

BSR S3 Ecosystem project – final paper

Towards the co-creation of a macro-regional advisory innovation hub: supporting a new generation of BSR, innovation-focused, interregional collaboration

1. Setting the scene

This paper represents the final output of the Interreg BSR S3 Ecosystem project. It describes the main activities and outputs from WP4 and also outlines the longer-term legacy of the effort to lay foundations for a BSR S3 ecosystem.

As stated in the planning phase of the platform project, a key output was the creation of a virtual advice and resource hub for regional and interregional engagement with the aim of fostering competence in utilising the entrepreneurial discovery process (EDP) in S3 activities. The hub should have served as a vehicle for sustainable matchmaking and co-creation. The objectives of WP 4 compared to what was actually delivered were subject to some variance. The global health pandemic forced all Innovation Camp sessions into a virtual format. However, despite this change, these sessions were well-received and executed.

The original plan foresaw the location of the hub at Aalto University linked to the Tapiola Innovation Garden. With the unforeseen pandemic the platform partners had to re-plan Work Package 4. Based on the experiences of Aalto University and their documented method of Innovation Camps this was feasible with an online interactive broad participatory approach.

The aim was to reach out to smart specialisation and innovation experts across the Baltic Sea Region to create a collaborative and leading example of interregional S3 in the European Union. The virtual events brought together participants from regions of the EU and the Baltic Sea. The innovation camps focused on S3 collaboration across the Baltic Sea in applying smart specialisation in order to speed-up sustainable economic transformation and addressing SDGs, while contributing to recovery and resilience from the health pandemic

All partners participated in the Innovation Camp activities and events as well as providing contacts to invite to the Innovation Camps and helping with the marketing across the BSR-region. Aalto University utilized the experiences and methods of Innovation Camps organised in the Smart-up BSR project.

After the emergence of the COVID-19 pandemic, the Smart-Up BSR project had to adapt the Innovation Camp methodology to a virtual format.

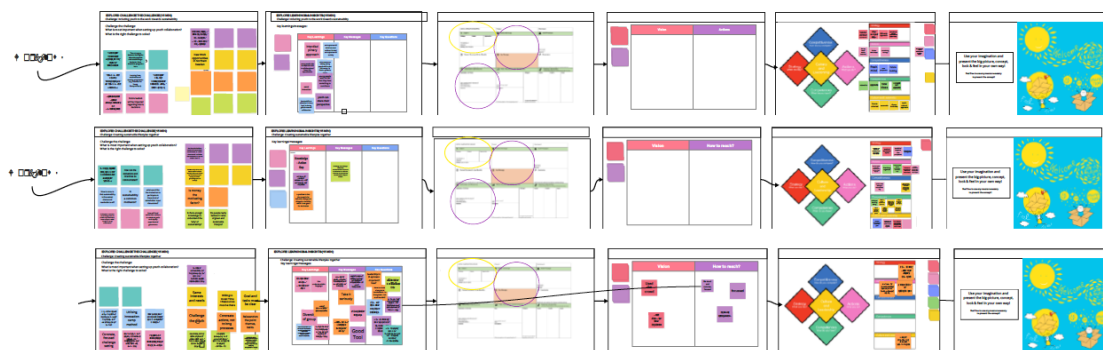


In accordance with the WP objectives, 4 virtual innovation camps - including the final conference - were delivered. These focused on S3 and collaboration across the Baltic Sea Region, with a particular emphasis on applying smart specialisation in order to speed-up sustainable economic transformation and work towards the SDGs, while planning for post-crisis recovery and resilience. A summary of the Camps is detailed below:

▪ **5 February 2021 IC-1:**

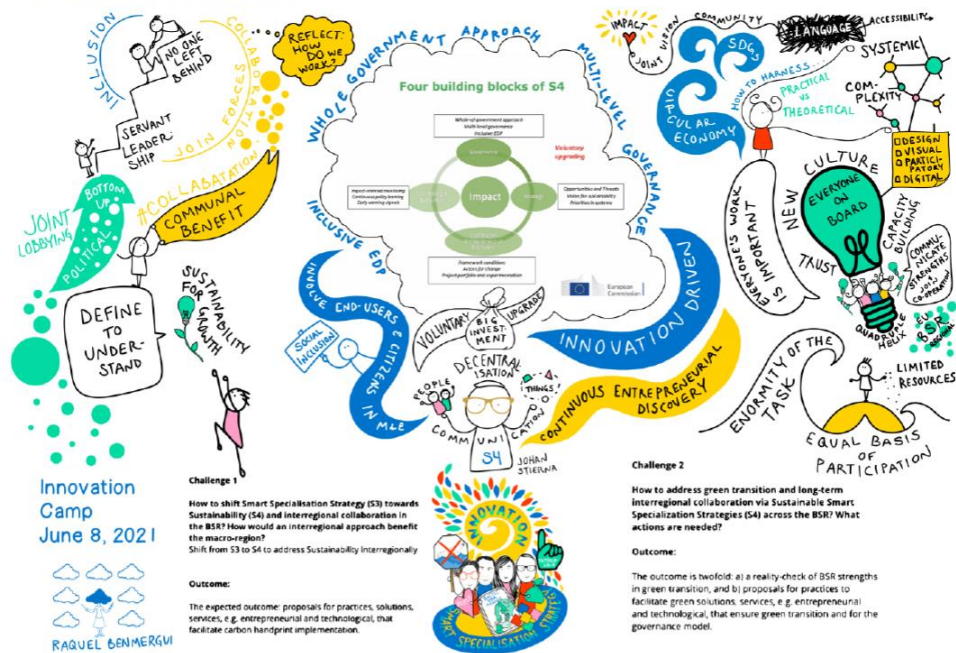
- Camp Challenge – 1) How do we increase entrepreneurial spirit and innovate inter-regionally? 2) How do we build trust?
- 38 participants from 8 countries, policy makers & officials together with project partners and youth
- **Key messages:** there is a need to promote stronger diversity and inclusion in S3 communities (at regional and interregional levels); existing networks which gather stakeholders need to be deepened to build greater awareness and trust; common language and shared vision is required for the achieving of SDGs

▪ **26 March 2021 IC-2:**

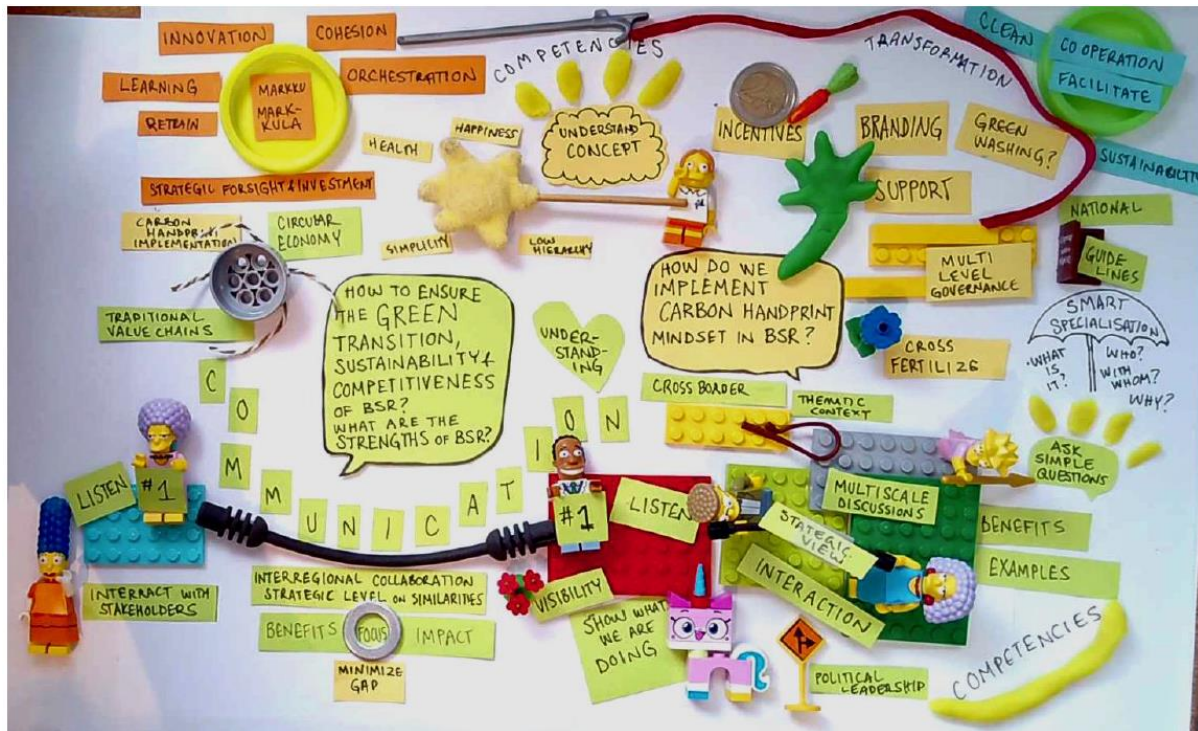


- Camp Challenge - Creating sustainable lifestyles together: 1) What is most important when setting up your collaboration? 2) What is the right challenge to solve?
- 25 participants from 10 countries, policy makers & officials together with project partners and youth
- **Key messages:** inter-disciplinary approaches are required in order to adopt an holistic mindset relating to S3 and SDGs; the language, culture and medium used to 'connect' different actors has a huge impact on the collaborative dynamic and what can be achieved together; how we define 'growth' matters – it should not be only about economic growth; for Green Deal transitions, we need to priorities the needs of those who are most affected by change (e.g. the least wealthy and regions more subject to upheaval as a consequence of transitions)

Results visualized



■ 23 April 2021 IC-3:



- Camp Challenge: 1) How to ensure the green transition, sustainability, and competitiveness in the BSR? What are the strengths of BSR? 2) How do we implement a carbon footprint mindset in the BSR?
- 20 participants, partners, youth, policy makers working together
- **Key messages:** we need a better understanding of green transition pathways for different sectors across the BSR, with circular economy at the core; challenges and bottlenecks include 'green washing' and the current status of multi-level governance; more attention is needed to understanding how to incentivise change; political leadership is a key enabler of change, with evidence of its long-term benefits



▪ **8 June 2021 Final Conference and IC-4:**

- Applying the Innovation Camp methodology:
- Conference Challenge: 1) How to shift smart specialisation strategies (S3) towards sustainability and interregional collaboration in the BSR? How would an interregional approach benefit the macroregion? 2) How to address the green transition and long-term interregional collaboration via sustainable smart specialisation strategies? What actions are needed?
- 60 participants
- **Key messages:** the Green Deal must apply S3 approaches to ensure that no-one is left behind; S3's entrepreneurial discovery process must be underpinned by a quadruple-helix approach which is on-going / continuous; a 'whole-of-government' approach is needed to create sustainable change.

Despite the challenges posed by the virtual nature of the events, when seeking to generate a strong interactive and highly participant-led approach, a number of key insights emerged from the co-creation process in addressing the posed challenges. These are summarised below:

- Over 200 participants (policy makers, administrators and students / young people) from across 10 countries took part in the Camps
- It is striking that across all events there was strong demand to ensure that the Green Deal's twin transition agenda embraces an inclusive approach, acknowledging highly differentiated needs of different groups of stakeholders and different territories across the BSR. S3 offers an holistic framework to achieve this
- Interregional collaboration will be required to deliver successful transitions because of the scale and complexity of the challenges
- Both 'whole-of-government' and effective multi-level governance approaches will be necessary across the BSR (at local, regional, national and EU levels)

As is described later in the report, this project has provided critical foundations in supporting the S3 BSR Directors' Network to secure a place in the [new PRI Pilot Action](#). Adopting an S3 ecosystem approach – across the BSR – to deliver the Green Deal's twin transitions will be essential. This project has generated new momentum across a key group of BSR actors to embark on this journey, boosted by the support and direction of this Pilot Action, as well as in connection with the [Policy Area Innovation](#) of the EU Strategy for the Baltic Sea Region (EUSBSR Policy Area Innovation) prioritizing the role of regions and the BSR S3 ecosystem approach to secure that BSR innovation measures are designed to better meet the local and subregional level need of actions.

2. Context: how is the changing EU policy and investment landscape aligned to the BSR S3 Ecosystem vision?

As the Interreg BSR S3 Ecosystem project approaches its conclusion, project partners are committed to creating a **positive legacy of S3 support which can benefit the whole macro-region**. This builds on



new evidence and insights gained through the project, which have identified both the **opportunities and bottlenecks in shifting the BSR's interregional innovation trajectory** to a pathway which is underpinned by robust and sustainable foundations. The EU's S3 agenda is playing an increasingly important role in contributing to the macro-region's ambitions for improved industrial competitiveness, with a strong focus on the post-2020 enabling condition for interregional collaboration.

Furthermore, a new and more challenging international context – underpinned by the climate crisis and net zero imperatives, together with addressing the recovery from the global health pandemic – has deepened the **EU's commitment to European innovation collaboration, supported by connected innovation ecosystems and value chains**. This brings both new opportunities and challenges for the macro-region's innovation performance. Recovery from the health pandemic, supported by the EU's Recovery and Resilience Facility, must be built on strong foundations of support for 'green growth'. At the same time, S3's new enabling conditions are challenging regions to address gaps in their innovation governance and planning structures, while the Green Deal has created a new impetus for S3 to evolve into S4 (sustainable smart specialisation strategies).

This offers new opportunities to harness the Green Deal's twin transition agenda to the EU's regional innovation systems, and to facilitate stronger engagement of quadruple helix innovation actors (from the public sector, industry, civic society and the research / science / academic community) in carving out a new, **consensus-driven, net zero and collaborative approach, to improving EU industrial innovation performance**.

Boosting demand and capacity across the EU to deliver on this ambition has led to **a new innovation architecture and framework**, with the aim of bringing innovation actors together across different EU territories to scale-up actions and investments for improved innovation performance. This EU 'framework' is underpinned by a wide range of supporting initiatives, platforms and alliances, including: **Important Projects of Common European Interest, Industrial Alliances, Horizon Europe Partnerships and Missions, Digital Innovation Hubs and S3 Platforms and Partnerships**.

These support structures are intended to bring together innovation actors from all corners and geographies of the EU. Some so-called 'frontier' countries and regions are already active in this EU landscape, including several from across the BSR. However, for many regions and actors, it is challenging to **take the first 'step' into this new collaborative innovation environment**. The recent development of two EU funding instruments to support regional innovation ecosystem alignment (through Horizon Europe's European Innovation Ecosystems programme) and to accelerate cross-regional innovation investment (through Interregional Innovation Investment – I3 – instrument) signals a new groundswell of support for S3-focused interregional collaboration.

However, current uptake of these new instruments is still at a very early stage. **Evidence generated from recent discussions with BSR innovation actors highlighted a high degree of uncertainty concerning whether these instruments are well-aligned with existing needs and demands**. Indeed,



these instruments tend to assume a core level of effective, innovation-driven, inter-regional working / governance is already present. Evidence from this project has indicated that capacity for S3 interregional collaboration is still rather limited across the BSR.

The EC's JRC and the Committee of the Regions have set-up a [new PRI Pilot Action](#) to pioneer a new approach to sustainable S3. Since early 2021, the Lead Partner has been in close contact with these stakeholders (especially the Committee of the Regions) who have shown significant interest in the BSR S3 Ecosystem project and its relevance to S3 in the context of delivering EU Green Deal objectives. Subsequently, a core BSR stakeholder group¹ has been selected to take part in this Pilot Action.

There are significant synergies between the Pilot's direction, the overall ambition of the BSR S3 Ecosystem project, the BSR S3 Directors' Network and the S3 and regional innovation policy agenda of the EUSBSR Policy Area Innovation in creating a place-based and sustainable ecosystem orientation to underpin the macro-region's approach to Smart Specialisation.

Overall, there is a high degree of alignment between the EU and BSR vision for innovation collaboration. However, the practical steps towards collaboration across regional innovation ecosystems require rather basic EU support which is not perceived to be available. **While demand for support goes beyond the short-term, project orientation of Interreg, the EU instruments on offer, such as [Horizon Europe's European Innovation Ecosystems programme](#) and the new [Interregional Innovation Investments tool - I3](#) do not adopt a macro-regional perspective and are not compatible with a current reality at the local level across many Baltic Sea regions.**

Many Baltic Sea regions require core and continuous capacity building support to upgrade their S3 interregional efforts. They also encounter significant administrative barriers when seeking to align EU funds, in support of deeper interregional, S3-focused collaboration. This administrative challenge for the macro-region was recently echoed in a briefing by the European Parliament Research Service², which noted that significant delays in submissions of Cohesion Plans across member states is impacting on macro-regional capacity (governance, funding and political commitment). **Building the core foundations of the BSR S3 Ecosystem will be extremely challenging in the context of these gaps and deficits.**

The remainder of this report focuses on an upgraded evidence base – based on exchange and feedback from a wide range of EU and BSR innovation / S3 experts, practitioners and policy makers – which has been used to generate a '**skeleton**' **prototype for a BSR S3 Ecosystem Advisory Hub**. This represents a significant breakthrough in supporting the macro-region to build new capacity and momentum for

¹ Comprising 2 regions from the BSR S3 Directors Network (Region Västerbotten and Southwest Finland), the Baltic Sea Commission from the CPMR and Policy Area Innovation from the EUSBSR. Acknowledgements of the application were received by the Managing Authority of the Interreg BSR programme and Tillväxtverket – the Swedish Agency for Economic and Regional Growth

² [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2017\)608717](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2017)608717)



interregional S3 in the EU's new programming period. Furthermore, it also represents a shift in thinking regarding why a 'hub' resource is needed and what purpose it could serve, both in and beyond the macro-region.

However, the evidence underpinning the project has also pointed to significant challenges – e.g. in governance, culture, appetite, political / senior level commitment and capacity across the regions of the BSR – in moving from vision to action.

The report concludes with some key, practical recommendations for action, which could generate new momentum towards the development of a BSR S3 Ecosystem Advisory Hub.

3. The evidence gathered in the S3 Ecosystem project:

a) Workshop sessions

Three workshop sessions were delivered in early 2022, providing very rich insights into current capacity constraints and regional 'realities' concerning BSR (place-based) interregional S3 collaboration efforts. These sessions revealed that many innovation actors are unclear about 'access' points, planning and resource needs and how collaborative innovation efforts can be coordinated and managed (i.e. how to make governance systems fit for purpose for S3 collaboration outside their own region, but inside the BSR). Furthermore, the workshops uncovered challenges experienced at the regional level in engaging and mobilising industry actors (e.g. through clusters and other networks) to play a part in this process. For many regions across the macro-region, **S3's EDP has yet to evolve into a more structured and permanent 'dialogue' which allows all quadruple helix actors to influence innovation priorities, actions and investments in their territories.**

By adopting a macro-regional approach to innovation collaboration, there is clear potential to build capacity, across all innovation actors and their territories, towards an ecosystem orientation, addressing challenges with knowledge, culture, incentives, capacity and connectivity. It was recognised by BSR innovation stakeholders that a core of place-based support is already in place across the BSR to build such capacity and confidence. The macro-regional strategy (and the supporting new EUSBSR Action Plan), the new Interreg BSR programme, the role of EUSBSR Policy Area Innovation (and the learning from a wide range of macro-regional joint innovation actions and projects) make a clear contribution to this effort. However, gaps and challenges remain.

Workshop participants noted that working with, and across, 'closer-to-home' geographical neighbours could provide core, capacity building support, in a more familiar environment, to generate confidence, awareness and 'know-how' for S3 interregional collaboration. This would help to lay effective foundations from which to 'widen the net' of industrial innovation collaboration across the EU's new innovation support landscape.



This macro-regional, place-based approach would allow for a concentration of collective S3 efforts while building capacity for further ‘outreach’ innovation collaborations, across the EU. **While workshop participants acknowledged the state of BSR ‘demand’ for macro-regional, S3 collaboration, they tended to note an absence of effective ‘supply-side’ support to address these challenges.**

b) From project outputs to a BSR VC analysis and mapping guidance manual

The findings from the workshop sessions very much echo the key messages from the project’s key output papers, culminating in a final support manual for all actors across the BSR S3 community. These have been shared, reviewed and upgraded by stakeholders from across the BSR and beyond. In turn, this has led to the creation of a [guidance manual](#) which offers support and advice specifically tailored to the BSR context in taking incremental steps toward S3 collaboration. Building on the evidence from the value chain mapping exercise of the circular bioeconomy, the manual sets out a flexible method for undertaking value chain analysis and mapping across any sector / domain within the territory of the BSR.

c) From evidence to legacy: generating a shared vision for a sustainable S3 ecosystem orientation across the BSR

The BSR S3 ecosystem project commenced with a vision to generate a macro-regional S3 resource and support system to build interregional S3 capacity across the BSR. The project delays caused by the health pandemic led to a prolongation of the project which allowed for a new phase of consultation and analysis (WP4) in the November 2021 to February 2022 period.

This phase of work commenced with a strong analytical effort to tie together the various project outputs with an emerging, new reality concerning innovation collaboration across the EU, underpinned by the Green Deal’s twin transitions. In addition, the health pandemic has created new appetite and capacity for digitally-driven resources and tools. As an example, the current design and delivery of EU Digital Innovation Hubs has been widely embraced across EU regions. Inspired by this backdrop, a prototype was designed of BSR, digitally-driven support to boost S3 interregional capacity across the BSR. This prototype was driven by two, key actions:

- A refreshed analysis of the project evidence base in the context of a new ‘reality’
- A new programme of consultation (‘Discussion Sessions’) with 3 key groups of stakeholders:
 - a) a revised Advisory Group of EU stakeholders (EU policy makers and S3 experts); the project Steering Committee; and the BSR S3 Directors’ Network

Key messages from refreshed analysis – a BSR S3 Ecosystem Advisory Hub prototype

All evidence sources from the project were revisited with the aim of improving the articulation of ‘demand’ across BSR innovation actors concerning their S3 interregional support needs. From this, the following key findings emerged:



Core challenges and bottlenecks which prevent or disincentivise BSR S3 collaboration:

- A continued, short-term 'project' orientation in innovation cooperation
- A lack of knowledge and wider engagement with EU opportunities with an S3 /industrial innovation direction
- Significant multi-level governance challenges, limiting effective coordination of efforts and investments, related to industrial innovation
- Lack of effective collaboration between regional authorities and businesses / clusters (thus limiting the adoption of a regional and inter-regional ecosystem 'culture' and related capacity)
- Limited knowledge and perspectives of the role of global value chains in supporting industrial innovation performance, creating linkages with international opportunities and incentivising industrial upgrading / transition / diversification

Detailed analysis of the Workshop findings also unveiled the following key messages:

- The BSR requires a permanent 'space' for regions and their innovation actors to converge - where they can share knowledge and co-create ideas and actions to take their plans and ambitions from a regional S3 focus to an interregional one.
- BSR innovation actors are conscious of a changing and fluid EU innovation support system. In seeking to avoid duplication of efforts, it was noted that a BSR S3 ecosystem 'hub' should adopt a virtual/ digital format, with user-friendly and flexible access points. It should be strongly connected to wider EU support and initiatives
- Such a hub should address strong demand for coordinated S3 / regional innovation calls across Baltic Sea regions
- The hub should be underpinned by an S3 legacy for a green recovery and renewal across the BSR

The above analysis was summarised in a discussion paper which was sent to attendees of the Discussion Sessions in advance of each event, also capturing key findings and insights from the BSR S3 Ecosystem project. This became a focal point for an exchange of views. This summary is presented below:



Challenges to BSR S3 interregional collaboration		
Limitations of regional innovation project approach	Information deficiencies	Capacity and 'know-how' deficits
<ul style="list-style-type: none"> ▪ Project timeframe does not incentivise a strategic approach ▪ Projects are often unaware of each other = limited scope to deepen sectoral / diversification opportunities ▪ Macro-regional competition instead of cooperation? 	<ul style="list-style-type: none"> ▪ No 'go-to', permanent and place-based support for access to information about BSR S3 efforts and learning exchange (e.g. funding support and efforts of BSR neighbouring regions) ▪ Information gaps and 'distance' to EU support measures (e.g. S3 Partnerships, 	<ul style="list-style-type: none"> ▪ Lack of 'know-how' regarding S3 scale-up approaches beyond the region ▪ Lack of awareness of tools / methods to support value chain analysis and mapping ▪ Challenges to mobilise and engage industry actors for collaboration outside o own region ▪ Lack of dedicated financing to facilitate the above ▪ No macro-regional platform to connect quadruple helix actors
Limited macro-regional governance support to direct and coordinate efforts for S3 interregional collaboration		

The analysis outlined above was further shaped by translating the challenges into proposals for action (based on expressed demand). This demand can be articulated under three key headings outlined below:

Improved articulation of demand, based on expressed needs across BSR innovation actors:

1. Demand for improved access to information about BSR S3 opportunities:

There was widespread demand for access to new, relevant S3-oriented information and updates at BSR and regional levels concerning tools, instruments, projects, good practice, evidence of 'what works' and insights from the macro-region's S3 innovation experts. Here, a key aim could be to connect BSR S3 project efforts to support scaling and create project 'spin-offs'. This type of support is already rather aligned to existing support mechanism (e.g. the roles of the EUSBSR Policy Area Innovation and INTERACT). In addition, demand to improve coordination and the strategic direction of this support is already planned for, in the new (post-2020) BSR Interreg programme. This suggests that **the advice, guidance and signposting efforts through existing support structures would be required to form a key strand of support under the proposed hub.**



2. Demand for capacity building support linked to regional S3 ambitions for more strategic S3 collaboration:

This type of support is strongly linked to wider S3 developments and learning, across the EU. Indeed, much of this demand goes beyond the traditional parameters of S3 (e.g. skills, cluster policies, economic development strategies) and indicates that more pervasive ‘technical’ support is needed to upgrade the ‘know-how’ of innovation actors across the BSR:

- Upgrading regional approaches to S3’s entrepreneurial discovery process (with particular reference to industry and supporting a more continuous effort)
- Positioning and consolidating the role of industrial ecosystems and clusters at the core of regional / economic development strategies
- Applying S3 principles and analysis to support the upgrading and diversification opportunities of regional economic structures, especially linked to twin transition and associated skills needs

3. Demand for ‘connecting’ and brokering advice for quadruple helix actors:

This support is based on more advanced needs, facilitating the brokerage of different innovation actors across the BSR (especially industrial actors) with the aim of setting out pathways for joint industrial-led, innovation investment. In turn, this type of effort could accelerate how regions and actors from the Baltic Sea pivot their engagement towards large-scale, EU innovation investment efforts (such as Industrial Alliances and IPCEIs). Importantly, this type of engagement and exchange across BSR regions and innovation actors calls for a new upgraded approach to the Entrepreneurial Discovery Process (EDP) since it involves a much more complex dynamic of engagement across different regions of the Baltic Sea. Governance arrangements to oversee and facilitate this would be required. Key actions could include:

- Increasing business R, D and I investments through the joint efforts of businesses from different BSR territories
- Improving research / industry collaboration by connecting actors with shared interests from across the BSR
- Supporting / deepening engagement with EU value chains through (e.g.) Industrial Alliances and IPCEIs
- Designing and upgrading innovation investment instruments (including public procurement for green innovation)
- Adopting ‘whole system’ responses to industrial innovation diffusion, with twin transition focus and driven by new momentum for experimentation³

³ This chimes with a December 2021 presentation delivered by Professor Slavo Radosevic related to technological upgrading in the context of digital and green transitions:



These demand-side themes were assumed as three possible ‘pillars’ to support the design of the potential BSR S3 Ecosystem Advisory Hub. This very closely resembles the three pillars which were outlined in the project application:

1. **Analysis, alignment and incubation of the key S3 projects across the BSR**
2. **Interregional learning regarding S3 implementation and capacity building function**
3. **Stakeholder involvement**

Activities linked to these pillars were carried out during the course of the project (e.g. the three reporting outputs, the value chain analysis and mapping manual, the workshop / learning sessions, Innovation Camps and the co-creation discussion sessions).

This has allowed us to: 1) test out the extent to which related support under these pillars is required by BSR innovation actors to address their S3 interregional cooperation capacity needs; and 2) how this support might best be delivered to maximise value.

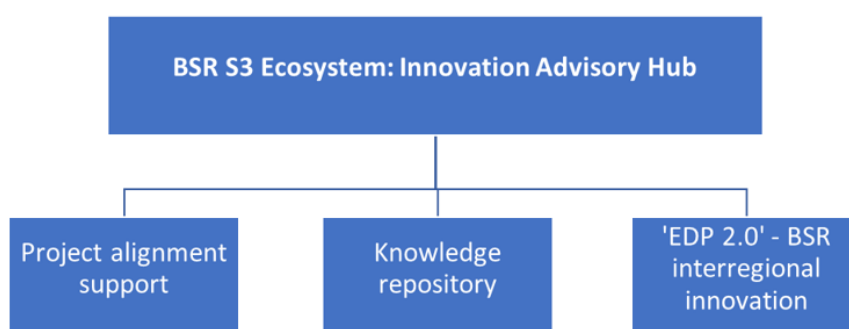
The evidence in this report has shown that the direction of demand for S3 interregional collaboration is strongly aligned to these three pillars of support and that this support is best delivered on a continuous basis, through a virtual hub resource.

The diagram below shows an elaboration of the prototype hub which was designed and shared with stakeholders during the January / February 2022 Discussion Sessions. It was very positively received, with feedback indicating that – despite the high-level ambition behind this effort – it was, indeed, in line with the expressed needs of the BSR’s innovation actors and regions. In the context of applying S3 principles to deliver Green Deal twin transitions, there is a clear need to put into place support measures to help regions to make this ‘leap’.

A summary of key messages from the Discussion Sessions is outlined below.



Towards the BSR S3 Ecosystem Advisory Hub: an outline prototype





WP4 - Key messages from Discussion Sessions (January – February 2022)

WP4 involved EU and BSR innovation experts and policy makers in a process of depth discussion and exchange concerning the above, outline prototype to build the core foundations of an S3 Ecosystem advice and innovation hub.

These discussion sessions took place on-line under the ‘Chatham House rule’ whereby views could be expressed freely without any reference in follow-up meeting notes to specific speakers. It was felt that this might allow for a frank exchange of challenges and solutions. A full list of attendees for these sessions can be found in **Annex 1**.

Each session commenced with an overview of findings from across the various outputs of the project. The key messages in the refreshed analysis detailed above were also shared with attendees. A series of key questions were also posed during the sessions, intended only as a guide to the discussion, with no obligation to respond to all / any of these questions or themes.

1. Advisory Gp discussion session (28 January 2022)

- It was recognised that the **Hub idea was strongly grounded on evidence of the every-day realities of BSR innovation actors**, and the capacity challenges they face in seeking to commence or deepen innovation collaboration with their Baltic Sea neighbours. However, it was also noted that the **Hub concept was extremely ambitious** and would require a significant planning effort to detail steps, stages and milestones towards concrete delivery for this ‘grand mission’.
- Importantly, it was noted that the Hub would require considerable **commitment, ownership and investment at all levels** - local, macro-regional, national and EU – in terms of joint design and investment, with clear measures of incremental success. A source of possible good practice, in the **Alpine Technical Support Structure**, was considered, as an example of how upgraded governance structures are being explored in a macro-regional context to better deliver the objectives of the Alpine macro-regional strategy.
- **Interreg Europe’s Policy Learning Platform** was endorsed as a possible source of support and inspiration for the BSR Hub ambition. It was considered a strong vehicle to accelerate bilateral interactions across EU regions, with a structure which allows for showcasing of good practice and peer reviews, with significant alignment to EU tools and instruments such as S3 Partnerships and the new I3 instrument.
- The challenges regions and interregional partnerships face when seeking to deepen innovation collaboration were well-understood across the group. In particular, it was noted that **many BSR interregional partnerships are struggling to shift their efforts from ‘exchange’ to joint innovation investment**.
- It was also noted – in line with the governance advice outlined above – that **interregional innovation collaboration must be accompanied by an ‘institutionalisation’ of efforts across**



the territories and organisations involved. This was acknowledged to be a very challenging area.

- **The role of cluster organisations** was deemed to be crucial to the overall efforts of an interregional innovation ecosystem, bringing market knowledge and expertise to lead and direct joint innovation efforts.
- It was also suggested that **‘relational capital mapping’ through a supported process of social network analysis⁴** could be explored as a means to better understand the specific needs and motivations of different innovation actors and to better identify both bottlenecks and enablers of the overall system effort. This type of network analysis can also help to expose challenges which are not obviously present but have a strong influence on how and if progress can be made in making a shift to interregional collaboration, across discrete innovation ecosystems.
- **The challenges facing the BSR S3 ecosystem hub concept were described as ‘systemic’**, not least because of the prevalence of a project ethos in how innovation collaboration tends to take place. On a positive note, it was discussed that the new programming period has seen a new interest in and direction towards interregional, innovation-focused collaboration. The need for more ‘open’ approaches to innovation was felt to be gaining ground across the Baltic Sea regions.
- However, it was noted that **‘willingness’ of regions and members states to deepen innovation collaboration was not enough to translate this into a reality.** There were felt to be many barriers which prevent this from happening. Some questioned whether existing and new EU tools and instruments are truly aligned to regional realities. It was also noted that – even within innovation frontier regions – analysis and capacity to find the right partner regions for innovation collaboration is very challenging and requires a strong, supported process.
- The group welcomed the opportunity to share ideas and knowledge and was supportive of follow-up discussion to advance and further shape thinking, towards **creating a ‘legacy’ of learning and action** from the Interreg BSR S3 Ecosystem project.

2. Project Steering Committee discussion session (February 2022)

- **The BSR is well-positioned to create new, EU added value** in the area of S3 interregional collaboration, given its history, capacity and experience across macro-region
- **A resource modelled on the Interreg Policy Learning Platform (PLP) could add significant value to the information and capacity needs of BSR innovation actors.** The PLP could be investigated to understand better its set-up, investment, model, financing, objectives and

⁴ For example, using a methodology such as this one: <https://towardsdatascience.com/how-to-get-started-with-social-network-analysis-6d527685d374>



impact. Cooperation with the PLP could be taken forward to review relevance. This aligns strongly with the proposed second pillar of the Hub

- **The ambition behind the BSR S3 ecosystem can only be realised if there is a detailed plan ('roadmap') to achieve this**, outlining incremental steps, timescales and actors involved
- **The BSR's 'project orientation' is part of a systemic challenge regions face in how EU programmes are organised.** If regions can only pursue financed collaboration through projects, this encourages a short-term perspective. This is not compatible with an ecosystem approach and ethos. This is a challenge for the BSR that is widely reported at the EU level
- In turn, this is likely to make **the EU's interregional innovation objective for joint investment in the post-2020 period very difficult to deliver in the Baltic Sea macro-region**
- It was noted that **many BSR regions are still reluctant to commit to ambitious interregional collaboration because of the risks this is believed to carry** (e.g. capacity, investment, regional support and weak governance structures). Furthermore, engaging industry / SMEs in this kind of effort is deemed to be very difficult due to the limitations they have for resources and risk-taking
- **BSR regions still struggle to find where they can access advice about other projects.** There is no obvious 'go to' place for this type of information, that is highly visible, available on a permanent / continuous basis and easy to navigate
- As a consequence of the above, **projects seeking out other (similar) projects across the macro-region often encounter obstacles in sourcing information.** Sometimes projects – which have even been recommended for follow-up – are found to no longer exist. There is no up-to-date overview available. The first pillar of the proposed Hub could help to address this information deficit challenge
- **Many BSR regions still struggle to align investment efforts across projects.** This makes leverage of financing difficult to achieve
- **Industry actors (especially micro businesses and SMEs) are more likely to become engaged in interregional innovation actions and efforts through networks and clusters.** Where regions have strong ecosystems that promote industry networks / clusters, it is easier to reach out to these businesses to engage them in innovation discussions and opportunities with actors outside of their own region. The third pillar of the proposed Hub could support the acceleration of this process and matching
- The idea of **relational mapping (posed by the Advisory Group) was considered to be a very important exercise and could form a key action from any follow-on activity**
- The **emerging sustainable S3 agenda – as proposed under the PRI Pilot Action - seems much more in line with 'ecosystem' thinking that a more time-constrained, project orientation**, since innovation efforts need to draw on a very broad, strategic policy framework

3.BSR S3 Directors' Network discussion session



- Directors noted that the upgrading process for regional S3 is at very different steps and stages across the Network. **Outside of the Directors' Network there is no 'forum' which allows for a senior level exchange of S3 updates.** Having access to S3 updates, information and scope for exchange on a more permanent basis – and across the whole of the macro-region – is considered something which is currently missing but could add significant value in supporting the deepening of S3 collaboration efforts
- **There was a particular interest noted by Directors in the 'greening' direction of S3 through the proposed Pilot Action⁵.** It was felt that there is no obvious 'go to' place where such information is posted for Baltic Sea regions. This tends to perpetuate the rather isolated status of these regions and limits the extent to which S3 interregional collaboration can be accelerated
- **Directors reflected that post-2020 S3-related instruments (such as I3) often lack sufficient territorial focus,** and do not take account of specific geographical or development needs of different territories (often with very different governance arrangements). There is currently limited scope to enhance the visibility of the BSR macro-region when policy developments are taking shape. The proposed Hub could act as a coordination support platform to marshal this kind of influencing effort. This could help regions across the BSR to improve their proximity to EU S3 interregional opportunities

Discussion sessions also unveiled a strong demand across Baltic Sea regions and innovation actors to increase awareness of processes and actions which support how capacity for industrial innovation collaboration can be diffused across their regions – i.e. **regions and their innovation actors need support which will allow them to play a full and effective part in the EU's new and emerging industrial innovation collaboration landscape**, in order not to be 'left behind'. The current reality for the BSR, in this respect, is that there is a significant gap between ambition and reality which is unlikely to be bridged through projects, alone.

Wider engagement with EU policy makers – exchange and feedback on the BSR S3 Ecosystem and Advisory Hub proposal

In addition to the actors involved in the discussion sessions noted above, a series of wider discussions took place with EC policy makers. The key messages from these on-line discussions are noted below:

1. Discussion with EC colleagues from DG Regio MRS

This discussion was important in its recognition of the challenges which were shared, based on feedback from the 2021 workshop sessions. It was acknowledged that interregional S3 capacity building needs across the BSR vary widely between those regions and actors who are the innovation 'front-runners' and the vast majority of regions / stakeholders who have a wide range of support

⁵ The meeting took place before the PRI Pilot Action had been launched.



needs. It was also noted that – **while Interreg projects continue to play a very important role in supporting macro-regional collaboration – their design and timescales make it very challenging to create a strong legacy and momentum for continuation, when projects finish.** This is a particular challenge for the BSR S3 Ecosystem ambition because it requires long-term investment and commitment from across BSR governance levels (e.g. member states, managing authorities and interregional efforts).

EC officials noted the **potential value of a resource modelled on Interreg Europe’s Policy Learning Platform.** This is closely aligned to Pillar 2 of the Hub prototype. However, it was acknowledged that long-term financing, governance and coordination of such a resource would be difficult to achieve in the current climate.

It was **strongly advised that strategic dialogue with Managing Authorities and related MA Networks should be taken up, to review the long-term potential for the BSR S3 Ecosystem Hub.** It has not been possible to plan a programme of such consultation in the timescales and resources of this project but certainly this could be a very valuable route to explore the future set-up of the Hub.

In addition, a key strand of follow-up work could be to engage in a **programme of strategic dialogue with other macro-regional strategies**, especially EUSALP, where investment in governance structures to better support project and investment alignment is gaining pace.

2. Discussion with EC colleagues in JRC

Officials in JRC who are designing a new evidence base and outline method to support S3 for sustainability were keen to learn about the project’s approach to value chain analysis and mapping for the circular bioeconomy. In addition, they were **keen to explore how a more holistic perspective of S3 (e.g. linked to reforms in regional governance, enablers of interregional S3 efforts to support delivery of Green Deal objectives and SDGs) can be realised at regional and macro-regional levels.** The S3 Platform has recently featured the BSR S3 Ecosystem project on their website⁶ as an inspiration for interregional S3 learning with a strong circular bioeconomy focus.

3. Engagement with Committee of the Regions

A senior official from the CoR joined the Discussion Session with the BSR S3 Directors’ Network (February 2022) to explain the rationale and (then) upcoming process for the PRI Pilot Action. Inspired by the efforts of the BSR, and the strong S3 ecosystem orientation of the project, it was suggested that a group of BSR regions might like to apply to the Pilot Action (when it is launched) with the aim of further exploring the ‘greening’ S3 potential of the macro-region. Since this time, an application has been successful and the Directors’ Network will be commencing a 12-month support programme

⁶ <https://s3platform.jrc.ec.europa.eu/en/w/baltic-sea-region-interregional-cooperation-on-circular-bio-economy>



under this Pilot Action. The Interreg BSR S3 Ecosystem project has been a significant inspiration for this.

Connecting the BSR S3 Ecosystem Advice and Support Hub to the EU Policy and Investment Ecosystem

The long-term viability of the proposed BSR S3 Ecosystem Advisory Hub is characterised by a strong outreach ethos with capacity to connect to the wider EU S3 / innovation ecosystem. It also requires a permanent dialogue with key EU, national and regional policy and decision makers to gauge ongoing demand for the Hub's services and to adapt / upgrade support in line with the needs of the macro-regions innovation communities.

A number of key actions would need to be designed and agreed to facilitate this. Importantly, these actions would serve to create new collaboration opportunities between the BSR and the rest of the EU – for example, joint learning, exchange of knowledge, access to new funding opportunities. A strong, clear and approved governance structure would be required to facilitate this, for example by connecting aims and actions to national ministries. Furthermore, the Hub could deliver key actions to strengthen engagement with a number of EU Platforms and Networks, so better connecting actors to wider EU opportunities. The increasing cross-macro-regional focus of the EUSBSR Policy Area Innovation activities and the recently launched cross-macro-regional exchange and coordination initiatives on S3 between innovation policy areas and action groups of all four EU macro-regional strategies can be also used to support Europe-wide learning and cooperation opportunities for Baltic Sea regions.

The Hub could deliver significant value to the BSR's S3 / innovation performance by creating an 'incubator' for ideas and exchange across projects. This would prevent projects from working in isolation from each other and address duplication of efforts. By better connecting projects and partners, stronger alignment of efforts could be generated, thus shifting the BSR's S3 project approach to a longer-term process orientation. Furthermore, a permanent coordination function could support a much stronger value chain orientation by connecting industry actors, innovation resources and investments. **This ambition is very strongly aligned to the EC's ERA Hubs agenda.**

Correspondingly, new momentum to join up efforts and create opportunities of scale could help to activate resources in mainstream programmes, allowing for a significant upgrade in the BSR's innovation investment ambition. This aligns very strongly with the EU's new interregional innovation focus in areas such as Interregional Innovation Investments and the new Horizon Europe work programme for European innovation ecosystems.

As a priority, the Hub would require to be fully compatible with and aligned to: DIHs, ERA Hubs, EIE (Horizon), I3, connectivity to IPCEIs, Industrial Alliances, Missions and Horizon Partnerships.



Conclusion

It is clear that continuous support and investment is required to create sustainable foundations for joint S3 / innovation collaboration across the BSR, which can shift from a 'project to process' orientation. The learning from the BSR S3 Ecosystem project revealed that a significant gap exists to achieve this. Regions from across the BSR have strong capacity building needs to embed their S3 priorities in their innovation plans and investments. The transformational change which lies ahead (e.g. responding to Covid recovery, energy supply and security, digital transition) requires whole system responses, to pivot towards holistic solutions for a green recovery.

The new Interreg BSR programme strongly reflects this ambition and sets out a pathway for BSR-focused collaboration to deliver this. We see a significant opportunity to play a key role in delivering this ambition by **bridging the S3-related learning and knowledge from the S3 Ecosystem project with Priority 4 of the new Interreg BSR programme**. This links to 'Pillar 1: Project Alignment Support' of the Hub prototype.

Both up-to-date analysis of BSR S3 collaboration needs and the evidence generated during the recent Discussion Sessions have clarified that a strategic and continuous support system is needed for the macro-region to address current gaps and challenges in innovation collaboration. Discussions with both EC officials (MRS) and an expert for the Interreg Europe PLP noted the potential value of a similar resource for the BSR in the area of S3 / joint innovation. This is strongly connected to the proposed Pillar 2 of the Hub.

Pillar 3 – the most complex and ambitious of the three pillars – proposes an experimental testing ground to bring together BSR quadruple helix innovation actors. This could also provide the momentum for a stronger BSR response to new EU funding opportunities in areas such as I3 and EIEs.

On a less positive note, European Commission reports over the last years⁷ have reiterated that the EUSBSR lacks high level political commitment. This makes the shift, envisaged by the BSR S3 Ecosystem project - from short-term project support to long-term, strategic investment - difficult to achieve. Furthermore, this lack of traction at the highest levels tends to influence how regional innovation actors perceive BSR S3 cooperation. Where this is not perceived as a priority for action at political levels, it is not easy to get sufficient traction at policy levels. Evidence from EC reports has also pointed to the limited role that Interreg funding can play in addressing the long-term, strategic aims of the EUSBSR. Indeed, the BSR S3 Ecosystem cannot be realised through Interreg funds alone.

Overall, the Interreg BSR S3 Ecosystem Advisory Hub project has generated a new evidence base and set out core parameters and foundations for its set-up. It has also engaged a wide range of actors from

⁷ [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2017\)608717](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2017)608717)



both 'supply' and 'demand' sides, who have expressed strong interest in the Hub and its potential added value. Moreover, **the project has acted as a critical enabler of the recent successful application - through the BSR S3 Directors' Network - to take part in the new PRI Pilot Action.**

The new programming period could see a progression of this work through a strategic exercise in diffusing learning from the project across the BSR, together with the guidance manual. The project has adopted a strong sustainable S3 orientation. This will require significant upgrading in the context of the Pilot Action and the tools/methods which will evolve as a consequence of this new approach. **The BSR could play a leading role in these efforts, not least if the territory was to operate as an ERA Hub.**

Overall, a higher level of political commitment will be required if the Hub is to become a reality. This is a pre-requisite to transform governance structures, long-term commitment and a new investment trajectory. Actions beyond what is feasible in this project have been reviewed and include:

1. The value in undertaking a **BSR-wide programme of Social Network Analysis** to identify key decision makers and devise options / roadmaps to overcome obstacles and challenges (such as those related to governance structures, local culture and appetite for risk, senior / political championing and support)
2. Linked to the above, a **strategic dialogue programme with BSR MAs and their relevant Networks** to understand how funding alignment and the design / upgrading of financial instruments could better support the investment needs of the Hub, and generate the funding leverage required to make this feasible in the medium-long term.



Annex 1 – participants in 2022 Discussion Sessions

Discussion Session 1: 28 January 2022, Advisory Group Meeting	Discussion Session 2: 3 February 2022, Project Steering Committee	Discussion Session 3: 18 February 2022, BSR S3 Directors' Network
<p>Ainhoa Azarloza, Vanguard Initiative and Basque Country Delegation to the EU</p> <p>Cecilia Ganan, S3 Expert for EU S3 Platforms</p> <p>Marc Pattinson, Policy Learning Platform, Interreg Europe</p> <p>Baiba Liepa, INTERACT</p> <p>Johan Magnusson, European Commission DG Regio, MRSs</p> <p>Blaga Riiser, European Commission DG Regio, MRSs</p> <p>Dimitris Pontikakis, European Commission, Joint Research Centre (unable to attend but separate 1-1 discussion took place)</p> <p>Esa Konnonen, Policy Area Innovation, EUSBSR</p> <p>Jonas Lundström, Region Västerbotten (Lead Partner)</p> <p>Marta Bahta, Region Västerbotten (Lead Partner)</p> <p>Alison Hunter, S3 Expert (moderator)</p>	<p>Alison Hunter (moderator)</p> <p>Lisa Fröbel (Lead Partner)</p> <p>Marta Bahta (Lead Partner)</p> <p>Esa Kokkonen (FI)</p> <p>Johanna Leino (FI)</p> <p>Per Erik Sørås (NO)</p> <p>Irina Sarno (RU)</p> <p>Susanna Vanhamäki (FI)</p> <p>Mirko Kruse (DE)</p>	<p>Alison Hunter (moderator)</p> <p>Marta Bahta (Lead Partner)</p> <p>Jonas Lundström (Lead Partner)</p> <p>Paivi Ekdahl (Lapland)</p> <p>Damian Opolach (Gävleborg)</p> <p>Lucille Ehrhart (BSC)</p> <p>Jens Unruh (Brandenburg)</p> <p>Tiina Rajala (Oulu)</p> <p>Tarja Nuotio (Southwest Finland)</p> <p>Salla-Maria Lauttakmaki (Southwest Finland)</p> <p>Matti Lipsanen (Tampere)</p>