

## Action plan

for the Development of environmentally friendly  
business and innovation support system



in Vidzeme Planning Region,  
Cesis, 2019

## ACRONYMS USED

<b>CSCC</b>	Cros-Sectoral Coordination Centre
<b>ERDF</b>	European Regional Development Fund
<b>EU</b>	The European Union
<b>GHG</b>	Greenhouse gas
<b>ICT</b>	Information and communication technologies
<b>LALRG</b>	The Latvian Association of Local and Regional Governments
<b>LIDA</b>	Latvian Investment and Development Agency
<b>LR</b>	The Republic of Latvia
<b>LRATC</b>	Latvian Rural Advisory and Training Centre
<b>MEPRD</b>	The Ministry of Environmental Protection and Regional Development
<b>MES</b>	Ministry of Education and Science
<b>MoE</b>	Ministry of Economics
<b>NDP</b>	National Development Plan
<b>RATIO</b>	Interreg Europe project <sup>1</sup>
<b>R&amp;D</b>	Research and development
<b>RSS</b>	Rural Support Service
<b>RTU</b>	Riga Technical University
<b>SME</b>	Small and medium-sized enterprises
<b>SSO</b>	Specific support objective
<b>VEC</b>	Vidzeme entrepreneurship centre
<b>ViA</b>	Vidzeme University of Applied Sciences
<b>VPR</b>	Vidzeme Planning Region

<sup>1</sup> <https://www.interregeurope.eu/ratio/>

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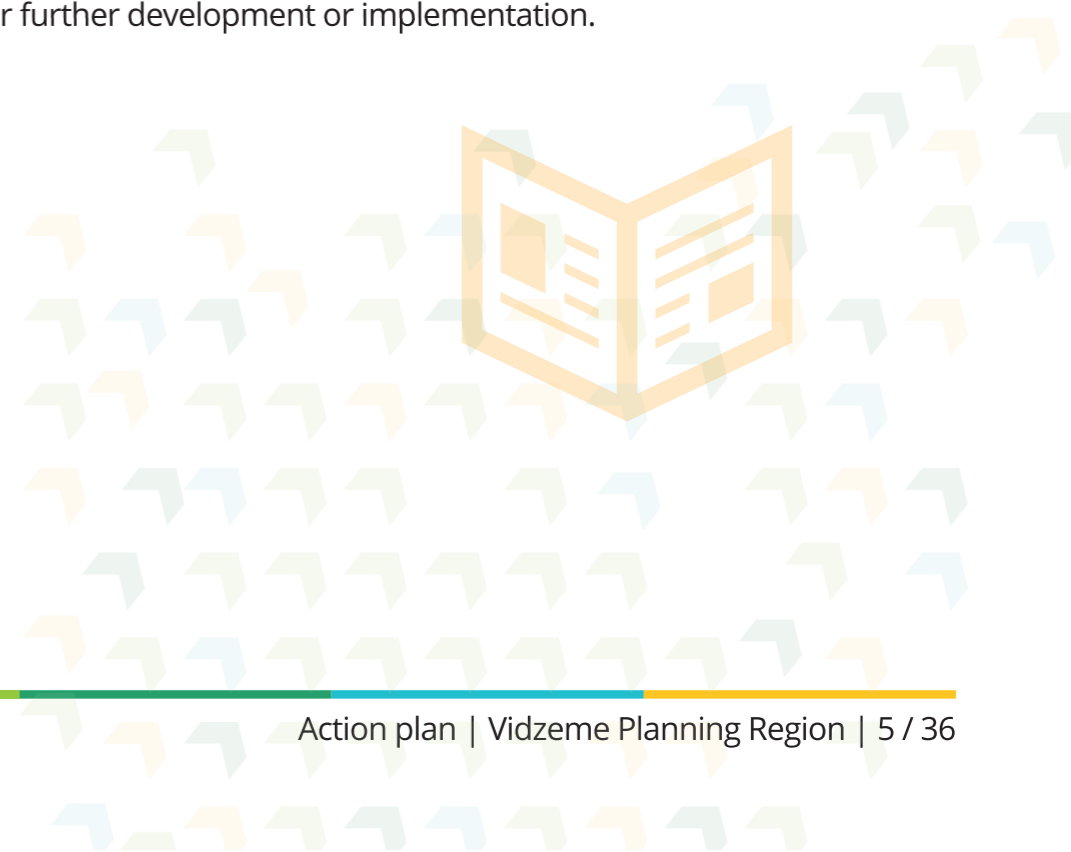
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## Introduction

### Purpose of the developed Action Plan

The purpose of the Action Plan is to improve business and innovation support instruments at both Latvian and Vidzeme Planning Region level (hereinafter - VPR), as well as to develop the Latvian eco-system of innovations to promote the development and internationalization of eco-innovative small and medium-sized enterprises (hereinafter - SME). **The achievement of the target is characterized by the number of companies which, with the support of the state/region, develop environmentally friendly innovations.** All of the actions and activities contained in this document are a result of an exchange of experiences and self-assessment carried out within the framework of the project between the partners of the SUPER project and the working group.

The Action Plan describes the planned actions over the next two years (Surveillance Phase or Phase 2 of the project SUPER from 1 April 2019 to 31 March 2021), which the Project Promoter (VPR) and other stakeholders in the project commit to carry out in order to improve innovation support policy instruments in Vidzeme Planning Region/Latvia. The purpose of this document is to reflect the experience gained during the implementation of the project and the good practices/know-how of other countries, and describe how in the form of specific actions it will be implemented at regional and national level during Phase 2 of this project. The Action Plan also includes recommendations for actions identified by the project team as necessary, but which, in line with the requirements of the interregional cooperation program INTERREG EUROPE 2014-2020, do not affect the policy instrument directly, however, are relevant to the improvement of the eco-innovation and innovation support system as a whole. This is equally important for VPR, as many identified eco-system problems directly affect the development of eco-innovative enterprises and the use of business support tools. The project team has included them to give the independent reader a better idea of what additional actions will help to increase the number of innovative businesses in the region and also support their activities in external markets. Also, the project team thought it was important to document the experience and knowledge gained in this project and discussed in the working group for further development or implementation.



## Section I - General information


**Project:** SUPER  
**Partner organisation:** Vidzeme Planning Region  
**Country:** Latvia  
**NUTS2 region:** Vidzeme  
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## Section II – Context

The Action Plan will have an impact on: Operational programme “Growth and Jobs”

Title of the policy instrument affected: Support measures for the 1.2.1. Specific Support Objective “Increase private sector investment in R&D” of the Operational Programme “Growth and Jobs”

 **Project objective:** To develop environmentally friendly business and innovation support systems in partner regions

 **Expected results and impact of the project:**

- Improved co-operation model for eco-innovative SMEs and innovation support organizations (based on triple helix principles)
- Improved support policy for regional, eco-innovative SMEs
- In cooperation with experts and members of the working group, an action plan based on the needs of the region has been developed, which is also the basis for moving towards a common bioeconomy development strategy of the Nordic countries.

**Performance indicator that is planned to be affected** - a number of enterprises applying for the support provided under Purpose of specific support (hereinafter – SSO) 1.2.1. programmes.

**Additional information:** The document was drawn up on the basis of Sustainable Development Strategy 2030 of Vidzeme Planning Region<sup>2</sup>.

<sup>2</sup> [http://jauna.vidzeme.lv/upload/MIDZEMES\\_PLANOSANAS\\_REGIONA\\_ILGTSPEJIGAS\\_ATTISTIBAS\\_STRATEGIJA.pdf](http://jauna.vidzeme.lv/upload/MIDZEMES_PLANOSANAS_REGIONA_ILGTSPEJIGAS_ATTISTIBAS_STRATEGIJA.pdf)

In order to develop an action plan for promoting eco-innovation and its internationalization, the partners of the SUPER project have carried out several activities and studies, which have served as the basis for all the proposals for action included in the document:

### **A survey of eco-innovative SMEs was conducted**

As a result of the interviews, it was concluded that eco-innovative SMEs in Latvia most often do not recognize themselves as environmentally friendly companies and face the same challenges as other innovative entrepreneurs. In interviews with entrepreneurs on support mechanisms for the internationalization of eco-innovations, experts found out, that also other support instruments, besides SSO 1.2.1 specified in the project, have direct impact on successful promotion of new products in the market. The International Competitiveness Promotion Programme was particularly highlighted. Businesses mentioned the co-financing of costs for their participation in exhibitions as the most important support for the internationalization of eco-innovation:

Measure 3.2.1.2 “Promotion of International Competitiveness” of the SSO 3.2.1 “Increase the exports of high added value products and services” of the Operational Programme “Growth and Jobs”

The International Competitiveness Promotion Instrument, as a result of assessment of both the views of entrepreneurs and the vision of project experts, was recognized as one of the most successful support tools for the development of eco-innovations introduced by Latvia. Therefore, areas of improvement for further development of this instrument have also been identified.

### **A survey conducted for local ICT industry enterprises at the international conference ShareIT**

According to the interviews and performance evaluation of SMEs, it was identified within the framework of the project that ICT industry is an area whose development particularly promotes implementation of innovation and eco-innovation, and increases the competitiveness of companies in external markets. It is also a sphere of VPR and Latvian smart specialization with horizontal impact. In the last 10 years, the region has developed both the offer of higher education and the companies that operate in this field. The solutions they offer enable companies to use resources significantly more effectively and contribute to the development of eco-innovations. Therefore, in the development of future recommendations, the support mechanisms and internationalization needs of the ICT sector, which are different from the manufacturing sectors, were assessed. This is necessary to promote the development of ICT-based eco-innovations.

On October 5, 2018, a survey of entrepreneurs working in the ICT sector was held at the ShareIT 2018 conference, which identified the most important public sector activities to promote entrepreneurship in the region. Most respondents emphasized the promotion of new product development, incl. through public innovative or green procurement, as well as ensuring data openness. These aspects are not covered by the specific objective of the Operational Programme, therefore activities should be addressed in further discussions with policy makers and executive representatives, including the development of new tools

In second place, the respondents ranked the necessity to develop co-working infrastructure (not only premises and equipment, but also qualitative events on industry trends), and the third topicality was to attract talented players from ICT industry to Vidzeme region, providing comfortable living conditions, etc., and the next one, almost as topical need, was to attract more ICT students in the Vidzeme Planning Region.

### ✔ Working group meetings and discussions with stakeholders:

Several advisory meetings have been held with support institutions in Latvia, as well as several joint working group meetings with businessmen, regional research institutions and public sector representatives. These discussions focused on the challenges of the past, tested opportunities to improve collaboration and exchange of information between the participants of the triple helix system.

### ✔ Cross-border good practices and their transferability

The experience identified within the project, provided valuable ideas for project experts in developing an action plan. The support tools used by several partners for the entering in the foreign markets, the Irish business support system model, and the evaluation of the Danish support system and the on-going reforms gave a number of ideas for further implementation in Latvia. The Dutch model of cooperation between triple helix stakeholders may not be immediately transferred, as the parties involved are still developing cooperation models, but it provides an idea of what type of cooperation might be effective in the region in about 10-15 years.

*Learning about aspects that should not be done.*

Even though the project team has adopted the positive experience, a number of aspects have been identified in activities in partners' regions, which the project team has found valuable and worth putting down as conclusions to bring them up later in other initiatives in order to prevent similar mistakes in Latvia.

One of the conclusions from Lithuania's activities with support instruments, when evaluating an impact of eco-innovations on environment in a separate project implemented by one merchant, is that it is possible to support technologies or solutions that are generally not environmentally friendly. Therefore, Lithuanian colleagues recommended to evaluate eco-innovation applications to the support programmes in line with the circular economy approach and to evaluate full life-cycle of the product, instead of some part of its production process – this idea was appraised by the project's working group as a valuable conclusion.

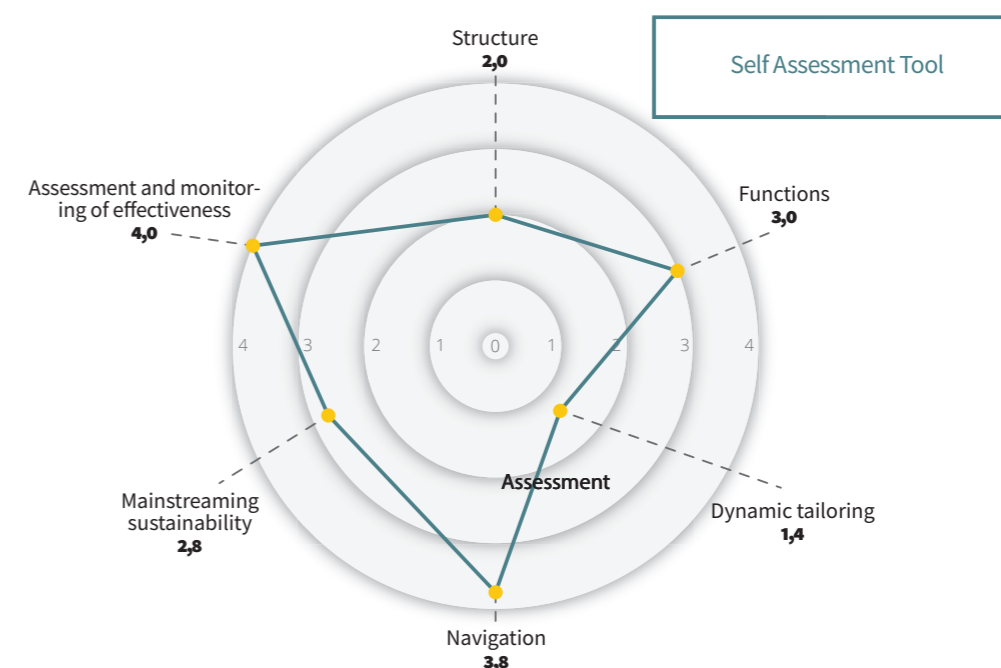
Conclusions were drawn also after assessment of the Danish support system – several regions in Denmark have identical support programmes, meaning that their administration is unnecessary waste of resources. Project experts conclude that also in Latvia a very decentralized system would be inappropriate, therefore the proposals will focus on influencing decisions that are important for the region rather than decentralization of resource administration.

### ✔ Self-assessment of eco-innovation support system

Developing new products through research services requires substantial entrepreneurial resources. SMEs that only work in one small market like Latvia have difficulty recovering the cost of developing this product afterwards. Therefore, the development of products in Latvia should be evaluated immediately taking account the possibility to sell in several small or one big market, so that innovations become economically profitable. There is also a global tendency for an increasing number of companies to integrate into global supply chains and internationalization is becoming an important opportunity as international cross-border trade grows and national specialization areas develop. Therefore, the SUPER project application also includes a plan for a **comprehensive** assessment of the eco-innovation support system. Its methodology was developed by the researchers of the leading consulting partner the Linköping University in Sweden, who included in the methodology a range of factors that characterize the services provided by support institutions. The purpose of this self-assessment was to highlight successful examples of support for SMEs, while evaluating the eco-innovation internationalization support system, to identify opportunities for improvement in the support system, and to learn from the experience of other regions. The goal – to increase private sector investments in R&D – included in the policy instrument that can be influenced is essential, nevertheless it is only one of elements in the assessment of the support programme. The self-assessment covered all the factors influencing the provision of support, and the conclusions were presented in a chart where six areas, identified by the researchers as key areas, were evaluated with a score from 0 to 5. In the stakeholder discussions, self-assessment was evaluated as one of the greatest project benefits for the development of eco-innovation support system.

The Assessment Report<sup>3</sup> is available publicly on the VPR website [www.vidzeme.lv](http://www.vidzeme.lv). The graphical chart (Picture No.1) created as a result of the evaluation shows the most significant weaknesses of the system - shortcomings of the Latvian support structure and supports the non-compliance of the instruments with the needs of the developers of eco-innovations.

Picture No 1. Self-assessment of support structure in Latvia.



<sup>3</sup> [http://jauna.vidzeme.lv/upload/SUPER/SUPER-InterregEurope-pasnovertejums-ekoninovacijuatbalsta-sistema-self-asesment-VPR-ecoinnovations\\_2018.pdf](http://jauna.vidzeme.lv/upload/SUPER/SUPER-InterregEurope-pasnovertejums-ekoninovacijuatbalsta-sistema-self-asesment-VPR-ecoinnovations_2018.pdf)

The structure of the support system assessed the tools and donors in the region. When evaluating the situation in Latvia, it was concluded that the number of organisations is large, but the biggest shortcomings identified in the previously mentioned assessment were lack of stable and predictable funding of support organisations. One more conclusion drawn as a result of evaluation of the current support system is that ecosystem actors providing services to support innovation and technology transfer of SMEs are not sustainable in their operations. Their activities are largely dependent on project funding, so the constant availability of these services is a problem that needs to be solved, because, to be honest, policy instruments funded by European Union (hereinafter - EU) projects do not address this crucial problem. The solutions proposed by the project team are reflected in the Action Plan below.

One more conclusion - there are multiple shortcomings in the work of the support organizations. For example, number of support instruments are operating apart from each other rather than complementing each other. The other major identified weakness is that there are no support tools in Latvia that would promote the creation of eco-innovative products. A number of initiatives to improve the environment have been organized within the timeframe and with conditions defined in competitions that motivate organizations to purchase products that have already been approved. It was possible to pilot technologies in the climatic conditions of Latvia in the programmes that are already operating elsewhere, but deadlines and requirements were set so that the development of new products in such a competition was only possible by adapting products produced elsewhere.

Low score was given also to system's suitability for eco-innovation support needs and experimenting possibilities. There is little opportunity for donors to develop their own programs or tailor the support to the needs of the entrepreneurs. Support is quite unified and the tools are rarely tested and no flexible support programmes are being developed that would adapt to the interest and needs of entrepreneurs.

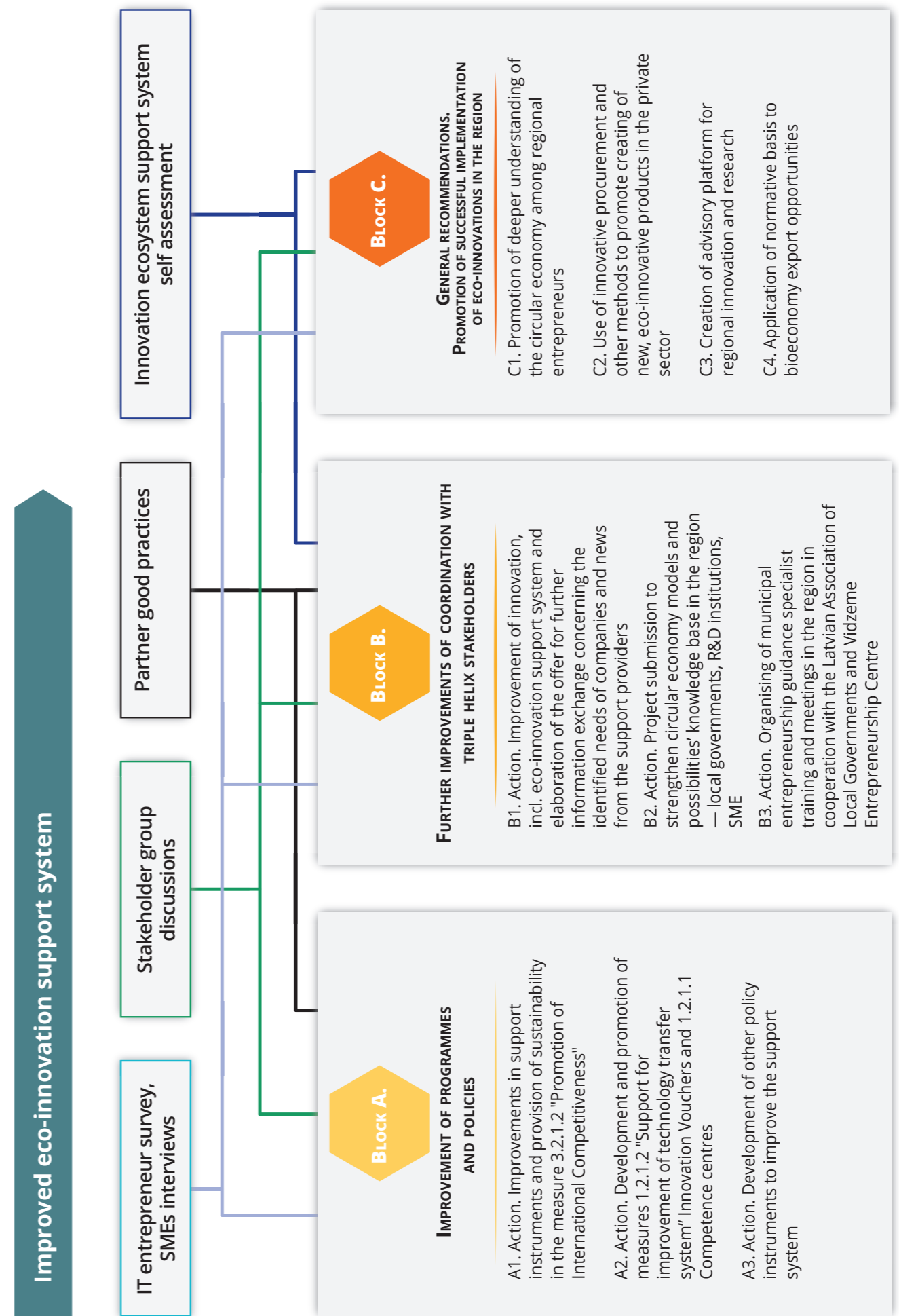
When evaluating information circulation needs, the surveyed experts and entrepreneurs pointed out that a better coordinated information system should be created for promoting SME support system news. It was concluded that it is necessary to inform about training possibilities, about participation opportunities in projects, and the system could be used to send invitations, submit applications and communicate similar information.

Examples from other countries show that a more decentralized information system promotes better knowledge of local businesses and to develop not only more appropriate support tools but also more accurate information materials. Experience from other countries during visits to partners, shows that entrepreneurs within one region are able to obtain support information during just a few conversations, because the institutions are concentrated in single regional support centres<sup>4</sup>.

One of the main conclusions, when evaluating the eco-innovation support ecosystem in Latvia, is that, for the most part, environmentally friendly companies face the same challenges as any innovative company, so it is concluded that in case of Latvia not only specific support tools need to be improved, but common challenges typical of innovation eco-system must be addressed. This, among other things, is very important for purposeful promotion of the development of eco-innovative enterprises.

The scheme summarizes the project implementation activities and their impact on the actions proposed in the plan.

<sup>4</sup> <https://www.localenterprise.ie/>, <https://www.enterprise-ireland.com/en/>



As mentioned above, the project's actions focus on the improvement of concrete support instruments and achievement of performance indicators. The result indicator defined by the VPR project is the number of SMEs applying to 1.2.1 support programmes.

Measure 1.2.1 of the specific support objective "Increase private sector investment into R&D" of the policy instrument Operational Programme "Growth and Jobs" include the following support mechanisms:

- Measure 1.2.1.1 "Support for development of new products and technologies in competence centres"
- Measure 1.2.1.4 "Support for introduction of new products into production"
- Measure 1.2.1.2 "Support for improvement of technology transfer system"

The project partner Vidzeme Planning Region (hereinafter - VPR) is not a direct implementer of policy instruments or rule maker, therefore its proposals should be submitted to the policy implementer - the Ministry of Economics (hereinafter -MoE) of the Republic of Latvia (hereinafter - LR), whose representatives are delegated to participate in the project working group, and to the Latvian Investment and Development Agency (hereinafter - LIDA), which introduces two of the three instruments of the specific support objective.

During the project, the project team consulted with both institutions on a regular basis, representatives of the institutions participated in MoE meetings, and the information obtained during the project realization was also submitted to them.

#### Further action to meet the needs of the region is to be developed in the following blocks:

**Block A. Development of recommendations for the improvement of programmes and policy instruments.** The project has identified various good practices in other countries that can be taken over to improve similar programs and policies.

**Block B. Strengthening of the triple helix cooperation at regional level.** In order to improve the national innovation, int.al. eco-innovation support system to the needs and capabilities of regional entrepreneurs, it is essential for the VPR to strengthen cooperation with the developers and implementers of the support instruments -MoE, LIDA, Altum, as well as universities/research institutions, etc.

**Block C. Other activities required for successful promotion of implementation of eco-innovations in the region but at the moment are lacking resources in the current budget of VPR.** The needs of entrepreneurs – main implementers of innovations – are often complex and may not be resolved by changing just one policy instrument. Therefore, the Action Plan also outlines aspects for which the VPR will seek additional funds and cooperation partners to coordinate further development of the region in the development and internationalization of effective systems. There is also a need to continue the on-going dialogue to promote the implementation of identified solutions / initiatives.

#### Organizations involved

- Vidzeme Planning Region - partner organization
- Ministry of Economics - support instrument policy maker in Latvia, VPR partner for evaluation of new ideas. The institution also develops new tools for national innovation finance support for entrepreneurs.
- Latvian Investment and Development Agency - introduces existing support programmes, organizes information events on a number of 1.2.1 financing opportunities for entrepreneurs.
- Ministry of Environmental Protection and Regional Development (hereinafter – MEPRD) – supports with ideas for activities to promote innovation in the region and engages in the development of an action plan.
- Central Finance and Contracts Agency - informs entrepreneurs about the support programmes it manages.
- Ministry of Agriculture - responsible for the development of the Rural Development Programme, which also affects non-agricultural entrepreneurs.
- Rural Support Service (hereinafter – RSS) - administers the instruments of the Rural Development Programme
- The ICT cluster unites entrepreneurs who develop new products in the ICT field and facilitate their entry into export markets, and also organize industry hackathons with ICT companies.
- Higher education and research organizations active in the region.
- Business support organizations.
- The Latvian Association of Local and Regional Governments (hereinafter – LALRG) has participated in discussions and made proposals for actions to be included in the action plan and involvement in them.
- Municipalities of the Vidzeme region have participated in discussions on the assessment of the situation and actions to be included in the action plan
- Small and medium-sized enterprises (hereinafter – SME) have evaluated the system and made suggestions about potential improvements during the interviews.

The plan also includes actions that the working group has highlighted as necessary to encourage greater involvement of entrepreneurs in the internationalization of eco-innovation.

## Section III — details of the planned actions

### Block A

#### IMPROVEMENT OF PROGRAMMES AND POLICIES

##### A1. ACTION. IMPROVEMENTS IN SUPPORT INSTRUMENTS AND PROVISION OF SUSTAINABILITY IN THE MEASURE 3.2.1.2 „PROMOTION OF INTERNATIONAL COMPETITIVENESS“

###### A1.1. Experience acquired in the project and substantiation of the action

It was identified already in the application stage of the project that eco-innovations need a support for selling the innovative products. When evaluating the support system, one needs to have a comprehensive look at the innovation support system that does not amount to support scheme for a single direction. It requires support instruments for innovations in SMEs in form of a constant and long-term funding to strengthen the sustainability of the innovation support system. Such stability is required also in the institutional environment, so that the accumulated experience and knowledge for cooperation with enterprises would not disappear. The enterprises point out in their interviews that unpredictability of the support instruments makes it harder to implement more risky projects, return of which can be assessed only years not months later. It was concluded from the working group discussions of the SUPER project and as a result of the self-assessment that Latvia has a distinct trend of unsustainable and EU fund-dependent support available for the entrepreneurs. One of such programmes is “Promotion of International Competitiveness” SSO 3.2.1.2.

Support for entering the foreign markets was evaluated in the interviews with entrepreneurs as the most successful instrument of innovation internationalization<sup>5</sup>. During the interviews on the support instruments that promote internationalisation of eco-innovations the entrepreneurs highlighted issues of the programme for promotion of international competitiveness (SSO 3.2.1.2), because the funding available to it and implementation mode support the enterprises in accessing the markets most successfully. Return on participation in fairs in the process of organising the export appears only in a course of several years. The interviewed companies point out that regular presence in central fair is important for a number of industries. If the company wants to develop only one new market, it must attend fair/fairs at least 3-4 times. Therefore, the project team found the support instrument SSO 3.2.1.2 to be the best practice for the support of eco-innovations. Government of the LR states it also in the planning documents:

*SSO 3.2.1: To increase export ratio of products and services with high added value. Implementation of SSO will contribute to solving problems related to small and medium enterprises, identified in the Baltic Sea Region under strategies of the European Union — to promote cooperation including to promote business activity in sectors with high growth and innovation potential, including elaboration of eco-innovations.<sup>6</sup>*

<sup>5</sup> Interviews with SMEs within the framework of the SUPER project, February-March 2018

<sup>6</sup> <https://www.esfondi.lv/upload/Planosana/dp.pdf>

Currently it is intended to support approximately 1,000 enterprises with the international competitiveness instruments, but in 2013 there were already 4,000 exporting<sup>7</sup> companies in Latvia. If some part of them uses the support for more than once during the support period, it can be assumed that the number of enterprises receiving the support is not extensive. This support is especially appraised by the new entrepreneurs, because their luck in export depends on the ability to prove themselves to the partners outside Latvia. As shown by the interview with industry players conducted by the report authors, part of these enterprises has currently joined clusters that have funds for activities in external markets, but also these instruments have time restrictions and they are mainly based on the financial support from EU funds. Therefore, further channelling of funding for external market support programme will be one of key issues to be solved in Latvia (currently the regulatory enactments have outlined the finalisation of the programme in mid-2019). Within the framework of improvements to the action plan, the following information was already published in LIDA website in September 2019:

*Since the funding available to grants from the Project for activities taking place between 1 May 2018 and 30 April 2019 is limited to 3,574,964 EUR, we want to stress that the funding for grants allocated to activities taking place after 30 April 2019 may be unavailable<sup>8</sup>.*

At the same time, when evaluating the programme for market development, the entrepreneurs pointed out that the last amendments to the justified expenses of the programme have considerably reduced the eligible costs of the programme (does not cover travel expenses of entrepreneurs until destination, reduced support intensity etc.). Therefore, the working group of the project proposes to repeatedly evaluate the range of eligible costs and reinstate covering of travel expenses for enterprises. Plane tickets until the venue is a considerable part of costs related to entering new markets. Information learned during the project shows what cost item in Article 37.3 of Regulation No 678 of the Cabinet of Ministers of 1 December 2015 “Regulations on implementation Operational Programme “Growth and Jobs”, specific support objective 3.2.1 “Increase export proportion of products and services with high added value”, measure 3.2.1.2 “Promotion of International Competitiveness” makes a considerable part of the costs, therefore amendments of 7 August 2018, which exclude it, may have an adverse effect on companies’ potential in developing new markets.

Experience of other project partners also confirms an observation that it is crucial to support development of external markets. Support for development of external markets and internationalization is provided also in Ireland, Greece, Netherlands through trade missions. Governments of Lithuania and Poland not only support participation in fairs, but also provide financial support to elaborate enterprises’ export strategies. Support to the countries is partly provided by the Enterprise Europe Network (EEN), and additional support is provided by each of them, although with different instruments. The working group found experience in Poland and Lithuania particularly valuable; they provide support in creating the external market development strategy, attracting skilled external market advisers.

In order to promote the support system that is favourable for entrepreneurs, VPR has raised national level discussions with decision makers to urge them to find a solution as soon as possible to channel additional funding and thus promote sustainable innovation. VPR has identified several possible changes, which has to be considered for implementation

<sup>7</sup> [https://www.bank.lv/images/stories/pielikumi/publikacijas/petijumi/p\\_6\\_2015\\_lv.pdf](https://www.bank.lv/images/stories/pielikumi/publikacijas/petijumi/p_6_2015_lv.pdf)

<sup>8</sup> <http://www.liaa.gov.lv/lv/fondi/2014-2020/starptautiskas-konkuretspejas-veicinasana/u> – information in February 2019.



and to achieve the goal recommendation letters and discussions has to be organized and thus promote a sustainable innovation support system.

### A1.2. Activities to implement the action

- To submit a letter with proposals to the Ministry of Economics and LIDA regarding a necessity for additional funding for further activities in the Operational Programme "Growth and Jobs", specific support objective 3.2.1 "Increase export proportion of products and services with high added value", measure 3.2.1.2 "Promotion of International Competitiveness".
- To submit a letter with proposals to reinstate SSO 3.2.1 to co-finance the excluded cost item 37.3 (co-financing of travel costs) of the Regulation No 678 of the Cabinet of Ministers of 1 December 2015 "Regulations on implementation Operational Programme "Growth and Jobs", specific support objective 3.2.1 "Increase export proportion of products and services with high added value", measure 3.2.1.2 "Promotion of International Competitiveness".
- To submit proposals both in a letter and during a specially organized meeting to the Ministry of Economics and LIDA to include also elaboration of external market strategies or consultations in future activities, because experience shows that some companies spend resources in attending fairs and promoting the products not suitable for the market.

### A1.3. Stakeholders

VPR - responsible for introduction of actions; Ministry of Economics, LIDA - evaluate the received proposals. Industry associations, clusters, regional municipalities participate in meetings within the framework of their competence.

### A1.4. Time schedule

March 2019 - March 2020

### A1.5. Potential costs

expert fee

### A1.6. Funding sources

VPR budget, co-financing of SSO 3.2.1, budget of the Ministry of Economics and LIDA

## A2. ACTION. DEVELOPMENT AND PROMOTION OF MEASURES 1.2.1.2 „SUPPORT FOR IMPROVEMENT OF TECHNOLOGY TRANSFER SYSTEM” INNOVATION VOUCHERS AND 1.2.1.1 COMPETENCE CENTRES

### A2.1. Experience acquired in the project and substantiation of the action

#### Innovation vouchers (SSO 1.2.1.2)

Support instruments similar to innovation vouchers are available in Ireland. A need for voucher improvements, to be more precise - more intense support and changes in the support mechanism - were identified during the interviews of the SUPER project. The experience gained in the Project meeting in June 2018 in Ireland was a good example, later planned and proposed in meetings with the partners in September to be introduced also in Latvia. Representatives of Latvian SMEs in interviews highlighted two reasons why they do not use innovation vouchers: scope and conditions of support are not related to innovation voucher as such, for example, problems with legislation hindering business development, possibilities to absorb resources in programmes administered by the Rural Support Service which have easier requirements, in opinion of the entrepreneurs. Therefore, a similar innovation support programme for development of new products in the Rural Support Service is used to much larger degree (more than 3.5 mio EUR from RSS support fund were reserved for 2019).

Meanwhile, amendments to the Regulation No 692 of the Cabinet of Ministers of 25 October 2016 "Regulations on implementation of the Operational Programme "Growth and Jobs", specific support objective 1.2.1 "Increase private sector investments into R&D ", measure 1.2.1.2 "Support for improvement of technology transfer system". Best practice in Irish region identified within the project RATIO (hereinafter - RATIO) of Interreg Europe implemented by VPR was taken into account when making the amendments, because the main conclusions and recommendations of the project were submitted for evaluation to the Ministry of Economics. As a result, LIDA introduced changes in October 2018, taking into account proposals provided by VPR in the project RATIO concerning introduction of the first "free of charge" voucher in SMEs, as well as a need to increase general support intensity. Therefore, the identified improvements in the SUPER project are no longer binding since their goal has been achieved.

Nonetheless, five months after increasing the support intensity, simplification of contract, and implementing of RATIO conclusions (situation in February 2019) only one merchant applied from Vidzeme and one more applicant, who was encouraged by VPR representatives to consider using the innovation voucher to develop the company, has been identified.

In the previous planning period, offering similar grant to SME in Lithuania, Lithuanian companies submitted 1,407 applications and implemented 776 projects within three years (2012-2014)<sup>9</sup>. Incomparably smaller number of applications in Latvia in a course of two years (slightly above 20) and feedback from the entrepreneurs show that the circumstances impeding use of innovation voucher could more likely be related rather to availability of information and evaluation of implementing authority as a cooperation partner from the perspective of the entrepreneurs.

<sup>9</sup> <https://mita.lrv.lt/en/national-r-d-programmes/innovation-vouchers>

When gathering the aforesaid information, the experts have come to conclusions that the main line of action will be promotion of the instrument among entrepreneurs and monitoring of merchant engagement. The project group also concluded that the enterprises often do not use innovation vouchers due to inaccurate, outdated information (what kind of support tools are available, cannot follow-up changes), therefore a successful progress of next action block of activities to boost engagement of entrepreneurs in measures of their interest is essential. Only an efficient distribution of tasks allows addressing Latvian entrepreneurs in most suitable and targeted manner.

In March 2019, during the project partner meeting in Utrecht the representatives from the Ministry of Economics of Germany reported similar experience. By attracting PR companies, addressing enterprises more efficiently and organising related campaigns in events organised by the German trade chambers, the Ministry achieved that several dozens of applicants applied to the announced eco-innovation competition to receive grants. The activity was introduced at the end of 2018. Having heard actual conclusions of the Latvian party, also other partners pointed out that much larger emphasis must be put on promotion of the instrument.

During the recent years Lithuania has introduced several mechanisms to promote eco-innovations and included the support both for technological and non-technological innovations, for example, employee training and attraction of advisers. Lithuanian colleagues pointed out that it is important to use suitable assessment criteria — this best practice and recommendation will be used also in the action plan for Vidzeme.

In competitions of eco-innovation projects, when evaluating merely the processes in one company, it is possible also to support projects that are not environmentally friendly in life-cycle taken as a whole. With a view on the recent conclusions about eco-innovations, the institutions must obtain information about full life-cycle of the product when evaluating the projects — according to the circular economy approach. Only then the support can be received by the most environmentally friendly projects. Adopting this best practice from Lithuania in projects that are not intended only for eco-innovations, the experts offer to include evaluation of full life-cycle of the project when assessing the innovation vouchers for projects that are eco-innovative. It will force enterprises to pay more attention to eco-innovations. Currently a similar practice with additional evaluation is pursued also in business incubator support programme.

#### ✔ **Competence centres (SSO 1.2.1.1)**

One of the main problems identified in the project was the low ratio of using the competence centre's offer. Interviews with enterprises revealed that it is not being used, because, as the interviewed persons pointed out, they have faced a shortage of funding in the programme<sup>10</sup>. Many enterprises stated that they have not been informed about such programme.

New round of funding applications was announced by the competence centres in autumn 2018; available funds are 37 million Euro (round 4). Currently the main challenge is resolved. However, when evaluating the performance of the competence centre by regions in January 2019, it turned out that out of 191 projects implemented in previous rounds, only

<sup>10</sup> Interviews of SUPER project with SMEs between February and March 2018 are available in VPR

one project comes from Vidzeme, besides the company implementing the project is owned by a group of shareholders residing and working in Riga. This statistic calls for a discussion with representatives from the Ministry of Economics and administration of the competence centres to come to an agreement on how the regional enterprises could be involved in the programme more intensively. So far, as discussions in the working group show, place of companies' registration in territory of Latvia was not analysed in the programme of competence centres, so the analysis included only data concerning industries represented. Currently, owing to the activities of the SUPER project, this aspect is noticed not only by the Ministry of Economics, but also the MEPRD and the Ministry of Education and Science (hereinafter - MES), because representatives of mentioned ministries were participating and heard the conclusions.

Working group of the project concluded that much larger emphasis must be put on promoting competence centres as policy instruments to achieve the desired number of enterprises applying for the support.

#### **A2.2. Activities to implement the action**

- To supplement the Regulations on selection of support receivers, providing a support to the Operational Programme "Growth and Jobs", specific support objective 1.2.1 "Increase private sector investments into R&D", measure 1.2.1.2 "Support for improvement of technology transfer system" within the framework of the support for innovation vouchers in the activity and accounting of the provided support" with a criterion that, when providing the support, enterprises with a positive impact on environment are preferred when making the assessment of full life-cycle;
- To involve VPR units and other support providers to raise awareness of entrepreneurs and use the improved instrument when informing about events organised by the support providers in the region (e-mails, website, social media) and offering consultations for enterprises in Vidzeme Entrepreneurship Centre (hereinafter - VEC);
- PRC must individually address potential innovators to encourage them reconsider the offer of national authorities and to see if it could help them to develop more rapidly;
- VPR must organise informative meetings and electronic communication with LIDA units and other entrepreneurship guidance providers about the necessary activities or potential customers. To cooperate in organising shared informative activities for enterprises in the region, reaching at least 150 potential applicants in Vidzeme;
- To assess improvements of innovation voucher, introduced in mid-2018. To monitor behaviour of entrepreneurs constantly, incl. by means of VEC activities to get feedback on suitability of amendments for the needs of the entrepreneurs;
- VPR must prepare assessment of innovation voucher programme in Q3 2019. If necessary, to prepare proposals for improvement of the instrument in cooperation with SMEs in the region (in cooperation with clusters actively operating in the region);
- VPR must continue to monitor the situation on a half-year basis regarding the number of applications from the regional enterprises in the programme of competence centres in 2019. To continue looking for reasons why the merchant engagement in the project is so low.

### A2.3. Stakeholders

VPR - initiates meetings and provides informative support to the regional enterprises; requests and analyses data on merchant engagement in programmes from the responsible institutions; MoE, LIDA, Altum, within the framework of their competence, organise events and summarise information about program activities, incl. by regions.

### A2.4. Time schedule

March 2019 - March 2020

Q1 2019, Q1 2020 - to compare information about absorption of programmes.

### A2.5. Potential costs

expert fees, event organisation costs

### A2.6. Funding sources

VPR budget, SSO 1.2.1.2 activity resources

## A3. ACTION. DEVELOPMENT OF OTHER POLICY INSTRUMENTS TO IMPROVE THE SUPPORT SYSTEM

### A3.1. Experience acquired in the project and substantiation of the action

#### Development of ICT sector

This line of activity is based on the analysis of SME interviews, first stakeholder group meetings and following a due diligence of ICT sector needs in the region. It was identified that ICT technologies provided almost all identified eco-innovative solutions in the Vidzeme region companies. Good practices of partners were discussed during stakeholder meetings and ICT was often mentioned as important part of eco-innovative companies. Therefore decision in stakeholder group meeting was taken to focus attention on how ICT sector and technologies can be better utilised to develop eco-innovations in Vidzeme, especially when using support measures 1.2.1. for innovation in companies. By developing ICT based eco-innovations it is expected to increase the number of eco-innovative SMEs. ICT sector was identified as one of the smart specialisation priorities in the Sustainable Development Strategy 2030 in Vidzeme Planning Region.

OECD points out that regional productivity in future will be strengthened by strong industries that are exporting services<sup>11</sup>. On the basis of the Cork Declaration<sup>12</sup> supported by the European Commission, which states that rural development and economy will increasingly be based on digitalisation, and on the basis of interviews during implementation of the SUPER project, experts carried out an in-depth analysis of the role of ICT sector and digitalisation in eco-innovations.

The interviewed companies from Vidzeme region reported innovations based on digital technologies to be most topical and environmentally friendly. Firstly, in addition to the environmental benefits they usually allow reducing the prime costs of the product or service. Secondly, introduction of them in the company usually has economic grounds. Project experts also made an in-depth assessment of needs and possibilities of ICT sector concerning development of eco-innovations in Vidzeme. ICT sector representatives pointed out in the interviews and survey that they do not use support instruments for development of new, environmentally friendly products mainly because the projects are implemented gradually and without support. Others develop their projects in line with certain customer orders. Representatives from regional companies emphasize that a number of other support types from the public sector are more important for a successful outcome. Public innovative procurement, which has been included in the recommendation section of this action plan, was especially emphasized. Project experts in the region did not manage to identify enterprises from the ICT industry, that would find interventions of the Operational Programme "Growth and Jobs", specific support objective 1.2.1 "Increase private sector investments into R&D" suitable for development of their company. Enterprises from Riga and Riga vicinity are represented in the ICT Competence centre.

The surveyed entrepreneurs pointed out that activities that they would expect from the public sector would be related to a support to coworking and joint activities, meaning not only provision of infrastructure, but also attraction of good lecturers, organising of networking events and support in establishing contacts — mentioned as important aspects for the industry to strengthen its recognisability in the nearby regions and also Europe.

<sup>11</sup> <http://www.oecd.org/cfe/regional-policy/Edinburgh-Policy-Statement-On-Enhancing-Rural-Innovation.pdf>

<sup>12</sup> [https://ec.europa.eu/agriculture/sites/agriculture/files/events/2016/rural-development/cork-declaration-2-0\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/events/2016/rural-development/cork-declaration-2-0_en.pdf)

Representatives of ICT companies in their interviews made it clear that conferences such as ShareIT that can attract industry players from other regions must be organised at least once a year.

The entrepreneurs also expect active support from the local governments in attracting the new specialists — for example in case of moving to this particular location the family should receive support and help specialist's children to find a new educational establishment. It is equally important to grant scholarship to students learning with excellence etc. Such support from the local government would allow attracting new students, employees and talents, who would later develop companies in the region and beyond.

Information about needs identified in the interviews and surveys by the ICT industry players, will be forwarded by VRP representatives to the local governments, other public sector stakeholders representing ICT sector, and will evaluate the available resources to engage in organising events of international scale that would promote digitalisation and development of ICT industry in Vidzeme.

### ✔ Instruments for development of new eco-innovative products

From discussions with representatives of other regions in joint meetings in Ireland and Lithuania, VPR representatives have arrived at a conclusion that the support instruments present in those countries and devoted especially to eco-innovations is best practice worth transferring to Latvia, too.

In the partners' meeting in Ireland the Lithuanian representatives presented five different instruments for eco-innovation support. Majority of project partners admitted that without creating individual instruments eco-innovation projects are supported also by other innovation support programmes, however, strong attention from the policy makers to eco-innovations push enterprises to evaluate not only the commercial value but also environmental impact of their projects. Also, by introducing specifically oriented support instruments, more projects are submitted particularly in the eco-innovation sector, because availability of support encourages the enterprises to think more purposefully about such projects, i.e. "green" projects.

Not all countries, when evaluating programme participants, currently consider full life-cycle analysis of the intended project. Lithuanian representatives pointed out that it is planned to be integrated also in future support schemes, because current evaluation criteria allow granting support to projects that are environmentally friendly only in short section of the life cycle, for example, in the merchant's company, but in general its sale does not give the desirable benefits for the public and does not reduce environmental pollution, because the risks have been transferred from one section of the life-cycle to another.

Experts have concluded that also Latvia should urge the companies to pay attention not only to energy efficiency, which currently have several individual supporting activities, but also to elaborate other innovative environment solutions. For this purpose one must create new support instruments at the national level, but it will not be possible to include them in the version of current National Development Plan and Operational Programme, because majority of resources available to the programmes have been allocated to the enterprises within the framework of current competitions and elaboration of new programmes in this time schedule is virtually impossible. New programmes are being elaborated right now and these proposals and best practice should be taken into account when drawing up the National Development Plan for the next period.

### A3.2. Activities to implement the action

- VPR must prepare proposals on promotion of eco-innovations from the funds intended for environmental protection and GHG emission reduction (at least 1 letter) proposing to create a separate support instrument to promote eco-innovations. To focus the instrument specifically on analysis of full life-cycle to prevent transfer of harm from one section of life-cycle or environmental sector to another. VPR will submit this proposal to the MEPRD.;
- VPR must support events of international importance in the region to an extent possible;
- VPR must inform the public sector partners about needs of ICT sector when meeting and working with the municipal and national institutions;
- To present examples of best practice of ICT-based eco-innovations to the industry and policy makers to raise awareness of importance of such entrepreneurship (2 presentations in thematic activities);
- VPR must prepare proposals based on the needs of the entrepreneurs in the region and submit them to the Ministry of Environmental Protection and Regional Development to improve "Digital Strategy for Entrepreneurs".

### 👥 A.3.3. Stakeholders

VPR - responsible for submission of proposals, the MEPRD, the MoE, CFCC - will evaluate the submitted proposals, VPR will participate in project meetings, inform local governments about conclusions to help them improve their development strategies.

### 📅 A 3.4. Time schedule

March 2019 - March 2020

### 💰 A 3.5. Potential costs

expert fees

### 💰 A 3.6. Funding sources

VPR budget, project resources, Greenhouse Effect Gas (GHG) emission resources

## FURTHER IMPROVEMENTS OF COORDINATION WITH TRIPLE HELIX STAKEHOLDERS

### B1. ACTION: IMPROVEMENT OF INNOVATION, INCL. ECO-INNOVATION SUPPORT SYSTEM AND ELABORATION OF THE OFFER FOR FURTHER INFORMATION EXCHANGE CONCERNING THE IDENTIFIED NEEDS OF COMPANIES AND NEWS FROM THE SUPPORT PROVIDERS.

#### B1.1. Experience acquired in the project and substantiation

One of major steps in the project was mapping of the support institutions and assessment of the function provision carried out by the experts. As a result, the project experts identified several shortcomings, which are likely to prevent the expected results of the performance of eco-innovation system in regions outside Riga.

Firstly, Latvian innovation system is funded from the EU funds, but system elements are almost completely dismantled after each planning period or when the support project is finished. For example, experience accumulated in the Green Technology Incubator that was an efficient support instrument for eco-innovations in Latvia theoretically is still possessed by universities that created it, but the most important resource — staff, which established relationships and managed the processes — work for the organisation only partially, besides with different activities, because it was not possible to find additional funds to maintain the created structure. Therefore, the resources invested in the ecosystem are not being used to the maximum, because a lot of time and energy is spent on creating structures, introducing new regulations of activities, entering into contracts etc. that does not support enterprises' development. Transformation of business incubator programme lasted more than a year, before the enterprises again had incubation services available in their new form.

Sustainability would allow using further support instruments more efficiently and in a way that is more predictable for the entrepreneurs. The largest problem is non-sustainability of the system that VPR, most probably, will not manage to solve within the framework of the project, nevertheless it wants to pay a special attention.

However, by evaluating the functions systemically, experts have identified several, performance of which in the region is either incomplete or unavailable in some territories. From poorly represented Vidzeme region:

- networking and partnership support;
- technological/technical consulting;
- future scenario prediction, creating of roadmaps, communication of technology development forecasts to entrepreneurs in the region;
- creation of feedback with enterprises regarding further lines of development and necessary support;
- commercialisation of technologies.

Importantly, there is no organisation responsible for coordination of services or events in the region, that would allow accumulating knowledge about needs in the region and handing them over for planning at the national level. In a course of the project we have identified that tasks and roles of support providers in Latvia are not clearly defined. We have a strong national support system, but it is restricted in its capacity to cooperate with several dozens of thousands of Latvian enterprises.

Ministries responsible for innovation support (the Ministry of Education and Science and the Ministry of Economics) have currently created positions for coordination of smart specialisation, but their capacity to maintain a qualitative dialogue with entrepreneurs in regions is restricted by distance and available resources that the stakeholders can allocate. One of ways to narrow the number of persons to be addressed is to communicate with clusters as representatives of enterprises' interests. In Germany all enterprises are members of trade and industry chambers. In Latvia enterprises do not widely engage in clusters (it is shown also by conclusions arrived at by the Ministry of Economics in the project Clusters<sup>313</sup>, therefore it is difficult to ensure efficient cooperation with entrepreneurs. Meanwhile in Vidzeme region there are 26 municipalities, where the local executive power directly cooperates with enterprises in infrastructure issues relevant to them, through territory planning and development. Vidzeme planning region is responsible for development of transport and several territory development planning projects. Such cooperation, supplemented by a transparent system and information sharing structure at the level of state-regions-municipalities, would allow providing more suitable support to enterprises.

Currently cooperation among different support providers (national and municipal organisations) is created for start-up support services in the business incubators and to attract investments, but in the area of innovations the cooperation with previously established small and medium enterprises is rarely proactive both from part of universities and national support institutions. One of the most active support providers in the region is Altum, which is also evidenced by the large number of support applications from the regional enterprises. But Altum functions do not include creation of ecosystems, required to successfully create innovations in the regions (trust, cooperation, shared activities among researchers etc.). Therefore, on the basis of self-assessment prepared by the project, experts have concluded that more responsibilities and possibilities must be delegated to Vidzeme planning region, which embraces all local governments.

Merchant interviews highlighted considerable diversity of needs. Needs of an entrepreneur who is looking for skills to start entrepreneurship and whose goal is to offer a service or products in the local market differ from those of another entrepreneur who commercializes results of a scientific research and whose expected customer is foreign enterprises and whose product can enter the market only after certification (within 2-3 years), and final development is possible only in cooperation with product buyer/user company. Ambitions of the entrepreneur are also dictated by the needs (whether the product will be offered in close vicinity, will export markets will be sought, will it compete with existing products having a lower price or with brand etc.). Support systems in other countries offer different support service providers to entrepreneurs with varied profiles.

<sup>13</sup> [https://www.interregeurope.eu/fileadmin/user\\_upload/tx\\_tevprojects/library/file\\_1530858025.pdf](https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1530858025.pdf)

Experience of Ireland shows<sup>14</sup> that the national support system must have rather constant and stable performance in a long-term. Support instruments that are necessary in each larger local government to promote entrepreneurship differ from those that are required by innovative and rapidly growing enterprises, therefore support centres in the local governments must have a clear roadmap to know to what enterprises and what support can be provided by the local centres.

Irish Tipperary county can be considered similar to Vidzeme, as they have similar challenges — also this region is situated close to the Capital region, therefore the experience of the region was especially useful.

Ireland has introduced bi-level support system, where each region has one entrepreneurship guidance centre - Local Enterprise Office, which provides simplified information to the entrepreneurs concerning where to turn for any support instruments. But, innovation-oriented companies are supported by Enterprise Ireland with 1-3 centres in each region. Similar support has been created also in Denmark, with two support centres in each region, bringing together all support providers. Regions of both countries are similar by size, population number and density, therefore this experience was noted in particular.

Clearer system of service providing and information circulation (evaluating it from the perspective of company) will ensure more efficient cooperation between the support providers and companies, according to their needs. It is especially important, because the Saeima, elected at the end of 2018, has confirmed a new government, which has promised to implement administratively territorial reform, which might change responsibility areas among institutions, and it also elaborates next document of the planning period — National Development Plan that should be based on such analysis and proposals.

Presentation in Denmark about assessment of Danish support system and future models gave a lot of information about operation of the support system that VPR also considered in its mapping. The model used in Denmark, where each region creates their support programmes, after 10 years led to a situation of doubled support instruments in the regions and relatively high spending on administrative structures from the public resources. As a result of the assessment Denmark decided to create support instruments at the national level, but leave locally available support instruments for the beginners and to place national support instrument consultation units/entrepreneurship guidance centres physically in each region. All employees of regional level, who worked with the enterprises, continued working in the new legal structures to ensure keeping of the accumulated knowledge and contacts.

Given the research done in Latvia and partner regions, it was concluded that it is appropriate for the scale of Latvia to create support schemes at a national level with availability in all regions by means of structural units that establish and maintain contacts with the enterprises. It is similar in partners' countries, Lithuania and Ireland, where innovation support programmes are created at the national level, yet having regional business support units, similar to customer service centres that are currently being established by Altum and business incubators of LIDA (equivalent to Irish Local Enterprise Office and Enterprise Ireland). Rural Support Agency structures and Latvian Rural Advisory and Training Centre (hereinafter - RATC) as entrepreneurship experts also operate in the local governments. Therefore, we need a close cooperation among national, local and regional units to improve support instruments in line with the needs of regional merchant development.

One of conclusions in the project RATIO that assessed SME innovation system in the

region reveals that there is no unified information system for comprehensive information, especially about most important support instruments for innovation, including technological competence. We know that currently LIDA is working at creating a data base that would integrate at least the knowledge of the public sector of Latvia, but due to various reasons sometimes SME prefers private or foreign research institutions.

On the basis of the research carried out in the project, the experts offer to merge regional innovation support institutions in a single organisation/unit under supervision of the region to make sure that the enterprises, just like in other countries, can receive all support instruments in a single regional organisation and to strengthen role of municipalities and region in creating entrepreneurship ecosystem. To offer regional institutions to undertake responsibility for setting up an entrepreneur community in the region and coordination of services of all support providers.

### **B1.2. Activities to implement the action**

- To promote the draft mapping of innovation support system prepared within the framework of the project (support functions to be provided at various administrative levels) to improve the new administratively territorial reform draft;
- To submit mapping proposal to institutions responsible for planning — coordination centres, the MEPRD, the MoE, the MES. To submit the prepared proposals and conclusions for using them in preparing of the National Development Plan for the next periods;
- VPR must participate in at least two discussions on the essence of proposals. To discuss the prepared proposals with project stakeholders and other institutions that provide support to SME.
- VPR must engage in project LARS (Learning among regions on smart specialisation <https://www.lars-project.eu/>) implemented by the MEPRD based on quadruple helix approach. To evaluate best practices in the project in order to implement them in the region. VPR must participate in finding out the conclusions and best practices from the LARS project — participation in at least 2 meetings organised by the MEPRD.

### **B1.3. Stakeholders**

VPR, Institutions which are responsible for entrepreneurship and innovation ecosystem support in Latvia, ministries, CFCC.

### **B1.4. Time schedule**

March 2019 - March 2021

### **B1.5. Potential costs**

expert fees

### **B1.6. Funding sources**

VPR budget, LARS project resources

<sup>14</sup> Discussions and presentations from experience exchange event in Ireland, June 2018 and <https://www.localenterprise.ie/>

## B2. ACTION. PROJECT SUBMISSION TO STRENGTHEN CIRCULAR ECONOMY MODELS AND POSSIBILITIES' KNOWLEDGE BASE IN THE REGION — LOCAL GOVERNMENTS, R&D INSTITUTIONS, SME

### B 2.1. Experience acquired in the project and substantiation

Successful cooperation among the researchers, SME and local governments' representatives can be established in targeted, shared activities. Successful practices in other countries are shown by institutions that promote entrepreneurship, which are established by triple helix partners — universities, regional municipalities and enterprises. For example, a partner from Netherlands — Economic Development Board Utrecht — was established on the basis of triple helix model. The organisation finances the support activities for eco-innovative companies from ERDF funds and from budgets of regional representatives.

Meanwhile, the best practice that was seen in Denmark — Biopro — is based on a trilateral contract (universities, public regional authority and enterprises) and invests in creation of new high-risk enterprises featuring a global potential with a support from ERDF.

Even though in future Vidzeme might have a similar type of support model, currently neither universities nor municipalities have sufficient resources to co-finance such institutions or new support instruments, but such cooperation model is very desirable and should be supported.

A branch of Altum, financial institution of national support provider, operates in Vidzeme, which gradually expands its support instruments to include also eco-innovations (energy efficiency etc.), but present activities are not intended for promoting the circular economy. Therefore, within the framework of the SUPER project, a conceptual model of circular economy promoting project has been elaborated and discussed with all triple helix stakeholders.

Currently the entrepreneurs have pointed out that they would like to cooperate in the circular economy area by setting up a team of experts that could help to find out and evaluate the products and processes in the region from the perspective of the circular economy. This team should work in close cooperation with the researchers (involve researchers), as well as transfer the newly acquired knowledge to improve training of new specialists. Conceptually, the partners have agreed on support of enterprises in bioeconomy area, timber processing, food and tourism sectors.

Draft conception has been prepared within the framework of the project and with a help of stakeholders to draw up an application to the LIFE programme and receive a financial support for development of the circular economy. The goal of the project is to help SME to evaluate suitability of products and processes for the principles of circular economy, teach the leading employees and prepare VPR entrepreneurs for the future challenges that might appear as mandatory EU level requirements or standards in partnering countries.

During phase 1 of the project, Ostergotland regional administrative board introduced idea of action in their region - implementation of circular economy project. There is local funding available for these types of projects, so the lead partner was able to implement it right away. There is no similar funding sources in Latvia, but EU Life programme has one of the priorities to promote circular economy and activities involving circular economy development. Considering that similar circular economy project, aimed at strengthening of SME knowledge base at the regional level is being introduced by a project partner from Sweden (Ostergotland regional administrative board), it was concluded that an activity of this kind is useful and meets the interests and needs reported by the companies.

This project will pilot cooperation between involved researchers and companies, which currently have no collaboration, therefore will contribute to one of the project objectives - to improve cooperation between triple helix. If cooperation is successful more companies will submit potential applications for innovation project funding under measures 1.2.1. as they will know about opportunities provided by researchers, which have delivered training or services to them during the project.

### B2.2. Activities to implement the action

- VPR improves project application according to requirements of LIFE programme requirements, in cooperation with potential project partners;
- To evaluate alternative programmes where the project can also be submitted, if it is not approved in the LIFE programme;
- VPR and other partners contact potential foreign partners (consortium);
- The project is submitted for funding in the LIFE programme appeal;
- If confirmed, VPR will introduce the project in the region, in cooperation with triple helix stakeholders.

### B2.3. Stakeholders

VPR - responsible for final elaboration of project application and involvement of partners, incl. participation of regional universities (RTU Cēsis branch, and ViA).

Representatives from SMEs and local governments engage in the project and co-act in implementation of project according to their interests after project confirmation.

### B2.4. Time schedule

March 2019 - March 2021

### B2.5. Potential costs

Experts' remuneration for preparation of final version of project application and submission, VPR co-financing for project implementation.

### B2.6. Funding sources

VPR budget, LIFE programme or other support programmes

## B3. ACTION. ORGANISING OF MUNICIPAL ENTREPRENEURSHIP GUIDANCE SPECIALIST TRAINING AND MEETINGS IN THE REGION IN COOPERATION WITH THE LATVIAN ASSOCIATION OF LOCAL GOVERNMENTS AND VEC.

### B3.1. Experience acquired in the project and substantiation

When analysing the meetings (both SUPER project management groups and meetings of other Interreg projects) where municipal entrepreneurship consultants participated, it was concluded that enterprises can receive very different scope of support, and to some degree it depends also on knowledge of specialists.

When assessing the support system, the working group discovered that some municipalities in Vidzeme do not have entrepreneurship guidance specialist, thus it complicates implementation of any coordinated projects in entire Vidzeme. In others, to the contrary, the local government is very active, and entrepreneurs receive good support, issues of interest for entrepreneurs are coordinated and solved, inviting representatives from various institutions to provide information and organising events and competitions for enterprises to promote and support innovations.

In Danish model, presented during the meeting of the SUPER partners in Copenhagen, in November 2018, one could clearly see that all its municipalities ensure similar interventions. Denmark intends to unite range of services provided both by municipalities and state to make it easier to find the available programmes and cooperation networks. Local governments, similarly to Latvia, are autonomous and they can choose the most suitable support model individually. Therefore, the working group believed that information exchange among municipal specialists would improve the quality of services provided to regional enterprises, at the same time increasing also quality of services available to representatives of eco-innovative enterprises. Now, each local government has essentially different duties, implemented projects and different capability to provide services to the enterprises.

Mapping elaborated within the framework of the SUPER project identifies the services that must be provided by the local government to the enterprises and services that can be received in other organisations. Informative meetings of that kind have led to a situation where the stakeholders can better understand how to cooperate with other support providers, so that entrepreneurs operating in the municipality can receive the available services and find out about their availability also in their local government.

Experience exchange and training directions identified as required for specialists in the local governments will be related to finding out entrepreneurship guidance needs, being aware of services provided by support institutions, ability to use procurements and other instruments to promote entrepreneurship in the local government. After first measures it will be possible to identify also other topical issues worth more detailed attention.

### B3.2. Activities to implement the action

Training and best practice sharing for the entrepreneurship guidance specialists in local governments in cooperation with the Latvian Association of Local Governments. At least 2 events organised within one year.

#### B3.3. Stakeholders

VPR, Latvian Association of Local Governments, support provider organisations

#### B3.4. Time schedule

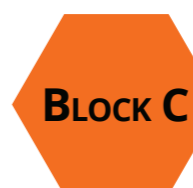
March 2019 - March 2021 — at or seminars

#### B3.5. Potential costs

Premises, coffee breaks, project management and coordination costs

#### B3.6. Funding sources

VPR budget



## GENERAL RECOMMENDATIONS. PROMOTION OF SUCCESSFUL IMPLEMENTATION OF ECO-INNOVATIONS IN THE REGION

### C1. PROMOTION OF DEEPER UNDERSTANDING OF THE CIRCULAR ECONOMY AMONG REGIONAL ENTREPRENEURS

#### C1.1. Experience acquired in the project

Like the partnering country Spain (Murcia region), also Latvia introduced energy efficiency support programmes for entrepreneurs during previous years (funding from Altum, seminars for informational awareness, public sector has provided support to energy audits and introduction of new technologies). Now is the right time to take the next step to promote/introduce circular economy mind-set. It would get SMEs activities ready for future challenges and planned EU activities, which are already integrated in the regulatory framework or approved common action plans of Europe concerning environmental protection and circular economy. For example, in October 2018, a prohibition adopted in the European Parliament on use and sale of certain disposable products such as straws etc. as of 2020. With timely preparation the entrepreneurs can adjust their activities and take advantage of these changes to turn them into opportunities. A considerable support is planned for elaboration and implementation of the circular economy business models during the next planning period<sup>15</sup>. The entrepreneurs must prepare projects timely to use the support possibilities.

Spanish partners plan to elaborate circular economy promotion plan during the SUPER project, while VPR wants to draw up a joint project application to receive funding for creating a knowledge base in the region concerning technological audits, including by strengthening triple helix approach and engaging not only enterprises but also representatives from universities and local governments. Representatives from Murcia region, within the framework of current policy instruments of Spain, already implement trainings on eco-innovations and plan to specify them to promote circular economy mind-set.

It is recommended to the region to organize regular seminars / conferences to promote understanding of circular economy. Both VPR and the Latvian Association of Local Governments and research institutions, and waste managers must be involved in implementation. Action B2 is one of steps towards this goal, however we need a larger number of projects and measures to enhance the impact in the region.

<sup>15</sup> [https://ec.europa.eu/growth/industry/sustainability/circular-economy\\_en](https://ec.europa.eu/growth/industry/sustainability/circular-economy_en)



## C2. USE OF INNOVATIVE PROCUREMENT AND OTHER METHODS TO PROMOTE CREATING OF NEW, ECO-INNOVATIVE PRODUCTS IN THE PRIVATE SECTOR

Even though the European Commission has emphasized the role of the innovative public procurement, Latvia virtually has no examples where any public authority or local government would have successfully used this procurement type to elaborate new solutions. Nevertheless, its importance is emphasized by experts of eco-innovation industry in Latvia, and several strategic planning documents, including Smart Specialisation Strategy, mentioning active engagement of public sector in testing innovative products as the second development opportunity to successfully introduce Latvian business products in the market.

At the same time in experience exchange in Ireland one could see that even a country that is considerably wealthier and has double the population of Latvia cannot provide economic substantiation for using individual technologies in the territory of the state, therefore the first project of biogas technology is implemented in Great Britain, even though product elaboration, all scale tests and research have been funded and supported in Ireland. In Latvia's case international cooperation is also important, because in the experts' opinion the Baltic countries will not be able to ensure management of waste flow in each separately.

It is recommended to MoE to introduce iBuy <https://www.interregeurope.eu/ibuy/> one of goals of which is to promote innovative purchase in Latvia. It is recommended to VPR to engage in discussion and implementation of iBuy results, including by offering promotion of project results in circles of local governments' entrepreneurship specialists.

## C3. CREATION OF ADVISORY PLATFORM FOR REGIONAL INNOVATION AND RESEARCH

For triple helix approach to operate successfully, regular meetings must be held among all stakeholders — research service providers, policy makers, representatives of companies. At regional level the regional innovation infrastructure has been inspected within the framework of INNO INFRA SHARE (Sharing Strategies for European Research and Innovation Infrastructures) project and further it is planned to improve availability of this infrastructure and relevant services in SMEs of Vidzeme and other regions.

Modern innovation ecosystem is impossible without a close cooperation among the entrepreneurs, knowledge creators and public sector. Interviews conducted within the framework of the SUPER project and also evaluations<sup>16</sup> of other Interreg project innovations regularly point at possibilities to improve and develop cooperation models. This problem is topical also in every country, experience of which has been researched.

This format could be suitable for solving challenges related to availability of the infrastructure to the entrepreneurs, including by identifying best practices and sharing experience on how to offer infrastructure use to SME, to calculate remuneration for it etc. Taking into account that the scope of infrastructure increases in the region, possibly indicating at use of new knowledge in innovations of the enterprises, we must improve also cooperation models and systems.

It is recommended to VPR to implement consultative meeting coordination elaborated in INNO INFRA SHARE project and to participate in regular meetings that will facilitate availability of

<sup>16</sup> Assessment reports on innovation ecosystem, such as from INNO INFRA SHARE, Ratio projects are available at [www.vidzeme.lv](http://www.vidzeme.lv).

innovation providers' services to SMEs.

## C4. APPLICATION OF NORMATIVE BASIS TO BIOECONOMY EXPORT OPPORTUNITIES

One of the biggest opportunities for development of SMEs currently is digitalisation and on-line sale, but during the interviews SMEs pointed out that one of industries processing primary resources are considerably constrained in development, including export development, which is related to EU regulatory framework only partially. Bioeconomy is currently the most important of all industries in Vidzeme region and the largest number of Horizon2020 projects have been implemented in it during recent years. Further processing of fruit/berries incl. in alcohol and beverages is one of ways to potentially increase product's added value.

One of restrictive factors of development of local beer/wine producers is a prohibition to use the most contemporary sales channel — internet — to offer their product to customers outside LR. Applicable LR law does not allow selling alcoholic beverages on the basis of distance contracts<sup>17</sup>, therefore there is no legal way for offering the products in a modern way. To the contrary, when summarising the experience of the partners, we established that in Ireland this type of export of national alcoholic beverages is very popular and contribute to the range of tourism services<sup>18</sup>. Currently it would be possible to sell beverages on-line outside the territory of our country, but laws and regulations make it very complicated and do not allow paying with contemporary on-line payment methods (distance contract is prohibited) that would allow making sales processes automatic and efficient / economic. Development of this type of sale would also support development of e-commerce in the region and promote tourism products.

At the same time, elaboration of such amendments is a complex and politically sensitive issue, therefore the proposal must be put forth to the Saeima. Only if the Saeima provides its support, the Ministry of Finance can start to elaborate detailed amendments, because on-line sale must be regulated not only regarding tax payments and product control aspects, but also to ensure that alcohol is not sold to minor consumers and, when exporting the goods, all EU and non-EU requirements applicable to sales (maximum volumes) are complied with. A precise control mechanism must be elaborated to supervise compliance with these regulations. A project of this scope can be implemented only by the responsible institutions and VPR will contribute to development of this industry by requesting the Saeima to assign such task to the responsible institutions.

In order to successfully implement this recommendation, the following further steps must be taken: It is recommended:

- find out which parties are involved in and interested in the Excise Law amendments — communication with the Food Cluster, Wine-makers Association and representatives from retail chains;
- It is recommended to prepare presentation about current sales restrictions and substantiation of changes to promote export capacity to start discussions in the Saeima, Commission of Economy. The expected final result is proposals put forth by the Saeima and political support to Ministry of Finance / administration of excise goods to prepare amendments to the Handling of Alcoholic Beverages Law.

<sup>17</sup> „Handling of Alcoholic Beverages Law, Section 6, Paragraph one, Clause 8 <https://likumi.lv/doc.php?id=88009>

<sup>18</sup> <https://www.celticwhiskeyshop.com/>

## Summary

### Block A.

#### IMPROVEMENT OF PROGRAMMES AND POLICIES

##### A1

Action. Improvements in support instruments and provision of sustainability in the measure 3.2.1.2 "Promotion of International Competitiveness"

##### A2

Development and promotion of measures 1.2.1.2 "Support for improvement of technology transfer system" Innovation Vouchers and 1.2.1.1 Competence centres

##### A3

Development of other policy instruments to improve the support system



**Stakeholders:**  
Responsible: VPR

Stakeholders: Ministries, LIDA, CSCC



**Time schedule**  
2019-2020



**Fundings sources**  
VPR budget or/and projects

### Block B.

#### FURTHER IMPROVEMENTS OF COORDINATION WITH TRIPLE HELIX STAKEHOLDERS

##### B1

Improvement of innovation, incl. eco-innovation support system and elaboration of the offer for further information exchange concerning the identified needs of companies and news from the support providers

##### B2

Project submission to strengthen circular economy models and possibilities' knowledge base in the region — local governments, R&D institutions, SME

##### B3

Organising of municipal entrepreneurship guidance specialist training and meetings in the region in cooperation with the Latvian Association of Local Governments and VEC



**Stakeholders:**  
Responsible: VPR

Stakeholders: innovation eco-system developers in Latvia and responsible institutions about NDP, regional R&D municipalities, clusters, entrepreneurs,

**Time schedule**  
2019-2021



**Fundings sources**  
VPR budget or/and projects

### Block C.

#### GENERAL RECOMMENDATIONS. PROMOTION OF SUCCESSFUL IMPLEMENTATION OF ECO-INNOVATIONS IN THE REGION

##### C1

Promotion of deeper understanding of the circular economy among regional entrepreneurs

##### C2

Use of innovative procurement and other methods to promote creating of new, eco-innovative products in the private sector

##### C3

Creation of advisory platform for regional innovation and research

##### C4

Application of normative basis to bioeconomy export opportunities

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European Regional  
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