIBs) to promote the labour market integration of migrants and

refugees. The initiative was developed in response to a well-identified structural issue highlighted by the Finnish government: the persistent employment gap between Finnish citizens and foreign nationals, which worsened following the large influx of migrants during 2015–2016. In particular, data showed that migrants residing in Finland for at least one year had significantly higher unemployment rates than the native population, leading to increased public welfare costs and lower participation in the country's economic life[114].

To address this challenge, Finland's Ministry of Economic Affairs and Employment implemented an innovative public service financing mechanism: a national-level Social Impact Bond (SIB), based on a pay-for-results system, directly tied to verifiable indicators of employment success. The model established a virtuous cycle in which initial service funding was provided by private and institutional investors, while government repayment occurred only if and when predefined outcomes were achieved—thus enabling a risk-sharing arrangement between the public and private sectors.

The fund manager, Epiqus, was selected through a public tender using a competitive dialogue procedure. This allowed for the joint definition of success criteria, evaluation mechanisms, and performance thresholds. The fund coordinated a blended financial operation totalling €14.2 million, raised from various actors, including the European Investment Fund (EIF), the European Commission, and other public and private investors. This capital was used to deliver high-quality, integrated services aimed at labour market inclusion for migrants, including personalized language acquisition programs, career guidance, sector-specific training, and individual mentoring.

The initial goal was to involve 2,500 migrants over a three-year period. The main success criterion was defined as achieving at least 70 days of paid employment per participant. Employment outcomes were verified through official administrative records, and results were compared against a counterfactual group—individuals with similar characteristics who were not part of the programme. Repayment from the state to the fund was strictly performance-

[114] European Commission, *Labour Market Integration for Immigrants using a Social Impact Bond (Koto-SIB, Finland) - WeBuySocialEU Good Practice Case #71* (2020).

based: only if the treatment group performed better than the control group would the government make reimbursements—up to a maximum of €8.6 million. This approach effectively created an ex-post redistribution of fiscal savings generated by reduced unemployment and increased migrant participation in the labour market.

By the end of 2019, the project had enrolled 2,211 participants, nearly reaching its initial target. Of these, 869 adults secured stable employment, with employment rates surpassing those of the comparison group—demonstrating the effectiveness of the interventions provided. According to analyses by Finnish authorities, the project generated net public savings exceeding €20 million since 2016. These savings stemmed mainly from decreased dependency on social benefits, increased tax revenues, and improved economic self-sufficiency of participants. The model thus proved capable of creating measurable, accountable, and sustainable social and economic value[115].

In addition to its quantitative results, KOTO–SIB also highlighted several strategic lessons for future policy design. Specifically:

- the importance of a neutral intermediary to manage stakeholder dialogue, oversee implementation, adapt strategies, and facilitate independent evaluation;
- the need for operational flexibility to accommodate the complexity of individual employment pathways;
- the value of co-design between public and private sectors, enabled by a competitive procurement mechanism, which allowed for transparent, jointly agreed-upon definitions of success, monitoring methods, and contract limits.

The Finnish case of KOTO–SIB stands as a concrete and replicable example of how innovative financial instruments can be effectively integrated into active labour market policies, delivering both measurable social impact and economic benefits. Its evidence-based and performance-driven structure makes it a model for other national and European contexts seeking to tackle complex challenges such as the socio-economic integration of migrants.

[115] European Commission. (2020). *Labour Market Integration for Immigrants using a Social Impact Bond (Koto-SIB, Finland) (WeBuySocialEU Good Practice Case #71).*

5.1.2. Morocco's PAAIIS as sovereign social outcome contracting

Morocco's *Programme d'Appui à l'Accès Inclusif aux Infrastructures de Santé* (PAAIIS) illustrates how a targeted, results-based public sector investment can change a health system's course for equity and resilience with value creation. The African Development Bank capitalizes the project with a results-based loan of €120 million disbursed over four years (2023–2026) in tranches upon verified results from disbursement requests.[116] This financing design ties money against services rendered instead of inputs, while the entire program is based on a results chain already implemented by the Ministry of Health and Social Protection (MSPS) for performance-based budgeting. The government's program is much larger, roughly €2.88 billion, with AfDB's loan implemented alongside World Bank contributions and major government contributions; this sub-positioning ensures that the "money bought" by the Bank's financed resources gets critical results from a system-wide transformation compared to a stand-alone pilot program.

Investment is concentrated in three fields with clear development returns: decreased inequality from a geographically based primary and secondary infrastructure; digitally connected care as facilitated through connections and medicine; and strengthened governance from improved allocations of human and financial resources. Essentially, the program pays for building the Beni-Mellal Regional Hospital and Azilal Provincial Hospital; equipping the Fkih Ben Salah Provincial Hospital; renovating medical-technical equipment across the three regions; and increasing mobile and ambulance services for obstetric and emergency services. Such capital and equipment investments are expected to provide gains in service in the short term for increased hospitalization where need is greatest and increased neonatal screening services, while fostering longer-term systemic capacities.

Digital investment is not an afterthought; digitalized investments are leveraged outcomes. Expanding the Integrated Hospital Information System (IHIS) to primary care facilities and rural health dispensaries, plus equipping 100 landlocked facilities

[116] See African Development Bank, Press Release, Morocco: African Development Bank mobilizes €120 million to expand access to healthcare (2023).

with telemedicine capabilities, serves to reduce distance from remote access points and delays in clinical care.[117] The results framework translates these inputs into service delivery outcomes relative to an increase in-system anticipated hospitalization in prioritized areas and proxy indicators of treatment (i.e., antiretroviral therapy) coverage suggest that digitalized connections are predicted to facilitate treatment as well as continued care among traditionally underserved populations. Therefore, by linking disbursement to verified operation capacity and use; over resource distribution alone, this investment hedges "build-it-but-don't-use-it" risks that plague too many health infrastructure investments.[118]

Human resources are treated as the binding constraint, they often are. The program budgets positions across MSPS and territorial health groupings, strengthens continued retraining offerings, and increases graduation output from Higher Institutes of Nursing and Health Technology (ISPITS).[119] Most importantly, the results matrix tracks the ratios and posting of generalists and nurses in rural and landlocked facilities, as there's an explicit tie between funding delivery and personnel presence where the infrastructure will be commissioned. This link from bricks-and-mortar to labor investment is critical to getting access-attributed investment justified, even more important for the female and rural household link when rooting for equity related pay-off from the program.

The presumed outcome payoff becomes an operational reality through seven Disbursement-Linked Indicators (DLIs) that function as quantifiable milestones towards social value creation. For example, two DLIs prioritize integrated care units for women-and-children within the commissioned spaces, inclusive of gender-based violence treatment within; the Guelmim Regional Hospital, plus the commissioning of units dedicated to women's and childcare within the Fkih Ben Salah Provincial Hospital. Other DLIs

[117] See M. Jallalet et al., *Current State and Prospects of Telemedicine in Morocco: Analysis of Challenges, Initiatives, and Regulatory Framework*, 15 Cureus 50963 (2023).

[118] See S. Languille, *The Politics of Results-Based Financing in Health: A Literature Review*, 15 Global Public Health 675 (2020).

[119] See M. Benijjane et al., *The Social Accountability of Nursing Training Institutes in Morocco: Case of ISPITS–Marrakech*, 21 BMC Medical Education 509 (2021).

order commissioning and equipping milestones sequentially for hospitals under construction, track installation times for required medical-technical devices ranked by importance, require telemedicine capabilities for care in landlocked primary care sites, and an Environmental-Social Action Plan (ESAP) DLI gets embedded. The mix of DLIs is closer to output process outcomes themselves or near outcomes themselves; they can be verified frequently as incentives throughout implementation exist to justify without support by a verifiable connection of what's ultimately important to those wanting to use the facilities: interconnectivity of care/availability of staffing.

Verification and oversight arrangements seek to minimize stakeholder concern over credibility surrounding "pay-for-results" promises delivered. The General Inspectorate of the Ministry of Health and Social Protection (IGMSPS) functions as the independent verifier of physical existence as it's geographically centered and regionally positioned to conduct reviews/document assessments/tours. Disbursement requests get made semi-annually pro rata toward verification; non-completed requests can be fulfilled down the line once complete, while any surplus not attested to via DLI verification will require reimbursement upon exit. The funds get dispersed through the Treasury Single Account at Bank Al-Maghrib once fiduciary risk linked to fund flow is assessed as low within broader state public financial management systems. In terms of implementation, these aspects mean that loan allocation occurs only when what the system can demonstrate (and verify through documentation) manifests as applied utility and service provision opportunity.

The appraisal anticipates social benefits that are rather implicit. By expanding capacity in poorer regions, operationalizing where previously lacking plus connected avenues of advanced-level care, PAAIIS is presumed to increase opportunity for service utilization among populations where baseline access is low; improve maternal-health outcomes among specialized access points or better referral procedures for complicated situations; decrease private costs of care (emphasizing travel/time costs) for rural households; connect inputs to tracked outcomes assessed systemically (hospitalization rates, neonatal screening rates, staffing ratios) so that progress can be evidenced through comparable means/performance management/accountability

applied from budget programming; up-surface environmental/social metrics, gender tagging, trained obligations forecasted to validate gain quality/sustainability so program-mindful benefits can get consolidated into more resilient health systems [120].

PAAIIS shows how SOC logic can be integrated into a country's public financing and public law system without importing the investor vehicles of private law. The instrument's conditions precedent, monitoring obligations, pro-rata distribution principles, and repayment responsibilities read as a nuanced blend of public finance legality and contractual obligation, while its gender- and socially-equalization prioritized distribution makes the financing relevant to socioeconomic rights. If one were to distinguish what makes SOC different from other traditional lending, however, the case in Morocco illustrates that repayment obligation comes after the result is confirmed, not before.

Beyond quantitative results, the PAAIIS has also highlighted strategic lessons relevant for future policy. In particular, it has shown the importance of linking the disbursement of public funds to verifiable results, to ensure effectiveness and accountability in public spending; the need to integrate health infrastructure planning with human resource planning, to guarantee service operability and continuity; the strategic value of digitalization as a lever for territorial equity and access to care, especially in rural and remote areas; the importance of preventing the risk of unused infrastructure through "pay-for-results" mechanisms tied to actual utilization and operational capacity; the possibility of adopting innovative Social Outcome Contracting (SOC) approaches within the public legal and financial framework, without resorting to private law instruments; the crucial role of independent verification within public administration to strengthen program credibility and transparency; the contribution of environmental, social, and gender components to ground investments in a logic of sustainability and inclusion.

[120] See African Development Bank, Press Release, Morocco: African Development Bank mobilizes €120 million to expand access to healthcare (2023).

5.2. Results-based financing of water and energy infrastructure

This Section examines two emblematic applications of results-based financing in the water and energy sectors—illustrating how performance-linked disbursement mechanisms can enhance accountability, operational efficiency, and impact orientation in large-scale infrastructure programmes. Through the analysis of the Jordan Water Security and Climate Adaptation Project (Section 5.2.1) and the Rwanda Energy Results-Based Financing Program (Section 5.2.2), the discussion highlights how multilateral development banks are increasingly shifting from input-driven to outcome-driven financing models. These cases provide insights into the opportunities and limitations of results-based approaches, particularly with respect to institutional strengthening, verification systems, and the evolving—but still limited—role of communities within the governance of essential services.

5.2.1. The Jordan Water Security and Climate Adaptation Project

The Jordan Water Security and Climate Adaptation Project, financed by the European Investment Bank (EIB) under a results-based loan scheme, is a major infrastructure initiative developed in response to the acute and growing water crisis in Jordan. In fact, Jordan is currently among the most water-scarce countries in the world, with renewable water resources far below the global threshold for severe scarcity[121]. Moreover, this situation has been aggravated by a combination of factors, such as rapid population growth, intensified by successive waves of refugees from neighboring conflict zones, particularly Syria, increasingly erratic precipitation and declining groundwater resources[122].

In response to this critical context, the Government of Jordan launched a long-term strategic effort to improve the resilience and efficiency of the water sector. The proposed solution entails a comprehensive investment programme focused on increasing access to reliable water supply, improving sanitation services, and

[121] See United Nations, *Policy Brief. Decentralized Wastewater Treatment Systems (DWATS) as a Climate Change Adaptation Option for Agriculture in Jordan* (2022).
[122] S.M. Gorelick, J. Yoon, C. Klassert, *Avoiding Crisis in Jordan's Tenuous Water Future* (2021).

reducing non-revenue by enhancing the efficiency of water networks and the accuracy of metering systems.

This led to the formulation of the Jordan Water Security and Climate Adaptation Project, a €1 billion programme financed by multiple development partners, with the EIB playing a central role by providing a €450 million loan over 30 years. EIB financing is structured as a results-based loan, making it the first application of such a financing model in the water sector globally by the EIB[123]. The agreement was officially signed in July 2024[124].

Unlike traditional infrastructure loans, which disburse funds based on procurement stages or expenditure claims, the results-based model ties disbursement to the verified achievement of specific development results. In this case, the Ministry of Finance of Jordan serves as the legal borrower, while the Ministry of Water and Irrigation (MWI) is the main implementing entity. A dedicated Delivery Unit within the MWI oversees the planning, coordination, and monitoring of the project. The operational execution of the programme is delegated to four key water utilities, which are responsible for the concrete implementation of a wide range of small- to medium-scale sub-projects across the country, such as infrastructure rehabilitation, network expansion, smart metering deployment, and service-level improvements.

The project is structured around four core results areas: the reduction of non-revenue water (NRW), the expansion of sustainable water supply, improvements in the operational efficiency of utilities, and enhancements in the quality and coverage of sanitation services[125]. The EIB disburses its financing in tranches that are only released upon verification that these predefined performance targets have been achieved[126]. The available documentation confirms that each disbursement is explicitly linked to independently verified progress in one or more of these results areas[127].

For instance, a tranche of the loan may be released once a utility demonstrates, through audited operational data, that it has

[123] European Investment Bank, *Jordan Water Security and Climate Adaptation* (2024).
[124] Cf. previous note.
[125] European Investment Bank, *Environmental and Social Data Sheet*, (2023).
[126] See European Investment Bank, *€400 million EIB backing for water security and climate adaptation across Jordan* (2024).
[127] See previous note.

reduced water losses in a specific district by a defined percentage, or once service coverage has expanded to a certain number of households. These outcomes must be verified by the Delivery Unit and validated according to performance indicators agreed upon in the financing agreement[128]. This conditionality introduces a performance-based discipline into the financing arrangement, thereby aligning financial flows with the actual delivery of public value.

In terms of community involvement, the project adheres to the EIB's environmental and social standards, which require stakeholder consultation and the implementation of mitigation measures to address any adverse social or environmental impacts. Nevertheless, there is no formal framework for community stewardship within the governance of the infrastructure itself; the role of citizens remains limited to that of service recipients and consultees, rather than co-managers or decision-makers.

In conclusion, the Jordan Water Security and Climate Adaptation Project constitutes an innovative example of results-based infrastructure financing in the water sector and is emblematic of the European Investment Bank's evolving approach towards outcome-driven development finance. By linking disbursement to the attainment of verified performance indicators - rather than traditional input- or expenditure-based models - the project reflects a strategic shift in the Bank's financing paradigm, aimed at enhancing institutional accountability and operational efficiency. The project introduces a performance-oriented framework, consistent with results-based financing principles, but less prominence is given to community engagement in terms of stewardship or participatory governance, with the local population primarily positioned as beneficiaries rather than active co-managers of infrastructure or service delivery.

5.2.2. The Rwanda Energy Results-Based Financing Program

The Rwanda Energy Results-Based Financing Program represents a significant advancement in the country's efforts to expand access to clean, reliable, and affordable energy services while promoting institutional strengthening and environmental

[128] European Investment Bank, *Environmental and Social Data Sheet* (2023).

sustainability[129]. Developed within the broader framework of Rwanda's national energy policy, particularly the Energy Sector Strategic Plan (ESSP II 2024–2029), the program addresses the critical need to meet the increasing energy demand driven by rapid population growth, urbanization, and socio-economic development[130]. Rwanda's commitment to achieving universal electricity access by 2029, coupled with ambitious goals for clean cooking solutions and reduction of greenhouse gas emissions, provided the foundational context for the development of the initiative.

The program is co-financed by two major multilateral development banks: the African Development Bank (AfDB), serving as the lead financier, and the Asian Infrastructure Investment Bank (AIIB). Together, these institutions have committed significant financial resources, totaling approximately €260 million, to support Rwanda's energy transition over a projected five-year implementation period[131]. This scale of financing, coupled with the results-based design, marks the initiative as one of the most strategically important energy sector investments in the country.

What distinguishes the Rwanda Energy Results-Based Financing Program as a case of results-based financing is the conditionality embedded in the disbursement of funds. Unlike traditional investment models that release funds based on inputs or procedural milestones, this program ties financial disbursements directly to the achievement of predefined, measurable outcomes. These outcomes encompass a variety of dimensions, including the expansion of electricity access through both grid and off-grid connections, the deployment of clean cooking technologies to reduce dependence on polluting fuels, and the reinforcement and rehabilitation of critical energy infrastructure such as substations and distribution networks. The program further emphasizes the strengthening of institutional capacities within Rwanda's energy sector agencies, notably the Rwanda Energy Group and its

[129] Asian Infrastructure Investment Bank, *Rwanda: Rwanda Energy Results-Based Financing Program* (2025).
[130] African Development Bank, *African Development Bank approves financing to advance Rwanda's universal energy access* (2025).
[131] African Development Bank, *African Development Bank approves financing to advance Rwanda's universal energy access* (2025).

subsidiaries, which are responsible for the operational delivery of the project components.

This performance-oriented financing model incentivizes efficiency, accountability, and tangible improvements in service delivery. The verification of results shall be conducted through monitoring mechanisms, whereby progress is assessed against specific, quantifiable targets. These include connection targets for households and productive users, infrastructure enhancement milestones, and environmental and social performance indicators. Only upon the independent validation of these achievements are tranche payments released, ensuring that funds are directly linked to demonstrated impact rather than mere expenditure[132].

Community involvement, while incorporated as part of the program's environmental and social safeguards, primarily takes the form of stakeholder consultations and grievance redress mechanisms. These provisions ensure that affected populations are informed and able to express concerns during project implementation, reflecting adherence to international standards for social and environmental responsibility[133]. Vulnerable groups, such as female-headed households, are explicitly targeted for benefit, underscoring a commitment to social inclusivity. However, the program does not seem to have formally institutionalized community stewardship or participatory governance models within its core operational framework. Instead, the role of the community is predominantly that of service recipients and consultees rather than active co-managers or stewards of energy infrastructure.

In summary, the Rwanda Energy Results-Based Financing Program exemplifies a sophisticated and forward-looking approach to development finance in the energy sector. By aligning financial flows with verified performance outcomes, the program fosters greater accountability, incentivizes efficient implementation, and contributes to Rwanda's sustainable development objectives. Although community engagement is recognized and facilitated, the program's governance structure

[132] African Development Bank, *African Development Bank approves financing to advance Rwanda's universal energy access* (2025).
[133] African Development Bank, *African Development Bank approves financing to advance Rwanda's universal energy access* (2025).

centers on institutional actors, with limited formal mechanisms for community stewardship.

6. Towards a New Planning State or a New Investment State?

The recognition of the profound and interrelated crises shaping our time—alongside the market's frequent inability to generate territorially and socially acceptable or desirable solutions—highlights the need for a renewed role of the State and public authorities in the economy. This is particularly urgent given the pervasive challenges posed by technological advancement, the exploration and use of aerospace technologies, and the imperative to accelerate the ecological transition by swiftly transforming unsustainable models of production and consumption through innovative means.

In this context, industrial policy must return to the center of governmental and regional agendas, including that of the European Union. This entails two main objectives. First, to overcome the current fragmentation of sectoral policies and planning instruments, especially in the fields of environment, energy, innovation, territorial cohesion, and, more recently, defense. Second, to develop coherent and integrated strategies that combine direct public intervention with indirect steering of economic activity, enabling public authorities to effectively address collective and systemic challenges.

Such challenges—due to their scale and complexity—demand a strategic and coordinated response capable of guiding economic development in a direction consistent with the core values protected by democratic legal systems. Therefore, industrial policy should serve as the central coordinating framework, aligning various sectoral strategies and anticipating future transformations in economic dynamics. This includes fully harnessing social, environmental, and technological innovation to promote inclusive and democratic development, while ensuring that the social dimension of sustainability—often overlooked in recent EU economic programming—is not left behind.

The new "planning State" and the renewed trajectory of industrial policy must be explicitly oriented towards the achievement of concrete outcomes. It is, in fact, the very necessity

of attaining desirable results—in terms of justice, democratic legitimacy, and sustainability—that justifies the intervention of public authorities and their capacity to steer economic dynamics. These outcomes must be multidimensional, generating a plurality of benefits across all dimensions of sustainability (economic, social, and environmental). Ultimately, such benefits should accrue to the populations directly or indirectly affected by public interventions, and to their various sub-groups, according to principles of justice and equity, and through democratically determined processes. Particular attention must be given to addressing the needs of vulnerable communities, ensuring that no group is left behind.

As such, outcomes become the central benchmark by which the legitimacy and effectiveness of the new planning State must be assessed. The success of public action must be evaluated on the basis of its ability to deliver meaningful and measurable results. This approach finds clear institutional support in the most recent legislative reforms. Notably, the new Italian Public Procurement Code (Legislative Decree No. 36/2023) enshrines the "principle of the outcome" (principio del risultato) in its very first article. This signals a paradigm shift consistent with a transformative vision of the State's role in the economy: public demand—for goods, services, and works, or for the awarding of concessions—must be designed not merely to comply with formal legal procedures, but to effectively pursue the underlying public interest, in full respect of legality and the rights protected by the legal system, yet beyond a merely formalistic approach[134]. As a prominent scholar has argued, the principle of the outcome should guide administrative action toward the concrete interests of the community, ensuring that public contracts deliver not only the works or services specified in the tender, but also timeliness in the awarding and execution

[134] See Cons. Stato, Sec. VII, 1 July 2024, No. 5789: the case concerns the application of the principle of outcome (*principio del risultato*) in a tender procedure (launched, moreover, under the previous regulatory framework); the decision established that the contracting authority should not have simply excluded a bidder due to the submission of the offer through means other than those prescribed in the tender notice, in light of the malfunctioning of the platform indicated by the administration. In doing so, it condemned the merely formalistic approach adopted by the administration, emphasizing the public interest in ensuring the broadest possible participation in the procedure.

phases, and the best possible value for money[135]. Moreover, the same scholarly interpretation emphasizes the evolving multipurpose nature of public contracts, which are now understood as functional tools capable of serving multiple policy goals[136]. In this context, public procurement can and should be used to stimulate market supply toward virtuous outputs, aligned with broader sustainability objectives—not only economic, but also social and environmental[137].

Returning to the evolving paradigm of public economic action, the shift toward outcome-orientation necessitates a move away from rigidly legalistic or formalistic approaches, in favor of more managerial and performance-driven methods in both strategy formulation and the management of contractual instruments used to achieve policy objectives. This transformation compels a critical reflection on the current state of public administration competencies and organizational structures.

It becomes essential that public officials internalize a proactive and results-oriented mindset, focused more on the attainment of tangible outcomes than on mere compliance with procedural formality or the avoidance of personal liability. In parallel, the ability to manage complex, multi-stakeholder partnership tools—the policy toolkit outlined in Section 4.1—emerges as a core competency.

This is no trivial task. It requires comprehensive training programs and the dissemination of technical expertise, ideally supported through institutional partnerships with knowledge actors such as universities and research centers, whose domain-specific expertise equips them to support public authorities in the design and deployment of innovative instruments.

A further, closely related dimension concerns the management of intellectual property (IP) generated in the execution

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[135] A. Sandulli, *Il principio del risultato quale criterio interpretativo e applicativo*, 2 *Dir. pubbl*. 349 (2024).

[136] Refer to the previous note.

[137] In general, on strategic public procurement see H. Handler, *Strategic Public Procurement*: *An Overview* (2015); G.M. Jimeno Feliu, *Public Procurement as a Strategy for the Development of Innovation Policy*, G. Racca, C.R. Yukinis (eds.), *Joint Public Procurement and Innovation*, Bruxelles, Bruylant (2019); Id., *Compra pública estratégica*, J. Pernas García (ed.), *Contratación pública estratégica* (2013); A.S. Patrucco, K. Kauppi, C. Di Mauro, F. Schotanus, *Enhancing Strategic Public Procurement: A Public Service Logic Perspective*, Pub. Management Rev. 1 (2024).

of such partnerships. Public authorities must develop the capacity to appropriately calibrate the attribution and governance of IP rights—taking into account the nature of the contract, the sector of intervention, and the quality and type of actors involved. In some cases, it may be appropriate to make such IP publicly accessible, especially to relevant scientific or applied communities, with a view to its broader social utility and future societal applications.

Moreover, an outcomes-oriented planning State must be equipped with clear and reliable metrics capable of capturing the multifactorial impacts of its interventions. The JuSIIIIA tool, discussed in sub-section 4.2, is designed precisely for this purpose: to enable robust and verifiable measurement of the multifaceted impacts of investments. This allows policymakers and investors alike to monitor and assess the effectiveness of industrial policy measures, ensuring alignment between actual outcomes and pre-defined objectives, as well as the legal and constitutional values that underpin public economic intervention. At the same time, such metrics offer a means of evaluating the democratic legitimacy and social justice of public action—facilitating timely recalibration when necessary.

In this process, it is vital to valorize the role of local communities and individual citizens, both to ensure that public decisions reflect the needs of affected populations, and to guard against the capture of policy processes by entrenched bureaucratic or economic interests. This is key to overcoming the informational asymmetries and the disconnect from lived realities that have historically undermined the effectiveness of public programming.

Citizens, in this respect, can and should play a stewardship role, acting as guardians of the democratic legitimacy and social equity of public action. Their function as countervailing powers must be both recognized and institutionally safeguarded.

Recent experiences with outcome-based and results-based financing—particularly in the domains of social outcome contracting and large-scale infrastructure development (e.g., in the water and energy sectors)—highlight that non-profit banks (NPBs) are currently among the most capable and willing actors to implement such financial schemes. These institutions represent key players in the renewed course of industrial policy, whose role must be fully acknowledged and reinforced. As patient investors, NPBs are well positioned to mobilize both public and private capital—

while catalyzing further private investment—toward socially significant initiatives such migrant integration and improvement of hospital services and of territorial socio-health care provision (as illustrated in sub-section 5.1), as well as strategic infrastructure projects essential to quality of life and the energy transition (as illustrated in sub-section 5.2.). Within the framework of outcome-oriented public policies, the cases of KOTO–SIB in Finland and PAAIIS in Morocco represent significant examples of how financial instruments based on social objectives can generate concrete and measurable impacts. Although they adopt different models, both effectively demonstrate how the direct linkage between funding and verifiable results can improve the efficiency and accountability of public spending.

The KOTO–SIB project focused its intervention on the labor market integration of migrants, significantly improving stable employment for this population compared to traditional approaches, while also generating substantial public savings. This success was supported by a flexible approach, collaboration between the public and private sectors, and a monitoring system based on clear and shared indicators, making the model replicable in other national and European contexts.

The PAAIIS program, on the other hand, demonstrated how a sovereign-level Social Outcome Contract can support the transformation of the health system, enhancing equity and resilience. By linking the disbursement of funds to the achievement of measurable objectives—such as increased access to healthcare services and digitalization of infrastructure—the project ensured effective use of human and technological resources, preventing the risk of unused infrastructure. Transparency and credibility were guaranteed by rigorous independent verification, while the inclusion of environmental, social, and gender criteria strengthened the sustainability and social impact of the investment.

These two cases highlight how the adoption of innovative financing instruments, capable of mobilizing patient capital oriented toward social missions, represents a strategic lever to strengthen public policies, improve service quality, and promote sustainable and inclusive development.

Such services and infrastructure are often characterized by high social value but low immediate market returns, making it infeasible for traditional private or even public actors to absorb the

full cost of delivery. The case studies analyzed reveal how non-profit banks, acting as long-term investors, are able to mobilize and intermediate private capital, channeling it towards investments capable of generating multidimensional impacts through results-based or outcome-based financing schemes. The operations in question link the payments to the verified achievement of outcomes and the creation of societal value. Across all cases examined, the contribution of non-profit banks emerges as pivotal in enabling governments to address priority challenges. Their involvement supports the emergence of a new planning State, which assumes responsibility for social issues and thus more active intervention in the economy.

In this broader evolution of the planning State, an essential yet often overlooked dimension concerns the role of long-term institutional investors—pension funds, insurance undertakings, professional schemes, and other asset owners—whose investment decisions crucially shape the effectiveness of public policies[138]. The Italian experience of the *Casse di previdenza*, examined in the legal literature as autonomous, community-rooted institutions, shows that these entities act not merely as financial intermediaries but as custodians of collectively generated capital. Their assets derive from the contributions of today's workers—resources that ensure both present pensions and the accumulation of reserves for future entitlements—as well as from the premiums and savings entrusted by insured persons and policyholders. These resources correspond to a vast socio-economic community that includes vulnerable groups today (pensioners, insured populations) and those who may become vulnerable tomorrow (current contributors and savers). Recognizing this, the governance of asset owners must increasingly reflect their societal function: safeguarding intergenerational welfare while supporting the economic, territorial and social ecosystems on which such welfare ultimately depends[139].

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[138] On this topic see among others: L. A. Bebchuk, Scott Hirst, *Index Funds and the Future of Corporate Governance: Theory, Evidence, and Policy*, 119 Harvard Law Review 202 (2019); J. E. Fisch, A. Hamdani & S. D. Solomon, *The New Titans of Wall Street: A Theoretical Framework for Passive Investors*, ECGI Law Working Paper No. 499/2019.

[139] On the Italian experience see C. Iaione, P. Fersini (eds.), *Le Casse di previdenza tra autonomia e responsabilità I professionisti, il risparmio, l'economia reale* (2017).

A convergent strand of international scholarship[140] argues that asset owners cannot pursue financial returns in isolation from social and environmental outcomes. Because their beneficiaries' long-term welfare depends on stable societies and functioning ecosystems, asset owners necessarily manage what literature defines as societal capital: resources whose value is co-determined by the resilience of communities, ecological stability, and inclusive economic development. Under this view, capital allocation can no longer be insulated from social and environmental outcomes, since these systemic conditions ultimately shape the prosperity of contributors, policyholders, and savers. Asset owners are therefore called upon to operate not only as risk-adjusted yield maximizers but also as enablers of mission-oriented innovation, investing in real-economy projects, venture-oriented initiatives, and regional development strategies capable of generating structural transformation.

This perspective aligns with the outcome-orientation at the core of JuDISIP: both frameworks require that financial flows be justified by their measurable capacity to produce multidimensional public value. Regulatory developments across Europe reflect this systemic shift. Several Member States have adopted reforms encouraging pension funds and insurance entities to expand their exposure to infrastructure, innovation, and productive investment.

A notable example is the recent German Infrastructure Allocation legislation, which allows regulated pension investors to dedicate a fixed share of restricted assets to infrastructure financing, thereby widening their risk-investment capacity and explicitly steering capital toward long-term productive sectors[141].

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[140] See G. Serafeim, *Investors as Stewards of the Commons?*, cit. at. nt. 100; D. Schoenmaker, W. Schramade, *A real economy approach to integrated investing and portfolio management*, in J. Lukomnik, W. Burckart (eds.), *Handbook of System-Level Investing*, forthcoming; C. B. Casady, A. Monk, *The logic of net zero investment portfolios: positioning long-term investors for financial outperformance*, Journal of Sustainable Finance & Investment 1–27 (2025); G.L. Clark, T. Hebb, *Why Should They Care?*, *The Role of Institutional Investors in the Market for Corporate Global Responsibility*, 37 Environment and Planning A: Economy and Space 2015-2031 (2005).

[141] A.L. Stranne Petersen, *Why private infra may – eventually – benefit from new German initiatives*, April 2025, available at https://www.infrastructureinvestor.com/why-private-infra-may-eventually-benefit-from-new-german-initiatives/

Similar legislation has been introduced in France through the PACTE Law (Action Plan for Business Growth and Transformation) enacted in May 2019[142]. Along the same line in Italy the legislation on public contracts and that on venture capital is increasingly looking at asset owners as main drivers of the investment on the real economy[143].

Taken together, these evolutions suggest the emergence of a new investment State rather than a new planning State — a governance architecture in which public long-term investors (such as the EIB, KfW, Caisse des Dépôts, CDP and ICO), who have historically driven mission-oriented development, cooperate systematically with asset owners acting as fiduciaries of societal capital. Only through such structured cooperation can industrial policy achieve the democratically defined outcomes required for a just, sustainable, and territorially balanced transition.

In this context, multi-stakeholder governance, systematization of best practices, alignment with coherent and democratically established industrial policy strategies, and transparent, participatory decision-making become essential. This new model of investing calls for the institutionalization of multi-stakeholder partnerships, with an explicit role for communities as democratic counterbalances, ensuring transparency, accountability, and alignment with the public good. This may require dedicated legislative action mandating democratic governance frameworks for key institutional actors (including NPBs), transparency in investment decision-making, and mechanisms for public oversight based on pre-defined impact criteria.

7. Conclusions

Just, Democratic, Innovative, and Sustainable Industrial Planning represents the strategic direction towards which the renewed planning State or the larger new investment State should

[142] JPMorgan, *A Private Market Boom in French Pension FundsBoosts Yield and Impact Investments*, November 2025, available at https://www.jpmorgan.com/content/dam/jpmorgan/documents/cib/securities-services/Private-Market-Boom-in-French-Pension-Funds-English.pdf

[143] See article art. 33 of the Competition Law (Law no 193 of 16 December 2024) which introduced a mandatory requirement to invest on Venture Capital yo get the tax incentive foreseen for investments on real economy (L. 232/2016).

orient its action. Its renewed protagonism in economic dynamics must be capable of effectively steering entrepreneurial initiatives and mobilizing both public and private financial resources toward the pursuit of multidimensional impacts, generating tangible and measurable benefits for society at large.

In this perspective, insights from studies on economic democracy and collective economic action underscore the need to establish participatory processes of consultation and continuous validation of initiatives with the communities concerned, including vulnerable groups. This is essential in order to construct countervailing powers capable of broadly ensuring that public economic choices are responsive to societal and territorial needs. Such an approach moves beyond sectoral visions that attempt to implement transitions while disregarding fundamental rights and legitimate interests, or, more simply, neglecting the impact of such transitions on people's quality of life.

In other words, the innovation prompted by crises and transitions—and by the need to address them—must be democratically directed to serve society. This requires building upon existing virtuous models and enhancing their configuration where appropriate.

Within this framework, it is crucial to continue monitoring the financing initiatives of non-profit financial institutions, such as the European Investment Bank (EIB) and the African Development Bank (AfDB), which have adopted outcome-based and results-based financing schemes. These mechanisms are capable of mobilizing and aligning significant public and private financial resources toward social or infrastructural projects that generate a plurality of measurable impacts—ensuring that disbursements occur only after impartial and objective verification of alignment with the predetermined outcomes and results.

Such schemes should be further implemented by National Promotional Banks (NPBs), whose decision-making processes must, however, be fully transparent and democratic. They should reflect the needs expressed by relevant communities, which ought to be allowed to submit expressions of interest for the subsequent activation of procedures aimed at identifying appropriate solutions. These could follow frameworks comparable to project finance models.

The development of these practices and models should be supported and enabled by the new industrial policy, which should anticipate their adoption and scaling across other public administrations engaged in economic governance through public demand. This is by no means a straightforward process: it requires gradualism, improvements on existing frameworks, and the valorization of successful cases. The objective is to foster spillover effects, encouraging the emulation of effective approaches and fully leveraging the legal, contractual, and financial toolkit available to public authorities.

Nonetheless, to avoid regression, confusion, or ineffectiveness, it is crucial to maintain a strong focus on results. To this end, the *new planning state* must increasingly link the disbursement of *scarce financial resources* to the actual achievement of predefined objectives. It must therefore equip itself with robust impact assessment tools, capable of appropriately capturing the added value and multidimensional impacts that renewed public intervention in the economy must necessarily aim to deliver.