

# Lapland, Finland

**Assessing the potential impact of Smart Specialisation by analysing the macro-linkages between the enhanced quality of policy governance resulting from the adoption of the strategies, induced changes in innovation ecosystems and the effects in terms of growth and jobs**

**Enhanced quality of policy governance** resulting from the implementation of the Smart Specialisation Strategies

Lapland's strong growth sectors mining and metal industries, bioeconomy and tourism and related industries form the basis of economy, but in our S3 we also want to highlight Arctic expertise and new potential for growth. The key principle of Lapland's Smart Specialisation is to integrate interregional and EU level networking as natural part of all our development activities. We see, that for the economy to grow the regional business have to be part of the European industrial value chains. Therefore, the foundation for each ounce of success consists of strong networking and co-operation between enterprises as well as developers. To support this, in 2018, we updated our S3 – Lapland an Arctic and international highflier – to be International Smart Specialisation Strategy.

Sustainable development is the foundation for growth in Lapland. The refining of natural resources and conditions is the backbone of Lapland's economy. Therefore maintaining the balance of sustainable development is at the core of regional development. This has been the case already in Lapland's first S3 that was published in 2013. In addition to the efficient and smart use of resources, regional cooperation models are the basis for sustainable development.

In Lapland, Arctic Smartness concept is the leading initiative for implementing Smart Specialisation. The implementation of Arctic Smartness is based on regional cooperation, and it works like an ecosystem, where the actors share common goals to develop Lapland. The six Arctic Smartness Clusters act as engines for the regional development. Through these clusters, Lapland is looking beyond the boundaries of traditional ways of doing things to get the best use of the regional expertise and strategic partnerships over the borders. All of the six clusters are implementing new local and European initiatives and projects creating a breeding ground for sustainable growth in the regional economy.

Even though the regional council is in charge of the S3 and its implementation already at the very beginning of the implementation phase we saw Smart Specialisation as an opportunity to collaborate in a new way. Lapland's Systematic cluster development started in 2014, when Lapland was chosen as one of the model regions of European cluster initiative with six other regions. This development work was first started with the Arctic Industry and Circular Economy Cluster. After we saw this as a good way of implementing our Smart Specialisation, we established the four other clusters: Arctic Safety cluster, Arctic Smart Rural Community cluster, Arctic Development Environments cluster and the Arctic Design Cluster. In 2018 also Smart and Sustainable Arctic Tourism ecosystem became as an Arctic Smartness cluster. The clusters established already had had strong development work so it was natural to give them the possession of the cluster related topics concerning Lapland's S3.

Since the establishment of the clusters their actions and roles have been stabilised, evolved, focused and matured. This development work has been enabled with different projects, mainly financed from ERDF. All clusters (excluding the Smart and Sustainable Arctic Tourism which wasn't under strategic development at that time) obtained Bronze Labels from the European Secretariat for Cluster Analysis. In addition in September 2017, Arctic Industry and Circular Economy and Arctic Smart Rural network gained Silver labels, first of their kind in Finland. The development of the clusters is still ongoing, mainly with two ERDF projects (Arctic Smartness RDI Excellence and Arctic Smart Growth) coordinated jointly by the University of Lapland and Lapland University of Applied Sciences and having partners from all of the Arctic Smartness stakeholders. Through the practical work, the way of co-operation has emerged, in which the core actors of the development projects, cluster organisations and different cluster actors have found their own role in joint development.

Lapland has been selected as an example of good RIS3 governance by the EU. "The Regional Council of Lapland has implemented a model for regional governance to enhance smart growth and sustain the balance in sustainable development. The model emphasises the importance of a bottom-up approach by actively involving all the 21 municipalities of Lapland, as well as industry, educational institutions, development agencies and research organisations. It also promotes a partnership between the regional and national level, as the Regional Council takes a strategic lead, but in collaboration with other regional stakeholders and national level governmental institutions."

<https://s3platform.jrc.ec.europa.eu/good-governance>

One of the three priorities in our updated S3 (Lapland the Arctic and international highflyer – the strategic priorities for international and Smart Specialisation 2018-2022) is the regional ecosystem which lays the foundation for internationalisation and sustainable development. The Arctic Smartness clusters form the basic structure of the ecosystem, but it has been widened to consist more stakeholders among others the Lapland's 21 municipalities. To reinforce the municipalities' participation to the regional ecosystem, the Regional Council of Lapland decided to set up an ERDF project focusing on the municipalities from this point of view. The initiative came from the municipalities; they saw the good work the Arctic Smartness clusters were doing and wanted to be more actively part of it and the region's internationalisation activities. They also had the sense that the work done by Arctic Smartness clusters stayed somewhat far from their everyday tasks. The regional ESIF is used in synergy and the ecosystem has both top-down to bottom-up continuous dialog.

In the beginning of 2019, the Regional Council also set up a structure for the regional ecosystem. It has three layers; the board has members from the Regional Council and the Lapland Centre for Economic Development, Transport and the Environment. The group is small, under 10 persons, so that it has a possibility to meet every other month. The main tasks of the board are to maintain the state of play of international activities on regional development and if necessary, make guidelines based on the strategy. The board also acts as a backbone for those implementing international activities. The next layer is internationalisation cooperation group, which is a very large group of different stakeholders that deal with internationalisation in their work directly or even indirectly (eg. ERDF and ESF financiers). The third layer having a role as an advisor, is the foresight strategy forum. This group is made up of the managers of the various organisations that has a significant role in

regional development. The group deals with issues related to internationality a few times a year.

The Arctic Smartness concept being the leading initiative to implement Lapland's Smart Specialisation, we have built up a brand of Arctic Smartness since the beginning. To reinforce the desired visibility in selected target groups, we have done a communication plan to Arctic Smartness, together with the stakeholders. Following this communication plan the policy makers' can better get the message through as we have defined the core messages and the means to be communicated to each target group.

Smart Specialisation has also developed policy makers' skills of understanding synergic approach to regional development and links of regional development with European-wide strategies and goals.

### **Induced changes in innovation ecosystems towards economic transformation**

Lapland is one of the seven regions of East and North Finland (NUTS2) that was accepted in the European commissions' pilot action Regions in Industrial transition to develop new approaches based on smart specialisation keeping the industrial transition in focus.

This, as we call "ELMO", collaboration is about shaping the future of the ENF regions together. The core of the collaboration consists of smart specialisation that leads the way to identifying regional strengths and competences. The goal is to develop new practices that help enterprises to utilise the expertise and versatile network of innovation platforms in the East and North Finland.

The first phase of the ELMO collaboration produced the "East and North Finland in industrial transition -Smart Specialisation strategy 2019-2023". In the second phase, we put the strategy to use in order to support industries, growth and employment in East and North Finland regions. The collaboration is coordinated within cross regional ERDF –project having a task force with nominated contact person from each region.

The second phase consists of a grant worth appr. 300 000 euro from the European Commission for the implementation of a so-called 'High-Impact Action' (HIA) that would experiment a new approach for industrial modernisation, and in a cross-regional context.

The objective of the HIA has been to broaden the innovation base and strengthen the value chain in the agro-forestry sector. The action is testing a new policy design introducing a circular economy element into this sector. It is setting up a cross-regional vouchers' system across the ENF regions to stimulate digitalisation and circular economy in the tree, wood and timber value chain, targeting collaborative projects involving direct beneficiaries who aim to co-develop together with service-provider(s) a workable solution for a (previously identified) end- user, intending to increase the technological and market maturity of their solution beyond TRL 6. The voucher system is helping direct beneficiary to make better use of inter-

regionally connected service providers to deploy innovative solutions in the tree, wood and timber value chain.

Seven pilots have been awarded, the amount of the vouchers is between 39 000 - 40 000€.

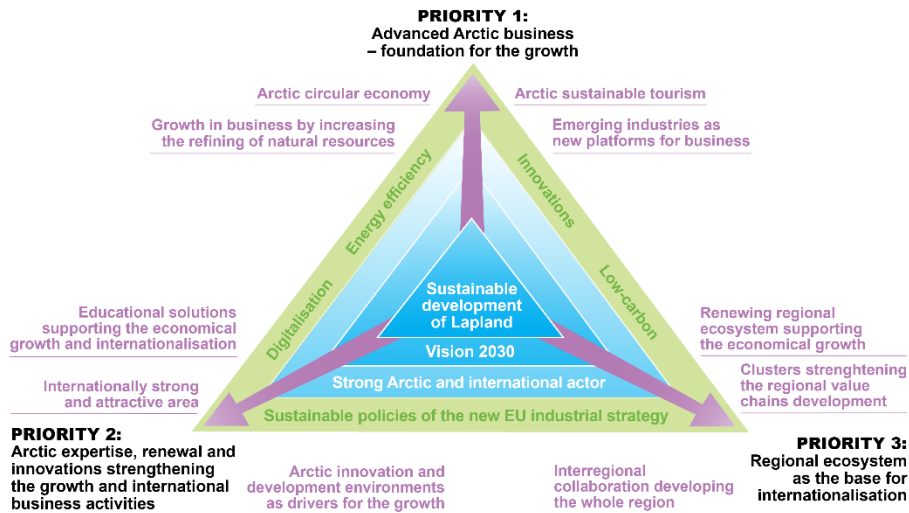
The model of financing was new for Regional Council, as the Finnish legislation does not foresee Regional Councils as financiers of business development. Financing of businesses (both from EU-programmes and from state budget) is restricted to state organizations, part of them are national and part regional state administration offices. Until now, Regional Councils have been financing regional development and small-scale investments ie. via municipalities and research and education organizations, that have included SME's into their activities. Possibility of direct financing from the Regional Council to the SME's was enabled by the origin of HIA fund, as it comes directly from the EC to the pilot. That being the case, neither Finland national legislation on state-aid nor on financing of regional development or business support do not apply.

The possibility to develop and test a new funding mechanism via the pilot has been a very positive experience for the Regional Councils. The size of the grant was quite small, but it gave an opportunity to identify the possibilities that a different approach to financing can bring. The environment of being an enabler of the SME's product development is so different from the one that exists among the "supporting" organisations (ie. within research and education), that it makes a huge difference. When the SME's receive support and can act within development that benefits directly their business activities, gives them such a motivation and enthusiasm that cannot be denied.

The joint Smart Specialisation strategy of East and North Finland, together with a strong will of creating flexible administration made the pilot possible. Based on this experiment (The HIA shall be closed on 30.9.2020 and reported after that) it is clear that SMART attitude has really a strong place also in public administration!

In order to be able to develop the pilot further, the East and North Finland regions are willing to continue the implementation of the joint strategy and would be happy to hear about the next steps of the EC activities towards the pilot regions.

In Lapland's updated S3 (2018) the approach has been the economic transformation and internationalisation. The three priorities of our updated S3 support the economic transition. In order to support the "advanced Arctic business", we need to make sure that the overall perspective is supporting this goal. One could say, roughly speaking, that there's no point supporting the business if there's no one to do the work. That's the reason we also need to prioritise also the "Arctic expertise, renewal and innovations to strengthen the growth and international business activities". Thus we have recognised the importance of our regional value chains to be part of the European ones. Our updated S3 is the region's internationalisation strategy at the same time. The regional ecosystem is the base for internationalisation.



## Potential impact of Smart Specialisation in terms of growth and jobs

The stakeholder meetings of Lapland's S3 are organised in different levels; The internationalisation cooperation group has a meeting four times a year. They usually around 50 participants. The projects that are developing the Arctic Smartness concept has several partners (all Arctic Smartness actors) and they also meet four times a year. Usually the meetings are overnight out of the everyday operating environment having around 20 participants. Addition to these, the project managers of these four ERDF/ESF project and a permanent staff person from the regional council meet every two weeks to have informal discussion in order to ensure the synergies of the projects and that they are align with the regional perspective. These procedures have been perceived good and functional.

Smart Specialisation is used as a selection criteria when financing regional projects from ERDF and ESF, which enhances the effects of systematic development process. Within the ERDF financing delivered from Regional Council of Lapland, mostly the projects financed under the RDI are supporting the S3, but also projects targeted to the services and to industry are strongly represented. Interesting fact is that projects within natural resources, well-being and especially new emerging industries also fit well into the S3. One could claim that the logic behind the S3 is fitting well with the regional development and giving a strong backbone for future actions

More detailed statistical information shall be provided later. As the regional development strategy (Lapland agreement) and Lapland S3 strategy (Arctic Smartness) are supporting each other, evaluation of the Arctic Smartness is to be conducted within the evaluation of the Lapland Agreement. Evaluation is now ongoing, and its results shall be in use in August. Update of the Lapland Agreement shall be done during 2020-2021, it will be based on the results of the evaluation.

Lapland has reacted to prevention, repairing and communication of the harms COVID-19 has caused in all levels. Several actors have organised training and communication events via different channels especially for enterprises and very quickly transferred their services to the internet.

Throughout the crisis, Regional Council of Lapland has lead active, region wide, discussion about the entire situation and its effects to the economy, healthcare, municipal services, employment and all the possible fields where the negative effect has taken place. Jointly, together with all the central organisations and stakeholders, preparation of foresight and roadmap towards time after COVID-19 has already been started.

Lapland, as a region of long distances and sparse population, was quite used to organising meetings and events on-line even before the crisis. Of course, as the lockdown was complete and sudden, it took some time to adjust and change plans but main part of regional, national and international meetings and events have been organised even during the lockdown. Most of the organisations were quickly able to move the work to home offices and schools, from elementary school (7 year olds) to universities, all were able to continue their curricula via long-distance connections. Mainly the universities, universities of applied sciences and polytechnics have given the feedback that the changed situation did not have so big effect to them, as part of the studies are constantly organised via web, so they had their systems ready.

Within international cooperation the basic work has continued virtually. Open calls of financing for international cooperation projects have been worked with and applications have been given. It has been more challenging, in relation to international activities, to build new consortiums. The challenge is caused by the lockdown, as planned meetings and seminars have been cancelled and it has not been possible to meet physically. The situation has created new prioritisation and increased the importance if Arctic Smartness clusters. The Arctic Smartness clusters have strengthened their visibility in the European Cluster Collaboration Platform. In order to have European-wide value chains along, the European Commission foresees the role of the clusters in the center when responding to the COVID-19 crisis.

In order to use ERDF and ESF financing and utilise the exceptions allowed from the EC to their use as a means of fast reaction, both ERDF and ESF have been opened for fast call for proposals, targetted to react to the crisis situation on different levels. The ESF call was targetted especially to prevention of negative effects of the COVID-19 crisis and it was aimed to safeguard the performace of the SME's and micro companies. The call was aimed to actors who have direct connection to the target group and who can utilise the support concretely to the benefit of the target groups. The actions can last 3-8 months and the maximum amount of grant is 100 000 euro. Altogether 30 high quality applications was received and decisions were made extremely fast.

ERDF call for proposals was opened in April and closed at the end of May. Aim of the call was prevention and repair of negative effects caused by COVID-19 and management of effects to the municipal economy. The grant was targetted especially to development projects that support the prerequisites for operation of businesses and municipalities and to development of services and systems related to municipalities' health care. The actions can

last until the end of 2020, maximum amount of grant is 100 000 euro. By the end of May, 26 applications was received, total amount requested was 1,8 million euro. The content of ERDF applications relate ie. to resourcing of advisory business support; support for marketing activities of tourism targetted to new potential customers and to development of new tourism related products; creation of new e-marketing channels ie. within the markets of reindeer meat and handicrafts and to the creation of foresight models and scenarios related to the effects of the COVID-19.

Our approach for Smart Specialisation, Arctic Smartness, has proved its effect during the Corona crisis. Working method that is based on consortiums and clusters has been strong. In Lapland we also have low level of hierarchy and low borders between organisations that helps in rapid actions.

One action implemented within Arctic Smartness has been a scenario-workshop concentrating to the effects of the COVID-19 crisis. Result of the workshop was already used in planning Corona-exit for Lapland. In addition to the exit plan, the Arctic Smartness network participated in preparation of five ESF projects that target to solving COVID-19 effects. The network is very popular partner in regional development activities, as it is a known network of people having skills for project preparation and regional development, as well as organisations that are willing to take steps towards the future. In other words, it is a network of actors that can take responsibilities rapidly and has trust for each other's.

Update of Lapland regional development strategy, Lapland agreement, shall be started after the summer holidays and finalised during 2020-2021. Our S3 strategy is closely connected to the Lapland Agreement which means that along with the update of Lapland Agreement, also our S3 shall be checked and adjusted to the new situation. No vast process and changes are expected, but some adjustment that is seen necessary, taken into notice also the requirements of the 2021-2027 enabling conditions for the use of ERDF. East and North Finland, jointly, have lauched studies ie. for finding the innovation gaps and for developing better monitoring and evaluation practises of S3 for the next programming period. These joint activities are related to the EC pilot action for transition regions, within witch a joint S3 strategy was developed for the East and North Finland. The effects of the COVID-19 shall be taken into notice in these actions.