



## Targeted Assignment – Balearic Islands

### Innovation, internationalisation and circularity: towards a road map for the Balearic Islands

December 2024,

Elisabetta Marinelli, Cecilia Rolla<sup>1</sup>

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<sup>1</sup> The authors would like to thank all the staff from Oficina Innobal, in the Direction of Innovation and Digital Transformation of the Balearic Islands, for their support throughout the implementation of the project. A particular thanks goes to Omar Beidas, Head of Service of the aforementioned Direction. The authors would also like to thank Elena Ontiveros, from Technopolis Group Belgium for her support in the closing steps of the report.

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## Executive summary

The Balearic Islands aim to enhance their international position in the Circular Economy value chain, addressing governance fragmentation and fostering sustainable growth. This report, which sums up the activities of Targeted Support within the S3CoP, outlines a vision and action plan to integrate innovation, Internationalisation, and circular economy practices, within the regional Smart Specialisation Strategies. The assignment involved a policy and stakeholders mapping, a field work with interviews, focus groups, and presential workshops, a set of outputs which are reflected in this report as well as in the attachments therein.

The analysis identified, among others, the following key regional challenges:

- 1. Disconnected Governance:**
  - Fragmented governance with limited coordination across departments.
  - Need for integrated stakeholder participation and long-term strategies that leverage EU support for circularity.
- 2. Incipient and Closed Innovation Ecosystem:**
  - Disconnected business ecosystem lacking strong institutional support.
  - Insufficient R&D funding and limited presence of Research and Technology Centres.
  - There are limited internationally engaged actors in the regional innovation ecosystem.
- 3. Limited Circular Infrastructure:**
  - Gaps in infrastructure for eco-design and material reuse, especially for tourism-related plastics.
- 4. Economic Dependencies:**
  - Heavy reliance on tourism necessitates diversification to reduce seasonality and modernize activities.
  - Growing consumer demand for sustainable products, but insufficient incentives for circular practices.
  - High logistical costs due to the island geography.

Based on the above, it appears necessary (as captured in the vision statement) that the Balearic Islands **establish a connected and collaborative ecosystem driving innovation and the circular economy**, prioritizing economic diversification and sustainable tourism.

The action plan emphasizes the need for short-term actions centred around empowering the local governance system, breaking silos, integrating local stakeholders, improving intelligence through mapping and coordination, and enhancing regional collaboration through participation in relevant events and initiatives at the international level.

At the same time, it gives insights on mid-term directions, which focus on increasing participation in European projects, implementing policies to support circularity and streamline administrative processes, engaging in EC-funded interregional collaborations, and aligning regional strategies with circular economy principles for the future programming period. Needless to say, implementing the action plan depends on the resource constraints in the region, as well as the political appetite. As such, this work represents an input to a broader political and administrative discussion on the strategic future of the territory.

# 1. Introduction

The Balearic Islands aims to improve its international position in the Circular Economy value chain, to identify and pursue relevant opportunities and enhance connections with fellow international actors.

One of the key requirements for improving the region's international positioning is to establish a stronger regional governance framework. Currently, the region is characterised by a fragmented approach, and despite the significant links between its Smart Specialisation Strategy and the circular economy, the public administration and local stakeholders have been working in silos.

To address these interrelated challenges, this Targeted Assignment has set the following objectives:

1. Assessment of current governance structure and the mechanisms in place to identify and exploit opportunities for the development and internationalisation of the circular economy ecosystem of the Balearic Islands.
2. Development of a roadmap for the development and internationalisation of the Circular Economy, based on a more connected governance structure.

This report provides the process and results of this assignment, and it is structured as follows:

- Section 2 summarizes the overarching methodology
- Section 3 provides a summary of the policy mapping exercise related to actors, initiatives and opportunities
- Section 4, building on the fieldwork (interviews, focus groups and presential workshops), identifies the challenges that the regional system faces, in approaching circularity and internationalisation, within the S3 framework.
- Section 5 provides a vision and an action plan for innovation, internationalisation and circular economy in the Balearic Islands.
- Section 6 concludes with specific reflections on the role of political support as well as explicit commitments from political representatives of the region.

This targeted assignment has been designed with a participatory approach at its core. The primary focus has been to engage local stakeholders directly. Building on document review, open dataset analysis, and interviews, an in-depth understanding of their needs and perspectives was developed. This groundwork led to participatory workshops where stakeholders had the opportunity to co-create and take ownership of a roadmap for innovation in the circular economy within the S3 framework. This roadmap will serve as a foundation for future political and policy actions. The exercise provided valuable insights into stakeholders' appetite and commitment to circularity and innovation, revealing a policy gap

that is ready to be explored. The territory has demonstrated both eagerness and capacity to contribute, underscoring the need for further political support.<sup>2</sup>

This report has been deliberately designed to be brief, focusing on the roadmap and the key steps needed to move towards a circular economy and the internationalisation of the Balearic Islands. The intention is to provide a clear and straightforward overview of the most relevant aspects of the process.<sup>3</sup>

## 2. Methodology<sup>4</sup>

The methodology for the Targeted Assignment in the Balearic Islands includes several elements organized into three main phases: Preparatory Steps, Fieldwork, and Output. Together they allow to develop an action-plan for circular and knowledge-based developed in the region, framed within the Smart Specialisation Strategy, grounded in the local policy context and in the needs of local stakeholders.

### Preparatory Steps:

- **Policy Mapping:** This involved analysing the current state of the region by examining key policies at the regional, national, and EU levels that impact the Balearic Islands, with a focus on Smart Specialisation Strategies (S3) and the circular economy.
- **Local Stakeholder Mapping** (in cooperation with the regional services): This involved identifying key stakeholders, including public sector representatives, universities, research and technology organizations (RTOs), clusters, and beneficiaries of interregional projects. This was done by scanning EC open-data sources (Kohesio, Corda, Keep), identifying projects and stakeholders of relevance to the assignment.
- **Opportunity Mapping:** We identified potential opportunities for growth and development, particularly in Circular Economy. The opportunities are both “soft” (that is networks and events) and “hard” (focussing on calls for financial support).
- **Identification of international Peers:** as part of the preparatory steps, and as a legacy of the targeted assignment, a set of key international partners were identified, for the region to engage in future internationalisation activities.

The identified international peers were classified into four categories and various platforms and datasets were used to identify the stakeholders. These categories include:

1. Research and Technology Organizations (RTO)
2. Clusters, for which the **Cluster Collaboration Platform**, an online European hub connecting cluster actors, policy makers and other ecosystem

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<sup>2</sup> Originally, this targeted assignment was supposed to cover both blue and circular economy, focusing on the intersection between the two as a critical opportunity for internationalisation. However, the blue-economy institutional ecosystem, was not ready to engage in this process.

<sup>3</sup> For more details on the analysis conducted, the methodologies used and the data collected, please refer to the appendices available upon request.

<sup>4</sup> Full methodological details are provided in annexes 0 to 3.

stakeholders, with a special focus on the area of sustainable tourism, was reviewed.

3. Digital Innovation hubs, through the European Digital Innovation Hubs (EDIH) network, currently composed of 151 EDIHs co-funded by the European Commission's Digital Europe Program
4. Regional authorities working on sustainability, identified from data extracted from the **S3 CoP Observatory database**, with highlighted cells indicating unofficial contacts obtained through desk research.

## Fieldwork

- **Interviews and Focus Groups:** We conducted interviews and focus groups with identified stakeholders to gather detailed insights and perspectives on regional challenges and opportunities. A total of four focus groups were organised, each one attended by individuals from the public sector, universities and technology centres, clusters and international projects.
- **Presential Workshops:** We organised workshops to engage stakeholders in participatory exercises aimed at identifying shared objectives, skills gaps, and opportunities for collaboration. In particular, together with the regional services, we organized:
  1. **A Vision Setting workshop with the public sector representatives, held on June 19<sup>th</sup>.** The workshop served to align the vision of different departments of the regional government around Circular Economy, with a view to establishing a common approach to governance, policy instruments and Internationalisation.
  2. **A workshop with local stakeholders from the public, private and research sectors,** held on the 20<sup>th</sup> of June, to articulate further the vision, make it acceptable to the territory and identify the key challenges to address and the first steps to take to move closer to the desired future. The workshop was based on vision-setting exercises.

A draft roadmap was developed and shared with participants, political representatives and the EC services.

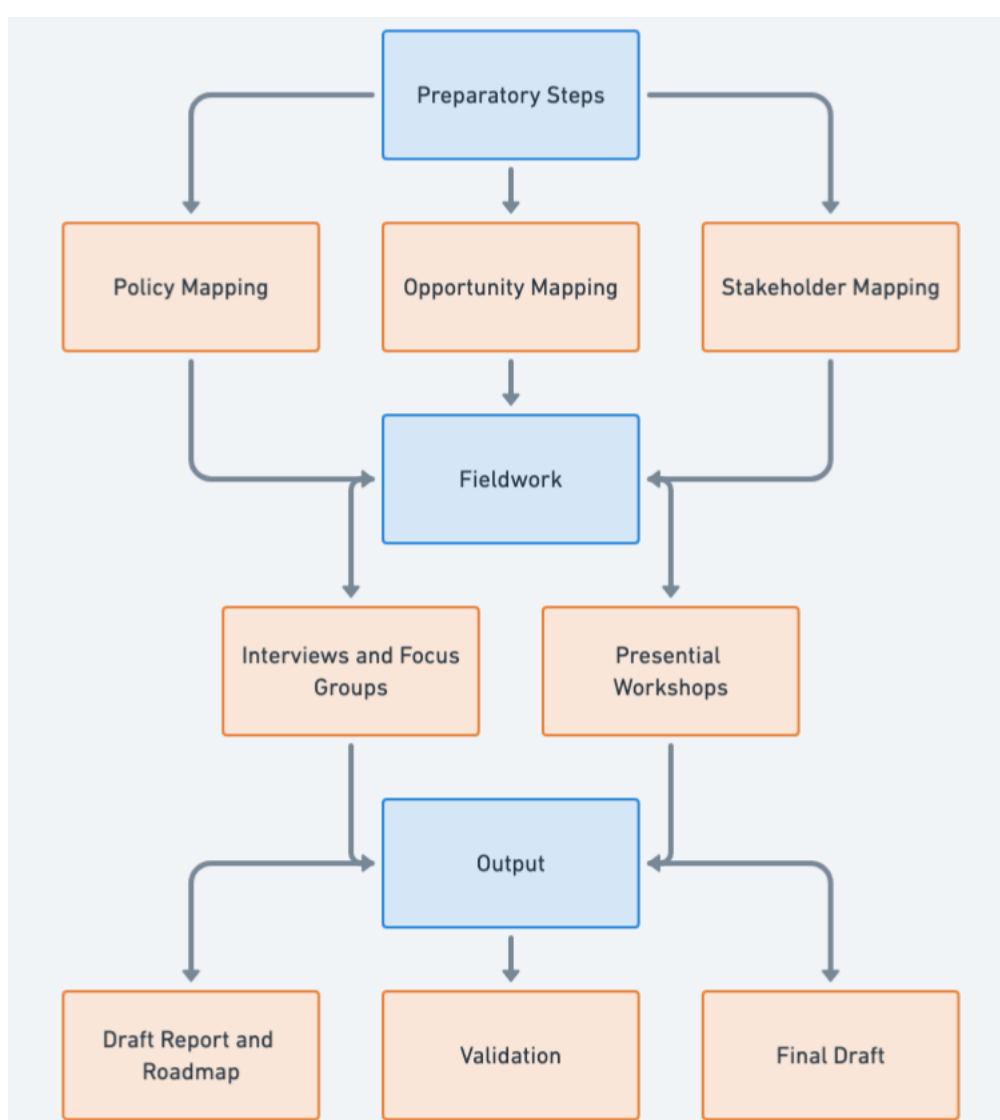
## Online discussion on political commitment:

Building on the roadmap, the last step of the process, included reflection and discussion with representatives from the regional administration, regional political actors, the Spanish Geographical Unit of DG REGIO, and the expert. The discussion centred on identifying politically endorsed actions and commitments, in line with the vision and action plan developed with stakeholders.

## Output:

- **Draft Report and Roadmap:** A draft report, outlining the findings from the mapping exercises, interviews, and workshops, and proposal of a roadmap for regional development was developed
- **Validation:** The draft was presented, via email, to regional stakeholders and DG REGIO, ensuring the recommendations are feasible and aligned with regional priorities and EC expectations.
- **Final Report:** The draft report was integrated with feedback from the validation process, with particular attention on the role of political commitments.<sup>5</sup>

Figure 1 Methodological Framework



<sup>5</sup> The following annexes are also available upon request: proposed working plan (annex 0), baseline data (annex 1), interview details (annex 2), and workshop outcomes (annex 3).

## 3. Policy and opportunity mapping and assessment of the regional system

### Economic profile of the Balearic Islands

The Balearic Islands, home to 1.21 million people, represents 2.5% of Spain's total population. The region covers an area of nearly 5,000 km<sup>2</sup> and has a coastline of about 1,800 km. It is home to nearly 1.2 million inhabitants, 18.87% of whom are foreign nationals.

The business landscape of this region is highly fragmented, with 8 out of 10 companies consisting of just 1 or 2 employees or being individual or family-owned businesses. However, there are also a few large companies in sectors such as tourism, passenger transport, retail, private security, and travel agencies. In general, the number of jobseekers in low-skilled occupations remains high compared to the number of job vacancies registered with the public employment services.

The economy of the Balearic Islands is heavily reliant on tourism: it was one of the three EU regions with the highest number of nights spent by foreign tourists, reaching 61.7 million nights (16.4% of the total number of nights spent by foreigners in the EU). Moreover, retail, transport, hotels and restaurants, and leisure represent 40.8% of regional GDP (12% points more than in the rest of Spain). In contrast, it is the Spanish region with the lowest share of manufacturing industry (2.7% compared to 12.5%).

In the latest edition of Regional Innovation Scoreboard, published in 2023, the Balearic Islands scored 71.1, ranking 171st and classified as a Moderate Innovator.

### Smart Specialisation Strategy of the Balearic Islands

The Balearic Islands' Smart Specialisation Strategy focuses on diversifying and modernizing the region's economic structure, promoting sustainable development, and strengthening the capabilities and processes for digital transformation and ecological transition.

The analysis of the economy and social structure of the Balearic Islands emphasizes its heavy reliance on the tourism sector, which is a significant contributor to the region's GDP. While historically a key economic driver, this sector also presents vulnerabilities, as highlighted during the COVID-19 pandemic and, more recently, with an anti-tourism sentiment by local residents. The region aims to evolve towards economic diversification and modernization, focusing on emerging sectors grounded in technology and knowledge. Against this background, key strategic actions under the S3 include fostering excellence in sustainability and the circular economy, promoting innovative businesses in various sectors like green energy and digitalization, and enhancing public-private cooperation for open innovation and knowledge transfer.

The *S3 for the Illes Balears 2021-2027* outlines clear objectives for diversifying and modernizing the regional economy and establishing a science, technology, and innovation ecosystem aligned with business demands. Key objectives include:

1. Excellence in Sustainability and Circular Economy: Promoting innovative businesses in sustainability, circular economy, green energy, health, digitalization, and tourism.
2. Strategic Business Orientation: Encouraging wellness and quality-of-life tourism through advanced technologies.
3. Open Innovation and Collaboration: Creating cooperative projects between universities and businesses to develop disruptive technological solutions.
4. Digital and Ecological Transition: Driving digitalization and adopting green technologies to transform the regional economic structure.

The table below summarizes the priority areas of the Balearic Islands’ S3 and the key programmes foreseen for their implementation.

Figure 2 Summary of the Balearic S3

RIS3 BALEARES		
STRATEGIC OBJECTIVES	AXIS	PROGRAMMES
1. Diversify and modernise the economic structure of the Balearic Islands	1. Territorial sustainability for economic modernisation	1. Excellence in Sustainability and Circular Economy 2. Promotion of innovative companies in sustainability, circular economy, green energy, health, digitalisation, and tourism
	2. Evolution of the tourism value chain	3. Strategic business orientation towards wellness and quality of life tourism
2. Define and structure the Science, Technology, and Innovation Ecosystem oriented to the demands of the business fabric	3. Knowledge to strengthen the Balearic economy	4. Public-private cooperation for diversity-related and open innovation
		5. Networks and Clusters
		6. Knowledge and technology transfer from the University to companies
3. Strengthen capacities and processes for the digital transformation and ecological transition of the Balearic economy	4. Technologies for digital and ecological transformation	7. Technological Hub 8. Technological development
	5. Innovation management and business Internationalisation	9. Promotion of advanced service companies
		10. Internationalisation of companies in the tourism value chain 11. Training of human capital in open innovation and technological development
4. Enhance the development of emerging activity sectors	6. Emerging transformative sectors	12. Marine Hub
		13. Bioeconomy
		14. Cultural and Creative Industries

## CAIB and the INNOBAL Office – the management body of S3

The S3 of the Balearic Islands is managed by the Dirección General de Innovación y Transformación Digital (General Direction for Innovation and Digital Transformation).

The Oficina INNOBAL, recently developed, is an office dedicated to supporting innovation and competitiveness in the Balearic Islands. The objective of the Oficina INNOBAL is to serve as a hub for coordinating innovation-related activities and providing support to businesses and entrepreneurs. The INNOBAL office offers various services, including certification for innovative SMEs, advanced digitalization programs, innovation management support, and financing advice for R&D projects. INNOBAL also facilitates knowledge transfer from universities to businesses and supports the development of strategic innovation projects in emerging sectors such as biotechnology, circular economy, and blue economy.

## S3 and international activities

The regional government has pursued the international positioning of the Balearic Islands through the S3. In particular, the region is involved in the following Thematic Smart Specialisation Partnerships:

### *Thematic Smart Specialisation Partnerships (TSSP)*

The Regional Government and the local Maritime Cluster are part of the S3 TSSP Maritime Sustainable Blue Bioeconomy. The partnership aims at:

- building capacity to design, implement and evaluate new policies, at different scales, to move towards a sustainable blue bioeconomy
- promoting collective innovation actions to boost blue bioeconomy potential to generate shared value (economic, social, environmental), either by making existing value chains more sustainable or by exploiting the untapped potential of blue bioresources.

### *Regional Innovation Valley (RIV)*

The Regional Innovation Valley (RIV) concept aims to connect regions committed to improving their innovation ecosystems with shared strategic priorities. The RIV initiative seeks to address local challenges while contributing to the broader strategic objectives of the European Union, such as digital transformation, healthcare improvements, and achieving circularity in various sectors. The Balearic Islands have recently been acknowledged as a RIV in the Circular Economy, signalling their commitment to both Internationalisation and circularity.

### *Clusters Meet Regions*

The "Clusters Meet Regions" conference, designed to strengthen regional innovation ecosystems by fostering collaboration between regional clusters and local authorities, will be hosted in Palma de Mallorca in early 2025, with a special session dedicated to Circular Economy and S3.

## Internationalisation Plan

The Internationalisation Plan for Companies in the Balearic Islands (PIEIB) aims to support the international growth of small and medium-sized enterprises (SMEs) in the Balearic Islands. This comprehensive plan includes a variety of actions, programs, and services coordinated by specialized entities to promote business Internationalisation.

**The primary mission of PIEIB** is to streamline and organize the tools available at local, regional, and national levels to aid the Internationalisation of Balearic companies. The plan seeks to present these tools in a coherent and understandable manner, ensuring businesses can easily access and utilize them.

Several key entities are involved in PIEIB, including ICEX Spain and Investments, the Regional Government of the Balearic Islands (specifically the Department of Business, Employment, and Energy, and the Regional Development Agency of the Balearic Islands - ADRBalears), and the Chambers of Commerce and Insular Councils of Mallorca, Menorca, Ibiza, and Formentera.

**The main objective of PIEIB** is to increase the number of exporting companies in the Balearic Islands, encompassing both products and services. The plan aims to expand the external reach of the business sector by diversifying industries and entering new markets. Additionally, it seeks to improve the international competitiveness of Balearic companies, raise awareness about the importance of Internationalisation, and support businesses through various stages of the Internationalisation process—from initiation to consolidation and implementation.

PIEIB targets a diverse audience, including SMEs, entrepreneurs, business and professional associations, student groups, and the broader Balearic society.

**PIEIB's strategic lines** focus on four main areas:

- **Information and Awareness:** Providing basic information about Internationalisation and foreign trade, and sensitizing companies, entrepreneurs, and students about the importance of international trade.
- **Training and Competitiveness:** Enhancing the international competitiveness of companies through courses, seminars, and workshops.
- **International Strategy:** Offering personalized advice, specific consultancy, support programs, human resources development, promotional actions in foreign markets, and guides to help businesses prepare and implement their international strategies.
- **External Markets:** Presenting existing actions, programs, and services for doing business in foreign markets, organizing workshops on specific countries, disseminating business opportunities, providing specialized advice in destination markets, and facilitating business meetings and centres.

To achieve these objectives, PIEIB coordinates various activities and programs, including conferences, talks, presentations, company visits, courses, seminars, workshops,

personalized advice, support programs, financing instruments, and promotional actions in destination markets (such as fairs and missions).

## Initiatives related to circular economy

### 1. Communication campaigns

The **Fundación Impulsa** (Impulsa Foundation) is currently carrying out communication campaigns that foster circularity, such as:

- **Circular Innovation Hackathon**: This event, now in its second edition, seeks to involve young talents to solve real challenges related to the circular economy in 24 hours. Participating companies define challenges in key areas such as water, energy, materials, food, mobility and land-sea management, aligned with the objectives of sustainability and regeneration pursued by the foundation. The competition, supported by the University of the Balearic Islands and sponsored by the Government of the Balearic Islands, will be held in November 2024.
- **Balears Circular Report**: Impulsa has promoted the transition to a circular tourism system, with a focus on five strategic directions that include the management of water, energy and material resources, as well as sustainable mobility and regeneration of the territory. They have organized events such as “Opening the Circular Transit” to present these advances and encourage collaboration between companies and administrations.
- **i|circular Platform**: This new economic-intelligence tool allows continuous monitoring of progress towards circularity in the region, assessing performance in areas such as water, energy, food and materials. The platform provides data to guide the regional strategy and adapt the actions needed to move towards a more circular and resilient system.

### 2. Initiatives by the Directorate General of Circular Economy of the Government of the Balearic Islands

The Directorate General of Circular Economy of the Government of the Balearic Islands has launched several initiatives to promote sustainability and circularity, especially in the tourism sector:

- **Tourism Circularity Law**: As of Law 3/2022, a regulation has been implemented that requires tourist accommodations to adopt circularity plans. These plans include strategies for the sustainable management of resources such as water, energy and materials, and must be updated every five years. The law aims to reduce the ecological footprint of tourism and encourage regenerative practices in the sector.
- **Awareness and environmental education campaigns**: The General Directorate has promoted campaigns to encourage waste separation and sustainable management,

such as “Separar ens uneix” (*Separating unites us*), which seeks to promote the correct classification of waste among both the local population and tourists.

- **Circular Economy Action Plans:** Since 2019, plans have been developed to reduce waste generation and encourage reuse and recycling on the islands. These initiatives are integrated into the overall sustainability strategy, which also includes the creation of the Balearic Waste Agency and the promotion of the circular economy in tourism operations.

### 3. Projects managed by the Department of Waste and Circular Economy.

The Department of Waste and Circular Economy is key regional actor in Circular economy in the Balearic Islands. Its focus lies on managing waste and contaminated soils, as well as proposing strategic projects designed to advance the circular economy. To support these efforts, the department utilizes a variety of key funding mechanisms, including **the Sustainable Tourism Tax**, the **Recovery and Resilience Facility** and regional budgets.

Bellow, some examples of projects funded and managed by the department can be found:

- **Example 1: Calvià (Mallorca) Waste Collection Project**

The project received funding of €755,103.2 to enhance waste management practices. The main objective is to achieve a 50% rate of selective waste collection and a 30% rate of biowaste collection. The initiative includes the implementation of a door-to-door collection system. This project benefits a population of 51,567 people.

This project has been financed with NGEU funds, within the framework of the Support Plan for the implementation of waste regulations and the promotion of the circular economy in the Balearic Islands.

- **Example 2: TIRME, S.A. Biogas Plant Expansion (Mallorca)**

TIRME, S.A., a public concessionaire in Mallorca, received €6,710,850.9 to expand its biogas plant at the Parc de Technologies Ambientals de Mallorca in Marratxí. The project aims to increase the preparation for reuse and recycling of municipal waste to at least 55% by 2025, with a further target of 60% by 2030. The biogas plant produces biogas, which is used to generate electricity, and digestate, which is utilized in aerobic composting. This initiative supports a large population of 914,564 people, contributing significantly to the region's circular economy goals. The funds came from the NEXT GENERATION EU.<sup>6</sup>

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<sup>6</sup> Remarkably, a search for project funded by ERDF regional and national programmes in the period 2014-2020, with circular economy as keyword, produced no results. In otherwords, ERDF funds have not contributed to circular projects in the Balearic Islands. The search was conducted in the Khoesio database.

## 4. Challenges in the regional system: a fragmented approach to innovation, circular economy and internationalisation

The Balearic Islands are navigating a complex landscape marked by governance challenges, an evolving innovation ecosystem, and evolving dynamics in the critical tourism sector. These challenges are not isolated but interlinked and they require integrated and strategic approach.

Based on the fieldwork and analysis conducted, three key categories of challenges have been identified<sup>7</sup>:

- Governance, political and legal
- Structural and infrastructural
- Economic

### Governance, political and legal challenges

#### A Fragmented Governance System

The governance system is highly fragmented, with the public administration operating in silos, with limited communication and coordination across government departments. This has led to limited interaction between the public sector and local stakeholders. To address these bottlenecks, an integrated approach to stakeholder participation is needed, with **sustained coordination and dialogue, particularly during key processes like designing calls for proposals.**

#### Internationalisation: an Approach Currently Focused on Exports only and not on RTDI

Businesses that are interested in expanding into foreign markets often face numerous barriers. These can include a lack of knowledge about the export process, insufficient financial resources, inadequate market research, and complex documentation.

Currently, the regional system addresses Internationalisation mainly from a commercial perspective, lacking an overarching approach to enhancing the international projection of the Balearic Islands. While some important organizations are engaged in international activities, either through commerce for major players in the tourism industry, or through scientific endeavours (such as the local university), there is still no strategic approach to international or interregional collaboration in innovation. Moreover, there is a significant variation in English proficiency across different sectors, which needs to be taken into account when developing plans in support of international collaboration.

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<sup>7</sup> Using analytical tools such as PESTLE, SWOT and Gap Analysis, the main challenges related to innovation and the circular economy, as well as the gaps and opportunities that exist, were identified.

Last but not least, the analysis of the **Cordis and KEEP Databases**, has shown that only a limited number of actors in the innovation system, are engaged in international projects. Among them, the **University of the Balearic Islands** stands out as one of the most relevant actors in international engagement, with a notable number of international collaborations. However, the data analysis, as a whole, reveals a lack of integration of the Balearic Islands in EU initiatives focused on sustainability and the circular economy. The Balearic Islands' limited international involvement hinders opportunities for innovation, knowledge exchange, and access to networks critical for transformative projects like circularity. This isolation also reduces their ability to attract investment and collaborate with regions advancing sustainability.

### **Political Endorsement of Circularity: Need to Leverage the EU Support**

In the political landscape, there is a pronounced need for long-term strategies, and bold visions, that transcend legislative periods and ministerial boundaries. Limited political interest has resulted, among other things, in underutilisation of available funds for circularity. Since European support for circularity appears to be stronger than regional or national support, regional governments and stakeholders can leverage this to their advantage.

### **Legal Concerns: Ensuring Consistencies and Enforcing current Measures**

From a legal perspective, it is essential to ensure compliance with legislation that requires major hotel chains to prioritize the consumption of local products, as this plays a crucial role in supporting the circular economy. Currently, there is a perception that existing circular regulations are not being closely monitored or enforced, leading to inconsistencies in legislation, such as differing requirements for hotels and supermarkets regarding local products. Additionally, it has been noticed by stakeholders that the exemptions for single-use plastics in airports, is a significant inconsistency, considering the substantial impact that tourism has on waste generation. Therefore, there is a need to clarify, for instance, regulations on automatic dosing in reusable packaging.

In addition, conducting carrying capacity studies for all environmental indicators is an essential step for the sustainable management of natural resources and the implementation of policies that promote circularity across various sectors.

## **Structural and Infrastructural Challenges**

### **An Incipient Innovation Ecosystem**

The region is currently confronted with challenges deriving from a **lack of vision and a disconnected business ecosystem**, hindering the path towards a cohesive and innovative economic environment. To address these obstacles, businesses need stronger institutional support and augmented funding for R&D. Efforts should also be directed towards reducing bureaucratic barriers and boosting investment.

Strengthening university-business collaboration is also essential, as **the region noticeably lacks a strong technology infrastructure**, with limited presence of Research and Technology Centres.

More precisely, whilst the region has institutions that support research, innovation and knowledge transfer, and that pursue activities aligned with technology centres, the size and characteristics of such institutions are such that they do not fit under the formal definition of RTOs in the Spanish legal system<sup>8</sup>, as such they are left out of current support programmes and registries.<sup>9</sup>

Moreover, there is a significant disconnect among stakeholders, particularly small and medium-sized enterprises, which are unable to meet the prerequisites for participating in European projects.

### **Gaps in Circular Infrastructure**

It is critical to focus on eco-design and finding ways to overcome challenges in cleaning and recovering reusable materials, with particular emphasis on reusing of plastic items related to recreational beach tourism. Changing production systems and addressing infrastructure gaps for reuse and return are essential, especially due to the high logistical costs connected with being an island.

## **Economic challenges**

### **Tourism Sector Dynamics: Balancing the Economy, Circularity and Local Livelihoods**

The tourism sector in the Balearic Islands requires special attention. The region's economy, heavily relying on tourism, highlights the urgent need for diversification to modernize activities and reduce seasonality. While tourism has been the main economic driver for the Balearic Islands, it has also generated complex dynamics in the livelihood of local citizens, recently manifesting in a wave of protests driven by an anti-tourism sentiment.

Despite these challenges, tourism ecosystem has demonstrated a great initiative and adaptability to meet the demands of circular economy practices. Major private players in tourism have taken initiatives that could drive other sectors toward more circular practices. For instance, the chemical sector, which supports the hotel value chain in its cleaning and maintenance, has shown adaptability and innovation in response to the demands of the circular economy.

Additionally, public measures targeted at the tourism sector, such as recent regulations requiring local food sourcing for the hotel sector, have had significant scale effects,

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<sup>8</sup> The Royal Decree 2093/2008, of December 19, regulates the Technology Centers (CT) and the Technological Innovation Support Centers (CAIT) at the national level. The registry of Spanish RTOs is available here: <https://aplicaciones.ciencia.gob.es/inforct/listadoItemInfoRct.mec>

<sup>9</sup> As indicated in annex 2, several of such institutes, were interviewed as part of the mapping process.

driving change and scaling up sustainable practices. In this context, promoting recycling and reuse, particularly in the hotel industry, is critical to addressing the growing challenges of waste management.

The Balearic Islands beautiful coastlines and natural gifts are an extremely valuable asset and its preservation is essential to local stakeholders for the long-term sustainability of the region.

### **Leveraging Consumers Preference for Circularity**

Market trends indicate a growing demand for sustainable products, driven by resource scarcity, such as water and energy, and increasing consumer awareness of climate change. This shift creates an opportunity to leverage consumer preferences for circularity. However, stakeholders find limited incentives to engage in circular economy practices in a meaningful way.

While there is high potential for social change through changes in citizen habits, economic contradictions, like social inequality and income loss, limit public participation. Many citizens are discouraged from adopting circular practices because **they feel the system relies more on penalties than incentives**, offering little economic return for those who make sustainable choices. As a result, sustainability is increasingly viewed as elitist and expensive, accessible mainly to the wealthy. At the same time, it appears that younger generations are already more aware of zero-waste practices thanks to environmental education in schools.

Significant socioeconomic inequalities play an important role in the lack of preference for circular practices. The already mentioned anti-tourism sentiment, coupled with the reality of overcrowding and mobility system saturation, discourages public's perception for sustainability. Addressing socioeconomic disparities remains a significant priority to ensure that circularity benefits are accessible to all.

Due to the archipelago nature of Balearic Islands, where importing resources is highly costly due to geographic constraints, promoting local and seasonal products could not only address these issues and enhance competitiveness, but also reduce reliance on external suppliers. Fostering agreements among tour operators to prioritize local products could reinforce the local economy and contribute to a sustainable circular model.

## **5.A vision and an action plan for innovation, internationalisation and circular economy in the Balearic Islands**

Once the challenges faced by the Balearic Islands had been identified and analysed in detail, as described in section 4, which highlights the context and the key barriers to be overcome by the region, the focus of the assignment moved on what should happen next.

The reflection on these aspects with stakeholders culminated in two key outcomes:

- A shared **vision** for innovation and circular economy in the Balearic Islands
- An action plan to pursue that vision.

Both outcomes are reported below.

## Vision statement

*By 2030, the Balearic Islands will focus on establishing a connected and collaborative ecosystem to drive innovation and the circular economy. We will prioritise economic diversification and sustainable tourism transition, which will have a positive impact on the remaining sectors, improving energy autonomy as well as water and waste management. These efforts will lay the foundation for strategic international positioning.*

## Action Plan

The desired state for the Balearic Islands by 2030 envisions the region as a reference in innovation and circular economy at an international level. Based on the fieldwork and participatory actions with stakeholders, the following short and middle-terms actions have been identified.

Needless to say, the following actions need to be weighed against the staff and resources currently available in the public administration, as well as the political commitment

### Short-term Actions (2024-2026)

#### 1. Empower the Innobal Office and other relevant offices to coordinate on the following:

- **Clear Funding Identification:** Implement a transparent process for identifying funding sources, across government departments, clearly outlining amounts and target recipients.
- **Awareness and Communication Strategies:** Develop and deploy comprehensive communication strategies to raise awareness about the benefits of innovation in the circular economy and relative opportunities.
- **Business Community Engagement:** promote the development of a committed business community focused on circular economy principles, through fairs, networking events, recognition programs, etc.
- **Support and Documentation Preparation:** Assist companies and organizations in preparing documentation for funding applications.

#### 2. Integrate Local Stakeholders in Governance

Actively involve local stakeholders in the governance of Smart Specialisation Strategies (S3) and circular economy instruments and initiatives. This includes forming advisory committees and working groups to (among other things):

- Monitor and understand evolving situations.
- Identify and address shared challenges.
- Develop a portfolio of actionable strategies inspired by successful models from other regions, such as Catalonia.

It is essential that **stakeholders are closely involved in the development of policy instruments** and are allowed to provide feedback as calls are developed.

### 3. Improve Intelligence for Innovation and Circular Economy Policy

- **Mapping Innovative and Circular Patterns:** Conduct comprehensive mapping exercises to identify hidden or potential innovators, with a focus on circularity, within the region.
- **Technological Infrastructure Coordination:** Enhance access to and coordination of existing technological infrastructure (local, national and EU). This involves creating databases of available resources and facilitating connections between stakeholders.
- **Peer Reviews and Benchmarking:** Conduct peer reviews with other islands and regions to benchmark progress and adopt best practices, exploiting available opportunities (see for instance Policy Learning Platform).
- **Technological Centers Mapping:** Map technological centres in Spain and the EU to identify potential partners and resources. Create a centralized repository of this information for easy access by regional stakeholders.

### 4. Integration in Regional Collaboration Networks and EC Activities

- **S3 CoP Participation:** Actively participate in the Smart Specialisation Strategies Community of Practice (S3 CoP) activity, including the Conference, to network with peer regions and other RIVs.
- **Cluster Meet Regions Initiative:** utilise the forthcoming event CMR in early 2025, strategically, to advance the circular positioning of the region.
- **Networking Activities:** Participate in other networking activities, such as ERRIN working groups, to expand the region's collaborative network and leverage shared knowledge and resources.

## Mid-term Actions (2026-2030)

### 1. Building Competences for Innovation Policy and Sustainability

- **European Projects Participation:** Increase participation and presence in European projects. Develop a strategic plan for identifying and applying to relevant projects.

- **National Contact Point:** Establish a Horizon Europe national contact point in the Balearic Islands to facilitate communication and coordination among stakeholders.

## 2. Actions in Support of Circularity

- **Support Local Produce:** Implement policies and measures that prioritize local produce, extending beyond the tourism sector to support and promote local agriculture and other industries. Create incentives for businesses to source locally.
- **Enhance Water Infrastructure:** Invest in and improve the public water network and infrastructure to ensure efficient water management. This includes upgrading facilities, implementing water-saving technologies, and promoting sustainable water use practices.
- **Address Circular Infrastructure Gaps:** Identify and address gaps in circular infrastructure to support the transition to a circular economy. This involves investing in facilities for recycling, reusing materials, and waste management.

## 3. Administrative Simplification

- **Streamline Processes:** Review existing procedures and identify areas for improvement. Simplify administrative processes to make them more efficient and user-friendly for applicants/beneficiaries/stakeholders.

## 4. Proactively Engage in EC-funded Opportunities for Interregional Collaboration

- **Interregional Collaboration:** Actively seek out and engage in European Commission-funded opportunities for interregional collaboration. Instruments such as the Regional Innovation Valleys (RIV), European Industrial Ecosystem, and Interregional Innovation Investments (I3) are at the forefront of the current policy landscape. The Balearic Islands should prioritize forging strong connections and integrating into relevant European value chains to enhance regional innovation and competitiveness.

## 5. Valorise Innovation in the Circular Economy in Forthcoming Programming Period

- **Strategic Alignment:** Ensure that circular economy principles are central to the region's strategies, partnerships, agreements, and programs as the preparation for the next programming periods start. The focus on innovation and circularity is central to align with EU policy directions, enhancing the region's ability to support industrial transitions and promote sustainable development.

By prioritizing these actions, the Balearic Islands can position themselves at the forefront of innovation and circular economy, leveraging EU support to build a resilient, competitive, and sustainable regional economy.

## 6. Next steps: the critical role of political commitment

Political commitment is crucial for implementing circular economy initiatives, as it underpins the creation of supportive policies, allocates necessary resources, and fosters cross-sector collaboration essential to transforming traditional economic models into sustainable, resource-efficient systems.

In the case of the Balearic Islands, political commitment is **essential to foster dialogue and coordination across regional ministries** that are currently not coordinating sufficiently and address the fragmented governance structure described above.

Following the development of the road-map, a meeting between regional political representatives and the European Commission, was organised to discuss possible actionable steps, which are summarised in the box below.

*Box 1 Formal political commitment towards S3 and circularity in the Balearic Islands*

**Short-Term Actions (2024-2026)**

1. **Strategic Document for Public Sector Alignment (2025):**
  - In Q1 of 2025, a strategic document will be prepared to unify public sector efforts. It will be discussed within RIS3 Governance bodies and approved by the Monitoring Committee for deployment within 2025.
2. **Business Community Participation:**
  - **Innovative Cluster Ecosystem:** A plan to promote and consolidate innovative clusters will be created in Q1 of 2025.
  - **Cluster Meet Regions Event:** Scheduled for 2025 to foster cluster collaboration.
  - **Entrepreneurial Discovery Process and Thematic Tables:** These will be launched within RIS3 Governance in 2025 to support innovation and cluster development.
3. **Involving Local Actors in Governance:**
  - Multiple thematic roundtables will be organized within RIS3 Governance and PDE to engage local stakeholders.
4. **Enhancing Intelligence for Innovation and Circular Economy:**
  - **Identifying Hidden Innovators:** Cluster networks and roundtable participants will be utilized to identify innovative actors.
  - **Peer Reviews and Knowledge Exchange:** Projects like Digital Islands and regional cooperation networks (e.g., IslanDIHs) will facilitate peer reviews.
  - **Technology Centre Mapping:** The website will be updated with a national directory of technology centers, and companies will have access to innovation support through a single access point.
5. **Integration into Regional and EU Collaboration:**
  - **S3 Community of Practice:** Two Innovation Service members will attend at least two events per year.
  - **Cluster Meet Regions Initiative:** The Cluster Meet Regions event will be organized in 2025.
  - **Networking Commitment:** Two Innovation Service members will attend at least two networking events annually

**Medium-Term Actions (2026-2030)**

1. **Skill Development for Innovation and Sustainability:**
  - **Participation in European Projects:** A strategic plan will be formulated by end-2025 to secure relevant project participation within RIS3 Governance.
  - **Regional Contact Point for Horizon Europe:** A regional contact point in the Balearic Islands will be established to support Horizon Europe initiatives, ensuring that the Innovation Service's Head of Business Section has the necessary autonomy.
2. **Support for Circularity:**
  - **Promotion of Local Products:** Actions will align with recent legal developments to support circularity and local product initiatives.

While there is a clear and vital commitment to the actions outlined, it is essential to ensure **these intentions translate into concrete political measures** that embrace and amplify the vision and needs voiced by stakeholders. In this regard, **the commitment to developing a strategic document that unifies public sector efforts is particularly welcome and crucial for advancing the roadmap.** Such a document must reflect not only administrative coordination but also cohesive political alignment. There is a strong demand from stakeholders for strategic positioning, which can be effectively leveraged through bold and decisive political action.

