

Final report East and North Finland: Support to enhance S3 governance and coordination at the NUTS 2 level

Executive Summary

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Objectives

This targeted assignment aims to explore opportunities and conditions for improving S3 governance and coordination at the NUTS II level in East and North Finland. While regional S3s are operating well at the NUTS III level, the starting hypothesis is that the potential for synergies, cooperation, and complementarities between these regional S3s within the ENF area remains poorly exploited¹.

Challenges addressed

The fact that NUTS 3 level S3s are, in most cases, very well designed and implemented is a challenge by itself because it generates a question mark about the usefulness and the value of doing more and better at the NUTS II level. The starting assumption of the ENF targeted assignment is that increasing inter-regional collaboration and governance is a relevant objective in many cases. The challenges then are evaluating opportunities for more and better collaboration, identifying barriers to partnership and tailoring collaboration solutions.

Results

At NUTS 3 level

The first findings concern NUTS 3 levels S3 design and implementation. Before exploring opportunities for inter-regional cooperation, it was critical to take stock of regional achievements at the NUTS III level. The findings are very positive.

Regional authorities in the ENF area, supported by regional expertise and stakeholders, are allocating a lot of effort to select which activities deserve public support – for what kind of sectors and what kind of transformations. Most cases reflect a true understanding of the rationale (*why*) and procedure (*how*) of prioritisation, which generates very valuable portfolios of priorities (*what*). Regions' experiences in S3 implementation allow us to highlight two key insights – which are valid for any regional strategy in the EU :

- In many cases, priorities involve creating a unique system of activities that can include different sectoral segments to deliver solutions for a key societal challenge. For instance, priorities such as business and social development of well-being services include high tech, healthcare and nutrition, leisure and sports activities, resilience, and management of protected areas. **Building coherent activity systems** is key as it is a way to keep the “vertical logic” of S3 (which is part of the essence of this policy) while not necessarily prioritising some sectors as such.
- Regional advantages depend not only on generic criteria that too many locations satisfy: a highly educated workforce or good infrastructure, or just the abundance and quality of certain natural resources are not guaranteed for a region-specific advantage. Additional criteria are needed – those region-specific capabilities that, in combination, create a uniquely favourable place for some sets of industries. **Combining**

¹ To achieve these objectives, the team of experts proceeded to in-depth interviews of regional policymakers and stakeholders of all NUTS 3 level regions, made two site visits (in Pohjois Savo and in Lapland) and organized an innovation camp in Rovaniemi that all regions attended to collectively identify opportunities for more inter-regional cooperation, discuss obstacles and tailor solutions.

generic criteria with specific capabilities is key, as illustrated by many S3s, which involve both transversal actions and the focus on specific activities, which can be a sector, a value chain, a system of activities or particular activities related to a specific natural resource.

In general, the choices of priorities are made very consciously and, in a certain sense, are path-breaking *vis-à-vis* the S3 dominant practices. ENF regions, which are characterised by a very specific (and generous) endowment in various types of natural resources (forestry, water, minerals and other non-living materials) and a high societal awareness about the services provided by natural ecosystems, are at the forefront of this S3 evolution through which **S3 priorities don't take natural ecosystem as external to the human economy but as an integral part of the S3** – meaning that natural resources are viewed as a type of capital asset which needs to be managed in the same way as human and produced capital. This is reflected in many S3 priorities in ENF regions, which develop an integral roadmap - investing in technological and social innovations, skills formation and natural resources to achieve a certain transformation.

In most cases, the EDP (which can take various organisational forms) is well managed because of the two following facts :

- All relevant partners are involved in the process – including industries, research, education and policy. This reflects the accurate view that innovation and transformation have multiple determinants – not only new knowledge and technologies but also skills, new business models, and the capacity not necessarily to invent but to adopt and absorb new technologies and novel organisational practices.
- Leaders and coordinators emerge continuously and make the EDP quite effective in terms of designing and implementing transformation roadmaps. In some cases, the University of Applied Sciences is in the driving seat, and in some other cases, a specific cluster has some leadership capacities.

At NUTS 2 level

The team of experts suggests using a specific framework called "disciplined collaboration" to evaluate inter-regional collaboration opportunities, spot barriers, and suggest solutions.

Four opportunities were identified :

- **Producing collective (club) goods or activities of relevance for the whole ENF area.** What could be produced more efficiently at the NUTS 2 level – through inter-regional collaboration - than at NUTS 3 by single regions? An example is given in the 5th recommendation (below).
- **Profit from collective learning, which is about sharing good practices and experiences.** To proceed to it systematically and effectively requires formal collaboration and governance processes.
- **Maximizing strategic complementarities.** Strategic complementarities characterise a situation where one activity makes sense only when another already exists. Then, each activity has a limited payoff. Realised together, however, they would form a self-sustaining system with enormous profit potential. Carefully crafted interregional collaborations may help capture these complementarities at the NUTS 2 level.
- **Augmenting regional value chains.** Constructing an ENF-wide value chain is very valuable when existing value chains have been disrupted by geopolitical events such as the war in Ukraine. Inter-regional collaboration at the ENF level can provide a means to identify and address local deficiencies and more general disruptions of existing value chains.

Five recommendations

We propose five recommendations based on understanding which barriers are critical and informed by the many discussions and insights from the interviews, visits and the innovation camp.

Establishing a T-shaped structure to provide a governance scheme to support systematic cooperation while recognising that not everything can be done “in addition to one’s work”. This is why two types of performance are identified and articulated within the T-shaped framework: the design and execution of regional NUTS III S3s (the vertical part of the T) and the various initiatives to enhance and promote inter-regional collaborations (the horizontal part of the T).

Creating and caring about interpersonal networks among regional policymakers and other stakeholders. Collaboration runs more on interpersonal networks than through formal hierarchies. The point is to facilitate the development of an ENF community of practice to support greater and better knowledge of the expertise and competence of fellow regions and facilitate the implementation of the next recommendations.

Crafting compelling common goals and articulating a strong value of cross-region teamwork to send signals that lift people and institutions’ sights beyond narrow interests and toward a common goal. The approach here involves, for example, a systematic analysis and mapping of collaboration opportunities, which are identified above. “Discovering our complementarities” was a goal frequently repeated during the camp, as well as a collective development of KPI for regional S3s.

Putting in place formal mechanisms for inter-regional learning and sharing best practices. Such mechanisms can operate from a sectoral perspective (when similar industries or systems of activities are prioritised in several regions) or from an institutional perspective (e.g., between universities of applied sciences that are leading S3 projects in different regions). Sharing practices could involve the S3 toolbox – what kind of policy instruments are used in similar priorities selected in different regions; what are the pros and cons of deploying one or the other instruments?

Enhancing inter-regional collaboration to meet the sustainability challenge. ENF regions - because they are pioneers in adopting a path-breaking approach towards sustainability (see above)- are facing new challenges (new trade-offs, new economic and financial issues, new strategies). The case for inter-regional collaboration to address them is very strong. Some ENF task forces could effectively share specific knowledge and experiences, develop a collaborative approach towards sustainability, and build and test new sustainable development models relevant to the whole EU region.