



EUSBSR EU STRATEGY FOR THE BALTIC SEA REGION



SUOMEN ITÄMERI-INSTITUUTTI
THE BALTIC INSTITUTE OF FINLAND

EUSBSR Policy Area Innovation, S3 and SMEs

Esa Kokkonen

Director, The Baltic Institute of Finland
Policy Area Coordinator, EUSBSR PA INNO

Lifelong Learning for Smart Specializations | 13 June 2019 | Gdansk

EUSBSR PA INNO

- With 85 million inhabitants the Baltic Sea region makes up 17 percent of the EU's total population. Part of the EU Strategy for the Baltic Sea Region (EUSBSR), Policy Area Innovation strives to promote a globally competitive position within research and innovation for sustainable economic growth in the Baltic Sea Region.
- Three overall objectives guide this macro-regional cooperation: “Save the Sea”, “Connect the Region” and “Increase Prosperity”.
- Operating on a macro-regional scale, the role of the policy area innovation is to:
 - Enable shared learning through knowledge-transfer activities
 - Create and strengthen networks across the Baltic sea region
 - Align resources and regulations e.g. through co-ordination of funding sources
 - Facilitate the joining up of forces in common programs and investments
- The Baltic Institute of Finland is assigned with the responsibility of coordinating the policy area together with Ministry of Economic Affairs and Communications in Estonia and the Ministry of Science and Higher Education in Poland.
- The Policy Strategy Guide, 2016 – 2020, aims to provide policymakers and innovation actors with guidance and inspiration for how best to utilize the EU strategy on the area of innovation.

Comprehensive overview of Policy Area Innovation

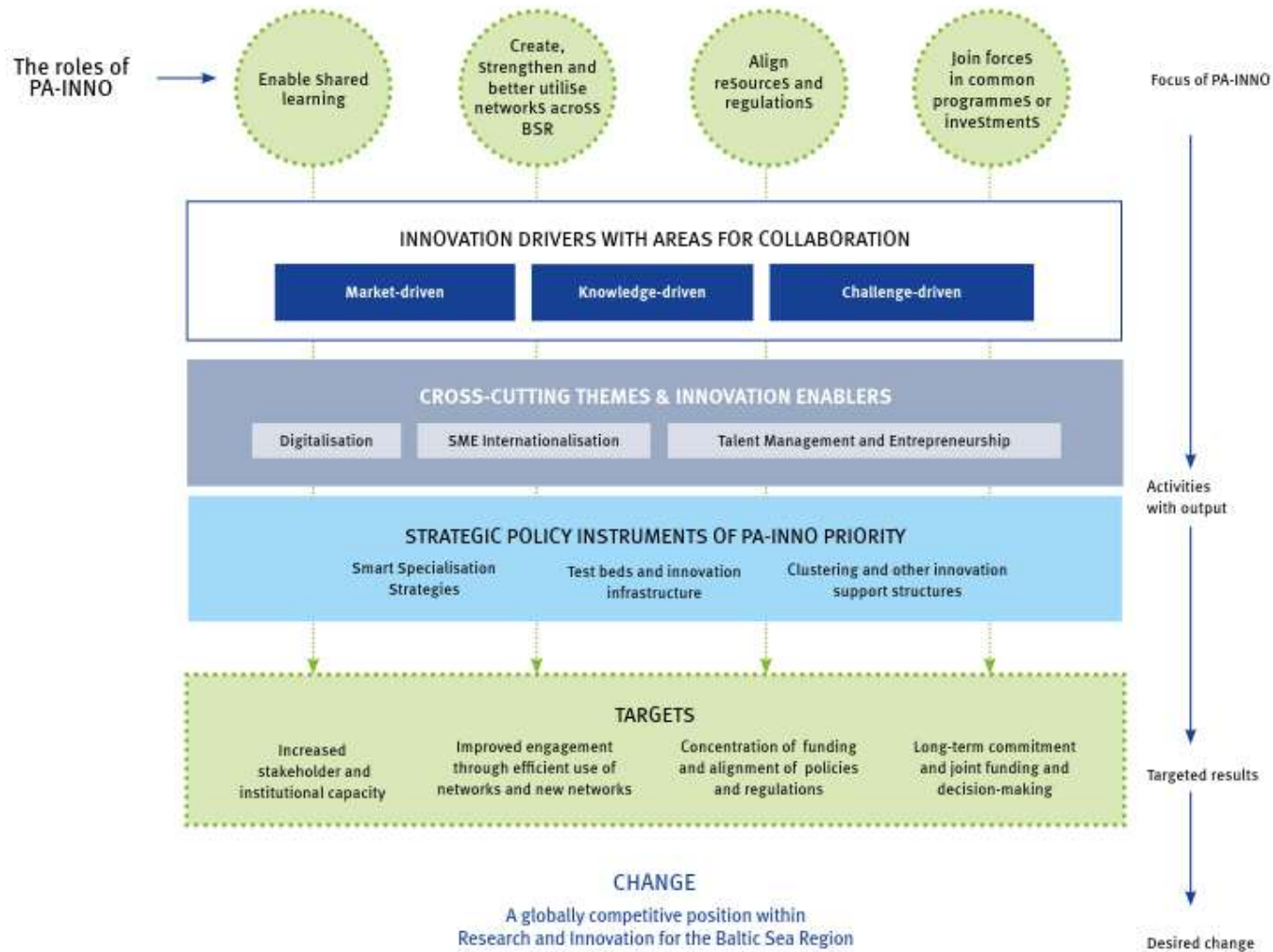


Figure 5: PA-INNO comprehensive overview

EUSBSR PA INNO

In 2018-2020, PA INNO activities will be centered around the implementation of the PA-INNO Strategic Action Plan 2016-2020 - with a special focus on regional innovation ecosystems and **smart specialization (BSR S3 Ecosystem)**, digitalization related research cooperation, as well as on related capacity building.

INVITATION TO APPLY FOR THE

Baltic Leadership Programme on Smart Specialisation



Is your region working with Smart Specialisation Strategies (S3) with an interest in developing Interregional Value Chains and Entrepreneurial Discovery?

The Baltic Leadership Programme on Smart Specialisation (BLP S3) is a leadership programme targeting S3 stakeholders (such as strategists, regional developers, or national S3 coordinators) in the Baltic Sea Region. The aim is to enhance the capacity of regions to develop and implement their S3 work with a specific focus on Interregional Value Chains and Entrepreneurial Discovery. The programme is partly user-generated as participants are expected to explore joint challenges and discover/co-create solutions, tools and

new practices to be implemented in their own organisations & regions.

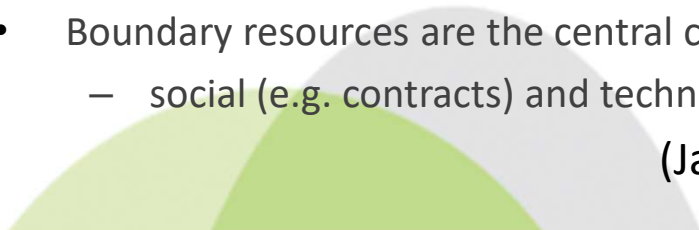
Main corner stones of the programme

- Interregional Value Chains (IVC)
- Entrepreneurial Discovery Process (EDP) Crosscutting themes
- Leading and organizing complex cooperation (building platforms for cooperation)
- Stakeholder involvement, multi-actor participation & governance

Ecosystems, platforms and scalability

- **“An ecosystem is a new structure of economic relationships, which enables the complementarities of production and/or consumption to be contained and coordinated without the need for vertical integration.”**
- Two types of modularities help to create the conditions for the emergence of an ecosystem
 - 1) Unique complementarities (“A does not function without B”)
 - 2) Supermodular complementarities (“more A makes B more valuable”)
- Scalability requires an effective way to use and benefit of the resources that somebody else owns
- Network effects: (direct and indirect)
 - direct network effects (more users, more value)
 - indirect network effects (more use, more value)
- Boundary resources are the central concept in the platform economy
 - social (e.g. contracts) and technical (e.g. enabling digital technologies and interfaces)

(Jacobides, M. G., Cennamo, C., & Gawer, 2018)



BSR S3 ecosystem: background, post-2020 opportunities

- The EU's growth and industrial competitiveness model is under pressure, with increasing awareness that fragmented, national responses are insufficient. Enhanced cooperation across the EU's territories is essential.
- This pooling of resources builds on aligning domestic strengths, leveraging innovation and investment efforts and further embedding partnerships with neighbouring regions in areas of shared opportunity and challenge.
- **The EU's proposed post-2020 direction emphasises the role that collaborative innovation plays in enabling SMEs to gain a foothold in international markets through connecting industry to value chain opportunities.**
- The 'next wave' of the EU's policy framework for Smart Specialisation is widely expected to focus on interregional collaboration through aligning regional S3 priorities and innovation investment efforts.
- Furthermore, a **new EU instrument is being proposed which would accelerate industry investment in innovation**, through aligning interregional funding efforts, the so-called 'Component 5' instrument.

(Alison Hunter, 2019)



BSR S3 ecosystem: background, post-2020 opportunities

- The EU's post-2020 proposals for innovation and economic growth offer the stimulus to build the foundations of a **BSR S3 ecosystem, where regions (and their industries) can draw on their collective strengths to carve out new innovation-focused value chain opportunities.**
- **Early piloting efforts are already showing positive signs** that trans-national efforts to 'join forces' in areas of related smart specialisation can generate scaled up innovation efforts, **accelerate cross-regional value chains**, create stronger innovation investment and generate new market opportunities (e.g. in the areas of Circular Economy, Blue Growth and Digitalisation)
- **There is significant scope for the BSR to influence the direction of this emerging agenda.** Offering a fertile testing ground for its regions to develop new and reinforce existing industry-led collaboration efforts, the BSR has develop a highly tailored and 'place-sensitive' approach to S3.
- The challenge and opportunity remain **to transform the macro-region's S3 success by scaling up successful actions** in areas such as: business / research and science collaboration; open innovation; **value chain creation** and strengthening; leveraging innovation investment. (e.g. through an Interreg BSR S3 platform proposal)
- The added value of the BSR S3 ecosystem is based on **galvanising S3 action which could not be achieved through the efforts of individual regions acting alone.**

(Alison Hunter, 2019)





European Commission recommendations on Key Strategic Value Chains (17 February 2019)

- The High Level Industrial Roundtable discussed trends and challenges facing European industries by 2030.
- The Commission unveiled preliminary recommendations of the expert group on strategic value chains. Namely, to prepare coordinated action and investment to strengthen 6 key strategic value chains:
 - Connected, clean and autonomous vehicles
 - Smart health
 - Low-carbon industry
 - Hydrogen technologies and systems
 - Industrial Internet of Things
 - Cyber-security



BSR S3 ecosystem: potential benefits

- **Maximising innovation performance** – all BSR regions and partners bring their own assets, ambitions and challenges to this collective action. This is the starting point in building the foundations for collective action and success.
- **The BSR macro-region as an S3 driver**– the EU’s interregional S3 agenda offers an opportunity for the BSR to demonstrate the added value of macro-regional strategies.
- **Enhancing the BSR’s profile, visibility and attractiveness as a partner of choice** for international innovation cooperation within and beyond the BSR, as well as a location for innovation-focused and industry-driven investment
- **Strengthening the BSR’s industrial performance through an S3 ecosystem** – international evidence continues to demonstrate that the industrial ‘winners’ from globalisation are connected to global value chains
- **The BSR’s S3 ecosystem supporting skills agenda** – stronger S3 collaboration across the macro region will provide new and rich insights into skills gaps and future skills needs.

(Alison Hunter, 2019)



BSR S3 ecosystem: potential benefits

- **Making the case for how the S3 ecosystem connects to BSR citizens.** A more connected BSR (supported by the S3 ecosystem) offers an opportunity for greater mobility across the macro-region (for both accessing employment opportunities and accessing goods and services).
- **S3 as a tool to optimise investment for innovation** – the EU's 'investment deficit' challenge is multi-faceted not least in mobilising financing for new investments. A

(Alison Hunter, 2019)



BSR Stars flagship within EUSBSR PA INNO

- It aims at strengthening competitiveness and economic growth in the Baltic Sea Region by linking strong research environments, clusters and SME networks – creating a number of globally-leading innovation partnerships that address common “grand challenges” in the Baltic Sea Region.
- As an extension of this the programme also aims at strengthening innovation policy capabilities to work with smart specialisation on a macro-regional level.
- BSR Stars seeks to mobilize transnational collaboration on three fronts:
 - Facilitating linkages
 - Developing collaborative strength
 - Strengthening the Policy Framework
- Current BSR Stars projects (S3 focus):
BSR Innovation Express, IRIS, LARS, Startup BSR, Startup Accelerator and BSR Stars S3.



BSR STARS
Innovation in the Baltic Sea Region



BSR Stars

A flagship under Policy Area Innovation
within the EU Strategy for the Baltic Sea Region



BSR STARS
Innovation in the Baltic Sea Region



S3 project example: BSR Stars S3

- Improve capacities of regions to **implement regional smart specialization strategies through engaging business and research and utilising international opportunities**
- Increase knowledge among regional authorities and decision makers on **ecosystem based approaches to regional development and business support**
- Enhance **business opportunities in bio-/circular and digital economy** and help companies to transnationally utilise business services and test facilities
- Enhance **new partnerships and business-research cooperation** in the Baltic



Smart specialization in bio-, circular- and digital economy in the Baltic Sea region through business-research-public co-creation and innovation ecosystem management.

About the project

BSR Stars S3 - Smart specialization through cross-sectoral bio-, circular- and digital economy ecosystems.

Lead partner: The Baltic Institute of Finland
Web site: www.bsr-stars.eu

Duration: May 2016–April 2019

Total budget: EUR 2,8 Million

European Regional Development Fund: EUR 2,2 Million

Norwegian Funding: EUR 145 000



BSR Stars S3 policy brief on industrial symbiosis in BSR



Industrial symbiosis (IS) is vitally important in facilitating the move towards a circular economy by helping industries and businesses cooperate in the exchange of natural resources and production infrastructures. Strong public and private sector leadership and firm links between industry and research institutes are essential for the formulation of effective IS initiatives.

BSR Stars S3 policy brief on industrial symbiosis in BSR: recommendations

- **Encourage an active leadership role for public authorities** in motivating and facilitating collaboration through the establishment of regional IS clusters and networks, which helps to build trust among industries, business development organisations and research institutes.
- **Increase efforts to include IS and circular economy activities in regional strategies** by mapping areas of regional IS strengths and development potential in entrepreneurial discovery workshops with local experts.
- **Establish stronger links between local industry and research institutes** to ensure that IS research, training and business models meet the needs of the private sector (see, for example, Karlstad Innovation Park in the Paper Province case).
- **Encourage industry to take a leading role in coordinating the development of IS platforms** by raising its awareness of the potential benefits of involvement (see, for example ECO3 case in Tampere Region).
- **Provide financial incentives for industry and research institutes to engage with IS initiatives**, such as tax exemptions and IS-earmarked national or EU-level public procurement funding.



BSR Stars S3 policy brief on industrial symbiosis in BSR: recommendations

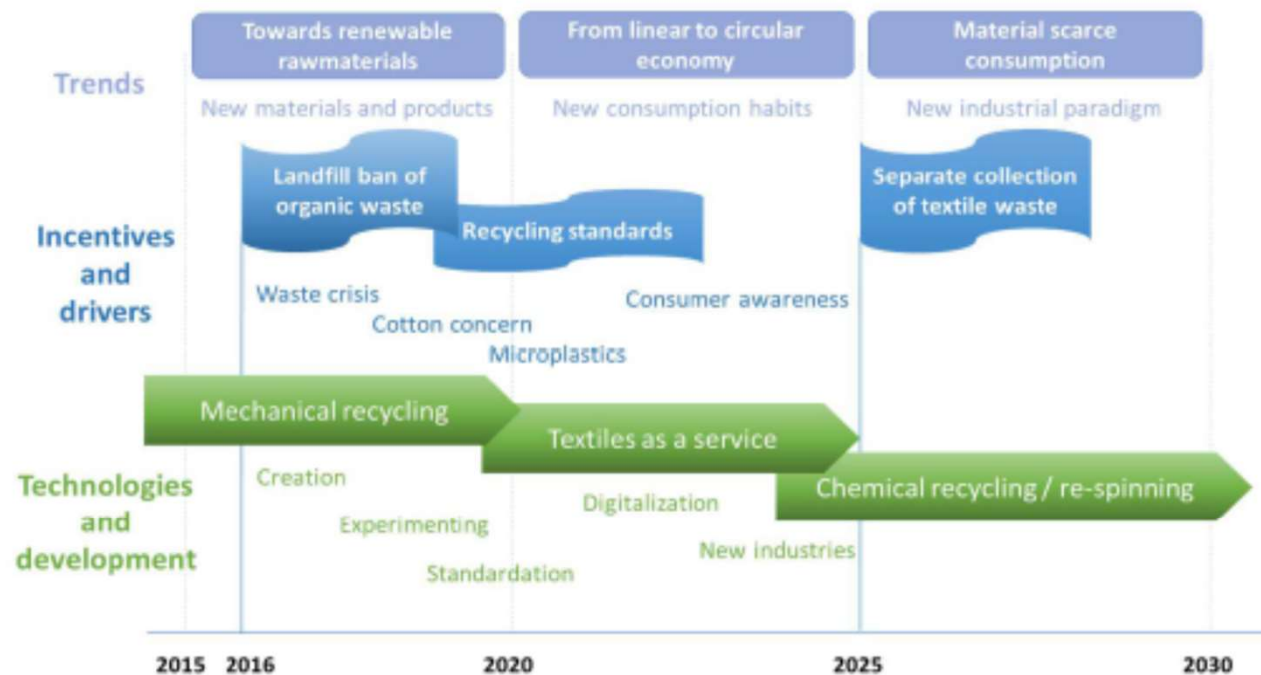
- **Explore private sector IS financing models**, for example private for-profit platform companies.
- **Encourage public authorities, universities and research institutes to map regional material flows and IS stakeholders** (see, for example, the role of university students in the Trøndelag case and the development of online information resources such as the ecosystem monitoring tool from Tampere Region).
- **Disseminate information on IS best practices to promote learning among regional stakeholders** (for example, the ECO3 platform has an updated and informative online presence).
- **Encourage the development of long-term regional IS visions and planning support tools** through the development of strategic roadmaps and future scenario plans (see, for example, the development of roadmaps in the ECO3 case).
- **Advertise regional IS initiatives to international audiences to promote the region's sustainable good practices and image** to maximise the potential for transnational collaborations (see, for example, the active presence of the ECO3 platform among international institutions).



Case example: Circular ecosystem of textiles

VTT

Future Prospects



Heikkilä P. et al., Telaketju - Towards Circularity of Textiles, VTT Research Report, VTT-R-00062-19, to be published spring 2019

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(Pirjo Heikkilä, 2019)

Case example: Circular ecosystem of textiles



International Aspects

- Recycling, also closed loops, is done by forerunners
- However...there is no extensive operational circular (eco)systems in the World, yet
- Therefore, there are similar needs in all countries
 - New business models, especially related to services and ownership of textiles
 - New value chains, also across different sectors
 - New partnerships
 - New innovations and development of technologies
 - Investments
 - Adjustments to regulation, incentives for developing circular solutions



Case example: Circular ecosystem of textiles



International Aspects

- Strength of different countries are different and value chains can expect to cross borders
 - Complementing value chains and industries e.g. Nordic-Baltic co-operation
 - Ensuring sufficient raw material base for certain recycling processes may need collecting of certain textile waste fraction from several countries
- New ecosystem(s) needed





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Esa Kokkonen
Director, The Baltic Institute of Finland
Policy Area Coordinator, EUSBSR PA INNO
Kelloportinkatu 1, FI-33100 TAMPERE
P. +358 50 516 9111
esa.kokkonen@tampere.fi
www.baltic.org

Twitter: @inno_pa, @BalticInstitute,
@KokkonenEsa

Websites

<https://www.balticsea-region-strategy.eu/>
<http://www.pa-innovation.eu/>
<http://www.bsr-stars.eu/>
<http://www.baltic.org/>