# Action plan

## FOR FURTHER SUSTAINABLE DEVELOPMENT OF SMART SPECIALIZATION IN VIDZEME REGION 2020 - 2022

Vidzeme Planning Region
Cesis / 2019

ecoRIS3
Interreg Europe

European Union
European Regional
Development Fund

VIDZEME
CEĻŠ VED AUGŠUPI

# Abbreviations used

**VPR** Vidzeme Planning Region

**MoE** Ministry of Economics

**CM** Cabinet of Ministers

**ES** the European Union

**IT** Information Technologies

**MoES** Ministry of Education and Science

**LAD** Rural Support Service

**LIAA** Investment and Development Agency of Latvia

**SMEs** Small and medium-sized enterprises

**R&D** Research and Development

**RTU** Riga Technical University

**LU** University of Latvia

**SAM** Specific Support Objective

**MoA** Ministry of Agriculture

**NFI** Norwegian financial instrument

**MEPRD** Ministry of Environment Protection and Regional Development

**ViA** Vidzeme University of Applied Sciences

**IoT** Internet of Things

**TRL** Technology Readiness Level of innovation

**SWOT** strategic planning instrument

**CFCA** Central Finance and Contracting Agency

# Organizations involved

**VPR** – ecoRIS3 project partner organization;

**MoE** – support instrument policy maker in Latvia, VPR partner for assessment of new ideas. The institution is also developing a new national innovation funding support instruments for businessmen;

**LIAA** – implements existing support programs; the organizer of informative events on a range of 1.2.1. funding opportunities for businesses;

**MEPRD** – supports with by ideas on activities to be performed in order to promote innovations in the region and is engaged in the development of action plan;

**CFCA** – informs the businessmen on the support programs it administers;

**MoA** – is responsible for the development of the Rural Development Program, which also affects non-agricultural businesses;

**LAD** – administers the Rural Development Program instruments;

**Higher education and research organizations**, with activities in the region;

**Business support organizations;**

**Vidzeme Region municipalities** – participated in discussions on the assessment of the situation and the actions to be included in the Action Plan;

**SMEs** – evaluated the support system and made proposals for potential improvements during interviews and thematic discussions.

The plan incorporates the actions that the working groups emphasized as a priority required to stimulate the involvement of more businessmen in the growth of smart specialization in the region.

**Project**: ecoRIS3 – the improvement of regional policy instruments to support a sustainable innovation ecosystem in smart specialization areas
**Partner organization**: Vidzeme Planning Region
**Country**: Latvia / NUT3 **region**: Vidzeme
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## Policy context

The aim of the Action Plan is to support the following initiatives of EU regions growth:

1. The program of investments in growth and employment
2. The European Territorial Cooperation Program
3. Other regional development policy instruments

Policy instruments forming the legal basis of the Action Plan

1. Vidzeme Planning Region Smart Specialization Action Guidelines 2014-2020
2. VPR Sustainable Development Strategy 2030
3. European Commission, Guide to Research and Innovation Strategies for Smart Specialisation (RIS 3); The Regulation (EU) 1301/2013 of the European Parliament and of the Council of 17 December 2013
4. MoES, Smart specialization strategy/2013

The Action Plan will have an impact on:
Action Program "Growth and Employment". Title of policy instrument affected: support measures of Specific Support Objective 1.2.1 "To Increase Private Sector Investments in R&D" of Action Program "Growth and Employment".

The identified problem to be solved:
Compared to other regions of Latvia, in Vidzeme region a relatively small number of companies apply for the support of smart specialization growth and the growth of value- added[1] in the region is slower.[2] 3 Support measures are recommended in order to stimulate the region's competitiveness through growth and employment.

1 Definition-Value-added is the value of production less the value of the goods and services used in production. Value-added represents the increase in the market value of a product that appeared as a result of economic activity. Source: CSB.
2 Study on "Support Policy Instruments of Local and Regional Innovation Ecosystems for Sustainable Development of Vidzeme Region Smart Specialization in Vidzeme Region"/ ecoRIS3 Interreg Europe/ Vidzeme Planning Region

## Projekta mērķi:

1. The improvement of regional policy instruments for the support of a sustainable innovation ecosystem in smart specialization areas in order to achieve the RIS3 common objective of increasing innovation capacity and developing an innovation system that fosters and supports technological progress in national economy.
2. To develop environmentally friendly business and innovation support systems in partner regions.

## The resulting indicator that is planned to be influenced:

The number of companies that have applied for support within the programs of Specific Support Objective (hereinafter – SAM) 1.2.1.

**The summary of the key policy instruments** that form the legal basis of the Action Plan:

- **Vidzeme Planning Region Smart Specialization Action Guidelines[3] 2014-2020.**
- **Priority direction:** stimulation of research and innovations in the companies of Vidzeme region.
- **Investment priority:** stimulation of investments of businesses in research and innovation; to promote cooperation and technology transfer between the companies and research centres, in particular by stimulating investments in the development of products and services in priority areas, to promote digitization and export demand, and to support practical research and introduction of innovations in the companies.
- **Specific objective:** : to increase innovation and research activity in SMEs, creating high value-added products and services.
- **Vidzeme Planning Region Sustainable Development Strategy 2030**

The policy instrument is based on the Vidzeme Planning Region long-term territory development planning strategy, which encompasses the region's long-term development vision, strategic goals, spatial development perspective and development priorities.

The Sustainable Development Strategy assumes that a qualitative environment and balanced economic development will be provided for present and future generations, that natural, human and material resources shall be used rationally, and that natural and cultural heritage shall be preserved and developed. The owner of the policy instrument is Vidzeme Planning Region.

The strategy of the region is developed with an orientation on sustainable development and is interwoven with interrelated dimensions - social (society capabilities and functioning), economic (means to achieve the goals) and environmental dimension, which is viewed through ecological approach and manifests as important conditions for

3 Study "Opportunities of Smart Specialization in Vidzeme Planning Region" and its action guidelines. Source: http://www.vidzeme.lv/lv/petijums_vidzemes_planosanas_regiona_viedas_specializacijas_iespejas/

the development process.

The Vidzeme Region Smart Specialization Growth Guidelines[4] are subordinated to the overall regional growth strategy. By using ecoRIS3 project, the existing innovation ecosystem in Vidzeme will be complemented and improved; the existing support system will be improved and introduction of innovations to the companies will be stimulated. In Vidzeme region, food and beverage production is developed and information technology services are rapidly growing that should be used, as these areas are not only sustainable and environmentally friendly but also encompass a significant growth potential that creates not only value-added, but also working places with competitive remuneration for the region.

4 ibid

# BASIC INFORMATION

## Main conclusions of the study.

It has been concluded in the study[5] that it is not necessary to exclude any of the existing Vidzeme Planning Region (hereinafter - VPR) RIS3 supported sectors, but it should be taken into account that Vidzeme has eight most promising, and thus priority areas for smart specialization growth. The market data on which the conducted research is based at regional level are available by statistical sectors of national economy, not by RIS3 areas, set up in Latvia. Consequently, the conclusions drawn are sector-based, accordingly reflecting RIS3 areas. For example, knowledge-intensive bioeconomy is associated with both timber products, food and beverage production, recreation and sustainable tourism, non-metallic mineral processing, and other industries. Similarly, the RIS3 field of information and communication technology applies to almost all sectors of national economy. The existing priority directions of smart specialization defined by VPR are in line with current global economic trends and challenges. Figure 1.

| Five smart specialization areas in Latvia / VPR | No. | The most promising smart specialization subareas - sectors of VPR 2014 - 2022 | VPR strong sectors with high value-added 2014-2016 | Future forecasts for economic growth of the sector | Recommendations inclusive in the Action Plan |
|---|---|---|---|---|---|
| Smart materials, technologies and engineering systems<br>Biotechnologies (incl. biomedicine, medical technologies, biopharmaceutics)<br>Information and communication technologies<br>Smart energy<br>Knowledge-intensive bioeconomy | 1 | Wood products - woodworking / furniture manufacturing | Significant area of high value-added in VPR | Rapidly growing | To enhance |
| | 2 | Manufacture of wood products and beverages | Significant area of high value-added in VPR | Growing | To enhance. To focus on high value-added product creation support. The issue of attracting talent and transferring research to the industry is topical. |
| | 3 | Information technology, in particular information services - computer programming | Rapidly growing high value-added area in VPR | Rapidly growing | To enhance |
| | 4 | Processing of non-metallic minerals | Significant area of high value-added in VPR | Growing | To enhance |
| | 5 | Logistics services - transport and storage | Significant area of high value-added in VPR | Growing | To enhance |
| | 6 | Distant (exportable) professional services (scientific, technical, architectural, financial, legal services) | Significant area of high value-added in VPR | Growing | To develop, to stimulate indirectly with IT |
| | 7 | Installation / maintenance of modern technological equipment and devices | Significant area of high value-added in VPR | Growing | |
| | 8 | Use of biomass for chemical processing and energy | At the moment not identified as high value-added area in VPR; high potential | Rapidly growing | To enhance, particularly in connection with getting high value-added products from timber biomass |

*Figure 1. The priority directions of VPR smart specialization, identified in the research and included in the action plan, their assessment against the related sector value-added growth in the region, the future economic growth forecasts of the sector and the recommendation for the development of smart specialization, given as the result of the research. Source: Information compiled by the research team experts, based on a multifactorial synthesis of quantitative and qualitative methods.*

5 Study "Support Policy Instruments of Local and Regional Innovation Ecosystems for the Sustainable Development of Vidzeme Region Smart Specialization in Vidzeme Region" FINAL REPORT/ ecoRIS3 Interreg Europe/ Vidzeme Planning Region/

In Vidzeme, **the most promising and thus having a priority** for support action directions in terms of sectors for the management of smart specialization areas and further sustainable development in the region are as follows:

1. Wood Products - woodworking / furniture manufacturing;
2. Food and beverage production;
3. Information technology, in particular information services - computer programming;
4. Processing of non-metallic minerals;
5. Logistics services - transport and storage;
6. Distant (exportable) professional services (scientific, technical, architectural, financial, business, legal services);
7. Installation / maintenance of modern technological equipment and devices;
8. Use of biomass for chemical processing and energy.

In these sectors, VPR companies have valuable resources and competencies which help the companies to increase the value they offer to their customers. This is achieved by increasing differentiation or reducing production costs by the companies through the development of smart specialization, thus contributing to the transformation of a specific sector of the region into the creation of higher value-added products.

As a result of the assessment of the region, SWOT and expert analysis, three main areas have been identified, where Vidzeme region is currently facing the most significant obstacles concerning lack of support, and which have been identified as significant barriers to the implementation of smart specialization in Vidzeme region as the result of the analysis:

1. Entrepreneurship and innovations;
2. Cooperation between the business, governance, research and education sectors;
3. Human resources.

**The study identified 10 most significant obstacles to smart specialization growth in Vidzeme:**

1. Lack of information on the availability of support to SMEs and understanding of the opportunities that the support provides to a specific business;
2. Difficulties in providing skilled labour in rural areas in general;
3. Lack of qualified labour force in the strong areas of Vidzeme region;
4. Lack of cooperation with the best scientific institutions (both in the field of available information and research) at national level, thus ensuring the most effective and qualitative results in a timely manner;
5. The complexity of the language used in applications for support and in reports which is difficult to understand;

6. The bureaucratic burden pertaining to applying for and receiving support;
7. Drain of talents and leaders;MVU resursu (finanšu, cilvēkkapitāla, laika) nepietiekamība inovāciju izveidei, tai skaitā inovāciju izveides pētniecībai un attīstībai;
8. Insufficient understanding of market and/or demand by SMEs (insufficient resources of SMEs for professional analysis of market demand);
9. Insufficient SME resources (financial, human capital, time) for the creation of innovations, including R&D for innovation;
10. Difficulties in attracting global-scale leaders.

By identifying the main obstacles to successful introduction of smart specialization in the region, basic information has been created in order to assess the most successful examples in VPR project partnering region and to evaluate their transferability to Vidzeme region according to the needs of the region.

**Exchange of experience and good practice.**

Within the framework of the study, good practice examples of the Project partners have been analysed in order to identify the most applicable best practice cases for Vidzeme region. The partner countries of the VPR project in scope of ecoRIS3 are Spain, Ireland, Portugal, Lithuania, Finland, and Italy. The identified examples of good practices have been broken down into the following areas: business support, entrepreneurship, public sector, innovation and science, urban environment, sport and culture, and training. More than a half (55%) of the project partners' good practices are associated with the areas of business support and innovation and science, thus drawing attention to each region's interest in developing these areas, which is also one of the indicators of RIS3 achievement. These are also the areas where the main obstacles of VPR to successful smart specialization development in Vidzeme have been identified.

A significant part, or 1/3 (29%) of the examples of good practice are associated with public sector and training. During the practical workshops, each good practice presentation was followed by an overall expert valuation in a 5-score system in three categories: relevance, transferability and innovation. It has thus been possible to identify best practices in these categories and further evaluate them in-depth in relation with the improvement of VPR innovation ecosystem.

As a result of the discussions within the study, the factors that need to be taken into account for further implementation, maintenance and development of innovation ecosystem have been identified. In addition, the integrity of these factors in action can prevent from making possible corrections, thus expediently using the time, required to efficiently implement the innovation ecosystem.

A total of 8 (eight) examples of good practice transfer for Vidzeme region have been identified. In Vidzeme region, the main obstacles to successful implementation of smart specialization have been identified in relation to lack of awareness, understanding and resources (talent and finance) of the businessmen. Thus, among the examples of good practice, for VPRs those examples **that promote business support and innovation and cooperation in science** are primarily relevant.

1 In the field of business support, one of the highly estimated examples of good practice in the region, relevant for VPR, would be the **Gaming cluster in Kainuu** (Finland), which aims to support the creation of a new industry in the region. [6]

**Transferability to VPR.** An opportunity to create a niche IT specialization cluster in serious gaming, augmented reality, IoT, or other IT niche in cooperation with ViA and RTU in Vidzeme. At the same time, the cluster would bring together IT students from VPR high schools and businessmen that would develop innovative IT products together with cluster specialists. The cluster activity would assume the creation of innovative IT products through cooperation between the teaching staff, students and businessmen. For example, manufacturing companies in the region, as highlighted in the information, obtained in scope of the study, are interested in creating IoT structure, but there is a lack the structure to build and introduce it.

**The VPR problem solved.** Regional economic regeneration is stimulated, technology sectors are developed, the measures to retain young, educated people in the region are taken and growth of smart specialization areas in Vidzeme is stimulated.

2 The second good practice in supporting smart specialization growth, relevant for VRP, would be the **Cork Institute of Technology CIT Extended Campus** (Ireland). The project aims to promote an efficient and tight interrelation between business and science, involving all parties concerned in the development of product design, resulting from market demand. [7]

**Transferability to VPR.** An opportunity to create an extended campus of Vidzeme region universities, which, like in the good practice example, would have the following functions in promoting innovation and entrepreneurship: organizing specific training courses required for businessmen, especially associated with the strong areas of VPR smart specialization – training in IT and specific production machinery management, assistance in innovation project management, definition of research tasks, licensing and patenting, use of university equipment and laboratories. By joining the extended campus of Vidzeme region universities, the SMEs of the region would be provided an access to the aforementioned, as well as to up-to-date information on researches and support of research.

**The VPR problem solved.** Regional economic development is stimulated, access to information on smart specialization support in SME sector is increased, cooperation with leading scientific institutions in both available information and research development is stimulated, thus ensuring the most efficient and qualitative result, minimizing talent and leader outflow; the resources available to SMEs (human capital) for the implementation of innovation are increased, including the creation of innovations for research and development.

3 The third VPR good practice example in the field of smart specialization growth support would be **2i3T - Business Incubator and Technology Transfer University of Turin** (Italy), which aims to provide the availability of support to

6 *https://www.interregeurope.eu/policylearning/good-practices/item/800/gaming-cluster-in-kainuu-answers-to-the-challenge-of-industrial-renewal/*

7 *https://www.interregeurope.eu/ecoris3/news/news-article/4228/extended-campus-connecting-cit-with-industry/*

young, innovation-oriented companies and to stimulate technology transfer to improve the transfer of academic research to industry. [8]

**Transferability to VPR.** The potential of learning or transfer for Vidzeme would be to expand the business incubators of Vidzeme's higher education and research institutions localized in Vidzeme with the aim of focused transforming of the research results into industry in the form of innovative products. At the moment, ViA Smart Labs already operate at ViA with a focus on student and industry cooperation; however, as the good practice example demonstrates, the industry is more productive rather not in students' involvement, but in teaching (research staff) involvement in product development. It has been concluded in the study that, besides the idea of innovation, the management of an innovation development project is also very important for the industry, as SMEs in the region currently lack the capacity of resources and expertise to implement innovation through its technical readiness levels. In this interpretation, the expanded ViA and RTU incubators would ensure that the service would be attractive to the industry and productive to the economy in the context of smart specialization.

**The VPR problem solved.** Regional economic development is stimulated, access to information on smart specialization support in SME sector is increased, cooperation with leading scientific institutions in both available information and research development is stimulated, thus ensuring the most efficient and qualitative result, minimizing talent and leader outflow; the resources available to SMEs (human capital) for the implementation of innovation are increased, including the creation of innovations for research and development.

4 The fourth VPR-related good practice example for smart specialization growth support would be **I3P – Innovative Enterprise Incubators** (Italy),[9] which aims to provide the availability of support to new, innovation-oriented companies by creating new, innovation-based businesses.

**Transferability to VPR.** In Vidzeme, the opportunity of transfer of the example would be to set up a similar innovative business support network, which would cover not only the region's research capabilities, but also a wider region, including Latvia, Northern Europe and other regions for research excellence. The principle of this activity involves the provision of a mentor, an innovation project manager, to SME that, using the competences of ability to create a new project, would develop an innovation together with the company, based on the broad information of the research network available. As emphasized in the example of good practice, one of the key success stories of the project is its ability to offer to a businessman a competent mentor – the talent who will help him or her to implement an innovative project, assisting to orient in the research and science infrastructure and new product development stages. In essence, it is a research project management service with the direct and specific objective of implementation of a practical research project that results in market readiness innovation.

**The VPR problem solved.** Cooperation with leading scientific institutions in both available information and research development is stimulated, thus ensuring the most efficient and qualitative result, the availability of information on smart

8 https://www.interregeurope.eu/policylearning/good-practices/item/2114/2i3t-business-incubator-and-technology-transfer-university-of-turin/

9 https://www.interregeurope.eu/ecoris3/news/news-article/4945/i3p-innovative-enterprises-incubator-politecnico/

specialization support in SME sector is increased, talent and leader outflow is reduced, the resources available to SMEs (human capital) for the implementation of innovation are increased, including the creation of innovations for research and development, bureaucratic barriers to conjuncture are reduced and powerful talents are involved in the development of innovations.

5 The fifth VPR-related good practice in smart specialization growth would be the **Co-creation Model of the University of Helsinki** (Finland),[10] which aims to ensure knowledge transfer from research to business.

**Transferability to VPR.** Learning or transfer potential for Vidzeme would be to systematically arrange industry seminars - **innovation commercialization reactors-laboratories in the region** that would bring together industry representatives and scientists, representing the industry sectors, which would define industry business challenges and research opportunities within a professionally moderated discussion with the aim to generate research concepts as a result of the discussion and, ideally, to form working groups on specific innovation projects already. The principle of this activity assumes that in co-production problems are defined and solved in cooperation between companies and researchers within a live discussion.

**The VPR problem solved.** Cooperation with leading scientific institutions in both available information and research development is stimulated, thus ensuring the most efficient and qualitative result, the availability of information on smart specialization support in SME sector is increased, talent and leader outflow is reduced, the resources available to SMEs (human capital) for the implementation of innovation are increased, including the creation of innovations for research and development, and powerful talents are involved in the development of innovations.

6 The sixth good practice example in the field of smart specialization growth support, relevant for VPR, would be one of the most recognized projects within the partnership - **Biodonostia** (Spain) - a health research institute. Biodonostia is a national centre in the field of health research with a focus on research, supporting innovation in medical and health technologies that improve healthcare while creating high value-added products.[11]

**Transferability to VPR.** . Learning or transfer potential for Vidzeme would be to establish and develop a health research centre in the region, in cooperation between the public and industry sectors, with the aim of creating innovative health, rehabilitation and care services. VPR has several medical treatment institutions,[12] including large ones, that not only provide primary medical care, but also offer high quality and affordable medical services, including physiotherapy and health improvement procedures, as well as make laboratory tests. An opportunity to promote smart specialization in the region would be for VPR medical facilities, by creating a joint regional health research institute in cooperation with health science and education institutions with an aim to create product, service and process innovations that improve healthcare.

10 https://www.interregeurope.eu/ecoris3/news/news-article/5016/co-creation-model-of-university-of-helsinki/

11 https://www.interregeurope.eu/policylearning/good-practices/item/2135/biodonostia/

12 SIA Vidzemes Slimnīca (Vidzeme Hospital), SIA Rehabilitācijas centrs "Līgatne" (Ligatne Rehabilitaton Centre), VSIA Strenču psihoneiroloģiskā slimnīca (Strenci Psychoneurological Clinic); SIA Balvu un Gulbenes slimnīcu apvienība (Balvi and Gulbene Hospitals Association), SIA Mazsalacas slimnīca (Mazsalaca Hospital), PSV "Rūjienas slimnīca" (Rujiena Hospital), etc.

Similarly to the best practise example, public and education sectors would divert a part of the medical research budget to the newly established institute, which would be staffed by scientists together with the existing medical practitioners from the industry in the region. As a result, innovative approaches to rehabilitation and medicine would be developed in the centre that would be applied in regional health institutions and could be possibly patented and exported. At the same time, health tourism would be promoted as the region as a whole gained recognition and a wider recognizability in innovative healthcare. In this transfer, a detailed research and selection of the existing strong medical areas in the region would be important, giving a priority to research and development. At present, rehabilitation area looks strong in Vidzeme, the most remarkable representatives of which are Ligatne Rehabilitation Centre, Strenci Psychoneurological Clinic and Mazsalaca Hospital that have gained a good reputation in the field of palliative care at national level.

Thus, high value-added products in the promising health area would be developed in the region, using the competence of the existing accrued expertise and partly - material and technical facilities. Although in general medical and health services are not currently the strong smart specialization of VPR, due to the aging population and rapidly growing biotechnologies, they have both a growth potential in domestic market and a high export potential.

**The VPR problem solved.** Renovation of regional economy is stimulated; health sector, including rehabilitation, with distinct future potential, is developed; measures to retain young, educated people in the region are taken and growth of smart specialization areas in Vidzeme is stimulated.

7 The seventh good practice example in the field of smart specialization growth support, relevant for VPR, would be **the example of good practice of Biotechnology Business Incubator** (Lithuania),[13] which aims to stimulate interrelation between industry and research in the field of biotechnologies. Biotechnology can be applied in almost all major industrial areas of the region – in cattle breeding and agriculture, in the use of crops and other products (e.g. biodegradable plastics, vegetable oils, biofuels and the environment), in food production, in non-food (industrial) use, in healthcare. Biotechnology can also be used in mining, for example by using naturally occurring bacteria in biological leaching, as well as in waste recycling and processing, treating areas contaminated by industrial activities (bio-rehabilitation).

**Transferability to VPR.** Learning or transferring potential for Vidzeme would be associated with the Institute of Agricultural Resources and Economics, localized in Vidzeme, which specializes in the research of agricultural resources in the field of biotechnologies. A biotechnology business incubator could be launched in cooperation with the Institute of Agricultural Resources and Economics, where the researchers of the institute, in cooperation with companies, would create a supportive environment for developing new products in the field of biotechnologies. The discoveries of the scientists of the institute often remain at a low technology readiness, not exceeding TRL4,[14] but with the involvement of businessmen, the creation of new innovative science and research-based products in biotechnologies would be promoted in the region. **The**

13 https://www.interregeurope.eu/ecoris3/news/news-article/4635/biotechnology-start-ups-in-lithuania/
14 https://www.rtu.lv/lv/valorizacija/petniekiem/tehnologiju-gatavibas-limeni

**VPR problem solved.** Renovation of regional economy is stimulated; biotechnology sector with distinct future potential is developed in the region; measures to retain young, educated people in the region are taken and growth of smart specialization areas in Vidzeme is stimulated.

8 The eighth good practice example in the field of smart specialization growth support, relevant for VPR, would be **Donosti UP! 2016**, a city investment plan that aims to stimulate its economic development in an integrated and sustainable way with an objective to create new working places, paying main attention to the innovation-driven growth. It is the most appreciated example of good practice among regions.

**Transferability to VPR.** The potential for learning or transfer for the major cities of Vidzeme (Valmiera, Cesis or Smiltene) would be to create and develop a set of measures with the main aim of creating new working places, focusing on innovations as a driver of growth and a pillar that stimulates the creation of new working places. Transfer has the potential to create complex city's actions to strengthen and stimulate its economic development. The opportunity of transfer assumes that VPR cities shall actively stimulate participation and cooperation with innovation ecosystem agents by promoting a public-private partnership model.

**The VPR problem solved.** Renovation of regional economy is stimulated; measures to retain young, educated people in the region are taken and growth of smart specialization areas in Vidzeme is stimulated.

As a result of the thematic discussions, focus groups and in-depth interviews of experts, conducted in scope of the study, the following two actions have been identified as priority actions for the action plan, that stimulate the availability of SME innovation project manager, innovation laboratory concept and stimulating urban environment for the creation of new working places.

# ACTIONS

# FOR FURTHER SUSTAINABLE DEVELOPMENT OF SMART SPECIALIZATION OF VIDZEME REGION

## ACTION 1

SAM 1.2.1 _ supplementing project – project proposal for submission and funding

**INNOVATION PROJECT MANAGER**
SUPPORT FOR PRODUCTIVE INNOVATION MANAGEMENT IN COMPANIES

*Practical recommendation for the improvement of SAM 1.2.1"To Increase Private Sector Investments in R&D" of action program "Growth and Employment".*

### THE PROBLEM TO BE SOLVED – OBJECTIVE is triple:

1. To increase the availability of information on smart specialization support in SME sector by increasing the number of companies in the region, involved in innovation development;
2. To stimulate cooperation between SMEs and the leading scientific institutions, both in the field of information available and in the field of research, thus ensuring the most efficient and qualitative result possible;
3. To create exportable innovations, based on scientific discoveries.

### ACTION PRINCIPLE

in scope of SAM 1.2.1 programs to make adjustments to the existing support activities in order to provide to the businessmen the compensation of <85% expenses incurred, resulting from ensuring professional and productive innovation project management, during which cooperation with a research institution and professional new product development process are included and, as a result of which, a research-based innovation product appears. Innovation project management services are different from other business consulting services such as finance, investment attraction, and the like, which are widely available in the market.

Innovation project management services are different from other business consulting services, such as financial services, raising investments, and other similar services, widely available in the market.

The support assumes:

4. Innovation project management services by <85% covered by the funds of the support project, while 15% is the company's contribution;
5. Innovation project managers are retained for the company on outsourcing base and project progress is monitored in line with the new product development process;
6. The project is completed when the specific innovation developed has reached TRL9[15] and its commercialization is started at least in pilot test mode.

The scope of science and research cooperation between **innovation project managers** extends beyond the region's research capabilities to the wider region, including Latvia, Northern Europe and other regions for research excellence. The activity involves the service of a professional mentor - innovation project manager for SMEs, which, using its knowledge of science infrastructure and competence in the ability to create a new product, would productively, together with the company, develop an innovation, based on the wide information base of the research network. The main functions of an innovation project manager would be:

1. To inform the companies on smart specialization support opportunities, to develop for them an individual innovation growth program – to increase SMEs' knowledge and awareness of different participants of support and their services;
2. To assist the companies in cooperation with research centres and scientists by finding the most appropriate solution to an industrial problem, based not only on regional and national research resources but also on the international science field;
3. To help the company to reach a commercialized product or service – high value-added innovation – as a result of the research project.

Thus, the role of the project mentor would include both practical cooperation with the researcher and development of innovation up to TRL9.

## IDEOLOGICAL SOURCE OF ACTION.

The research conducted by VPR has found that one of the most significant factors influencing innovation development are the low level of information available to SMEs on the types of support available for smart specialization development, the complicated, difficult to understand for the businessman, formal language for receiving the support and the lack of Research and Development (hereinafter - R&D) manager in companies. It has been found in the study that those companies that have a R&D project manager have been actively involved in innovation development. In the good practice example, I3P - Innovative Enterprise Incubators (Italy)16 it also has been emphasized that one of its key success stories is its ability to provide to the businessman with a competent mentor that helps him or her to implement an innovation development project by helping to orient in research and science infrastructure and in the stages of development of a new product. During the study, the need for innovation project managers familiar with the

15 https://www.rtu.lv/lv/valorizacija/petniekiem/tehnologiju-gatavibas-limeni
16 https://www.interregeurope.eu/ecoris3/news/news-article/4945/i3p-innovative-enterprises-incubator-politecnico/

research environment and business needs was repeatedly expressed from the side of industry. The proposed action is thus to create a support project for the availability of innovation (R&D) managers for companies in Vidzeme Planning Region with the aim to help 20 Vidzeme companies to develop a research-based innovative product within 2 years. The activity would pay main attention to the ability of SMEs to increase their innovation and research activities by creating research-based high value-added products and services.

### THE ACHIEVABLE RESULT OF ACTION

is to involve at least 30 Vidzeme companies in the creation of new, promising, innovative products, combining their research capacity with the discoveries of research centers.

### TASKS OF THE ACTION:

1. **To submit a written proposal to the MoE with the support of innovation project management in freelancer or service provider status to amend the following sections of CM regulations** on Specific Support Objective 1.2.1 "To Increase Private Sector Investments in R&D" of Action Program "Growth and Employment":

> 1.2.1.1. "Support for the development of new products and technologies within competence centres", section 30.1.4. indirect research costs incurred by the lead researchers in individual and cooperation research projects and their cooperation partners, associated with the research projects and feasibility studies made on pre-project stage under the action. At present, funding for the activities referred to in this section is expected to be provided in accordance with Commission Regulation No. 651/2014, which provides for:
>
> 30.1.4.1. research project management costs (costs of research project management staff for planning, coordinating and controlling the activities carried out within the research project, including fees for providing the research project documentation in accordance with the requirements of the European Union and national regulation, organization and control of project procurement). Remuneration costs are considered to be a part of management costs of the research project if the employees work at least 30% of their working time on the research project for not less than one month, and this is shown in working time accounting system or timesheet;

The CM amendment intends to change the status of support recipients from internal employees to freelance specific innovation project managers or service provider company to provide the service. The CM amendment should provide that the service provider is qualified to render the service and has had successful experience in developing new products (goods, technologies and processes). The CM amendment provides that the retained specialist may be a part-time employee and the quality of his or her work and the results to be achieved in the context of developing a new product shall be determined by the company which has chosen the particular specialist or service company. The MC amendments provide that the main benchmark is the

innovation, implemented by the company in cooperation with the innovation project manager specialist, at the level of TRL 9, which is subject to a commercialization test in some of the possible forms. The CM Regulations stipulate that the gross salary of an innovation project manager may not exceed EUR 100 per hour.

2. To promote that target-oriented, professional and productive Innovation project management can be supported in the context of other actions under the Specific Support Objective 1.2.1 "To Increase Private Sector Investments in R&D" of Action Program "Growth and Employment:

a. 1.2.1.2. "Support for the Improvement of Technology Transfer System",

b. 1.2.1.3. "Innovation Vouchers for SMEs",

c. 1.2.1.4. "Support for the Introduction of New Products into Manufacturing".

in order to ensure a more effective development of smart specialization in the region. The action assumes to make amendments to the existing CM Regulations, providing for changes in the list of existing eligible costs.

3. **To submit a written proposal to the MoE to amend the CM Regulations with the support of management of innovation projects in freelancer or service provider status for action** 1.2.2.1 "Support for Training of Employees" of the Specific Support Objective 1.2.2 "To Promote Introduction of Innovations in Enterprises" of Action Program "Growth and Employment", providing support for training of company's employees to ensure highly qualified and professional innovation project management.

4. **To submit proposals to Norwegian financial instruments** (hereinafter -NFIs) governance concerning the recommended action "Innovation Project Manager" with an aim to include it into the next planned support program to be launched in 2020.

5. **To submit proposals to MEPRD** and **MoA** concerning the recommended Action "Innovation Project Manager" with an aim to include it into the next planned support programs to be launched in 2020.

6. **To supervise** the incorporation of the recommendations made into the renewal of SAM 1.2.1 programs and the development of new programs, providing additional consultations in case of necessity.

7. **To make proposals to the MoE, MoA, MEPRD and LIAA** to further include innovation project managers support actions in smart specialization support programs. The proposals shall also be submitted simultaneously to the draft National Development Plan 2021-2017.

8. **To identify the possibilities of implementation of Action "Innovation Project Manager"** in VPR within the European Commission's Innovation Ecosystem Development Program "Urban Nomad Actions". It defines 12 subjects and organizes project calls where EU planning regions can apply for financial support for the implementation of innovation projects.

9. **To identify the possibilities of implementation of Action "Innovation Project Manager"** in VPR within HORIZON 2020. The project shall be submitted for funding within the HORIZON 2020 Program Call. If approved, VPR will implement the project in the region.

10. **To submit application for piloting the Action "Innovation Project Manager"** for funding of Interreg Europe programme.

## STAKEHOLDERS:

The following parties participate in the project:

**VPR** - responsible for submitting action proposals, **MoE, LIAA, MEPRD, NFI**– evaluate the received proposals, **MoE** – develops proposals for the CM amendments.

## TIME PERIOD OF ACTION

The action will start in January 2020 and will end in December 2021.

## EXPENDITURE

The remuneration of experts and professional innovation project managers is calculated, based on market prices, starting from EUR 1,000 gross per month[17] per enterprise, where the estimated total development time is 9-12 months for TRL4 <innovations and 12-18 months for TRL1 <innovations. The total cost of managing an innovation project would reach EUR 12,000 per company over a 12-month period, of which the Action recommends to provide a compensation of 85% for SMEs be compensated for 85%, assuming a co-financing of 15% by the company. Planning to support 30 companies in Vidzeme through the aid, the total cost of the project amounts to EUR 360 000, of which EUR 306,000 is support funding and EUR 54,000 – SMEs' contribution.

## SOURCES OF FINANCING

Funds of SAM 1.2.1 action; NFI, HORIZON 2020, "Urban Nomad Actions", Interreg Europe pilot action project funds.

## SUPERVISION AND EVALUATION

The project shall be supervised and evaluated by the VPR general project manager. Supervision of the project assumes reporting on project progress once per a three-month period.

The project has 4 supervision issues:

1. Written proposals have been submitted to the MoE to amend the CM Regulations;
2. Supervision of the introduction of the adopted Regulations, where, in agreement with the leading partner, it is assumed that 10 companies in Vidzeme region have carried out R&D activities resulting in 5 knowledge and research based TRL9 level (ready for commercialization) innovations; Detailed indicators:

17 Assuming that an expert's workload is 20h per month at hourly rate EUR 50 (gross).

a. By 31 December 2020 – the number of supported enterprises – 10; the number of supported enterprises that receive grants – 5; the number of enterprises that receive support for launching new products in the market – 5;

b. By 31 December 2021 – the number of enterprises launching new products in the market – 5;

c. Private investment, complementing state support for innovation or R&D projects - EUR 56,000;

3. Proposals have been prepared and submitted to Interreg Europe, LIAA, NFI, MEPRD, and MoA;
4. Participation in at least three meetings with decision-makers concerning the support of innovation support instruments;

After completion of the project in December 2021, the project will be evaluated to identify further actions required.

## ACTION 2

SAM 1.2.1 _ supplementing project – project proposal for submission and funding

### INNOVATION LABORATORY

PROFESSIONALLY GUIDED CO-OPERATION BETWEEN ENTREPRENEURS AND SCIENTISTS

- ENTREPRENEURS
- PROJECT MANAGERS
- SCIENTISTS
- INVESTMENT RAISERS

Professionally managed co-creation activity of businessmen and scientists with a distinct and specific objective to create specific innovation creativity teams. The main difference from similar innovation hackathons, innovation days, and similar business meeting cases with scientists is the formation of a co-creation group for a target-oriented activity.

*Practical recommendation for the improvement of SAM 1.2.1"To Increase Private Sector Investments in R&D" of action program "Growth and Employment".*

**THE PROBLEM TO BE SOLVED – OBJECTIVE** is triple:

1. To stimulate cooperation between SMEs and the leading scientific institutions, both in the field of information available and in the field of research, thus ensuring the most efficient and qualitative result possible;
2. To create exportable innovations, based on scientific discoveries;
3. To increase the availability of information on smart specialization support in SME sector and to involve powerful talents in innovation development.

**ACTION PRINCIPLE** – in scope of SAM 1.2.1 programs to make adjustments to the existing support activities in order to organize Vidzeme Innovation Laboratory of Businessmen and Scientists. The Innovation Laboratory would bring together industry representatives and scientists, representing the industry sectors, as well as potential project managers and investment raisers which would define industry business challenges and research opportunities within a professionally moderated discussion with the aim to generate research concepts as a result of the discussion and, ideally, to form working groups on specific innovation projects already.

The action principle assumes:

1. To inform the companies of the region of the relevant industry on the of the latest researches and discoveries in the field of the according smart specialization;
2. To define the challenges of business within the conducted discussion, to relate them conceptually to the latest scientific discoveries and to create new research concepts and specific working groups of companies and scientists

3. To assist each established group in attracting further development finance and innovation project manager by purposefully attracting an investment raiser within the group.

Thus, in coworking, problems shall be defined and solved in cooperation with companies and researchers within a live discussion, and an investment raising specialist shall be immediately retained to newly established groups.

**IDEOLOGICAL SOURCE OF ACTION.** According to the results of researches, one of the major obstacles to the growth of companies in the field of smart specialization is the lack of cooperation with leading scientific institutions at national and international level (both in terms of available information and research development), thus ensuring the most efficient and qualitative results possible on timely manner. The research has repeatedly identified that Vidzeme businessmen lack knowledge about the latest research results and the ability to interrelate them with industry needs. The proposed action is thus to improve the level of information available to Vidzeme businessmen on the latest research available and to stimulate discussions between scientists and businessmen on how recent research results can help turn industry challenges into opportunities. The main attention within the activity shall be paid to the priority areas of smart specialization in the region.

The idea for the action has been adopted from a VPR-relevant regional good practice example in the field of smart specialization in Finland, the **Co-creation Model of the University of Helsinki** (Finland),[18] which aims to ensure the transfer of knowledge from research to business.

**THE ACHIEVABLE RESULT OF ACTION** is to launch two "Innovation Laboratories" by 31 December 2021, as a result of which at least two Vidzeme companies would get involved in innovation development projects in cooperation with scientists.

**TASKS OF THE ACTION:**

1. To make adjustments to the existing support activities within the framework of the program of SAM 1.2.1 with the aim to organize the Innovation Laboratory – Co-Creation for businessmen and scientists – **to submit proposals for CM amendments to the MoE and LIAA** on Action 1.2.1.2 "Support for the Improvement of Technology Transfer System" of Specific Support Objective 1.2.1 "To Increase Private Sector Investments in R & D" of Action Program "Growth and Employment", providing for support for the organization of at least one "Innovation Laboratory" in Vidzeme to ensure a more efficient development of smart specialization in the region within the time period from 01.01.2020 to 31.12.2021.
2. **To submit proposals to** NFIs governance concerning the recommended action "Innovation Laboratory" with an aim to include it into the next planned support program to be launched in 2020.
3. **To submit proposals to MEPRD** and **MoA** concerning the recommended

18 https://www.interregeurope.eu/ecoris3/news/news-article/5016/co-creation-model-of-university-of-helsinki/

Action “Innovation Laboratory” with an aim to include it into the next planned support programs to be launched in 2020.

4. **To supervise** the incorporation of the recommendations made into the renewal of SAM 1.2.1 programs and the development of new programs, providing additional consultations in case of necessity.
5. **To make proposals to the MoE, MoA, MEPRD and LIAA** to further include Innovation Laboratories – Co-Creations in smart specialization support programs. The proposals shall also be submitted simultaneously to the draft National Development Plan 2021-2017.
6. **To identify the possibilities of implementation of Action “Innovation Laboratory”** in VPR within the European Commission’s Innovation Ecosystem Development Program “Urban Nomad Actions”. It defines 12 subjects and organizes project calls where EU planning regions can apply for financial support for the implementation of innovation projects.
7. **To identify the possibilities of implementation of Action “Innovation Laboratory** in VPR within HORIZON 2020. The project shall be submitted for funding within the HORIZON 2020 Program Call. If approved, VPR will implement the project in the region.

## STAKEHOLDERS:

**The following parties participate in the project:**

**VPR** - responsible for the act, **MoE, MoA and MEPRD** evaluate the submitted proposals, **LIAA** organizes relevant events; **NFI** - decides on grant approval.

## TIME PERIOD OF ACTION

The action will start in January 2020 and will end in December 2021.

## EXPENDITURE

The total cost of organizing one “Innovation Laboratory” for up to 50 people is EUR 5,000. The total project expenditure to organize two “Innovation Laboratories” is 10,000 EUR.

## SOURCES OF FINANCING

Funds of SAM 1.2.1 action; NFI, HORIZON 2020, “Urban Nomad Actions” project funds.

## SUPERVISION AND EVALUATION

The project has 3 supervision issues:

1. Written proposals have been submitted to the MoE, LIAA, NFI, MEPRD and MoA;
2. Participation in at least three meetings with decision-makers concerning the support of innovation support instruments;
3. As a result of successful funds raising, at least two companies of Vidzeme region have carried out R&D activities, as a result of which two knowledge and research-based innovations have been created;

Detailed indicators:

- By 31 December 2020 – the number of enterprises involved in joint research and development program with scientists – 2;
- By 31 December 2021 – the number of enterprises that have created at least TRL5 readiness innovation in cooperation with scientists – 2.

After completion of the project in December 2021, the project will be evaluated to identify further actions required.

The activities of the Action Plan have been discussed in 5 thematic discussions with industry, public sector, academic and civic sector representatives from May to September 2019. In addition, more than 10 in-depth interviews have been conducted with industry representatives - SME executives to discuss the most efficient model. The recommended actions have received a positive assessment, giving a green light for their further implementation.

The activities of the Action Plan are coordinated with the development priorities, specific support objectives and directions of actions set out in the planning documents of the European Union, national and VPR region development documents for the planning period 2014 – 2020. The document has been developed in accordance with the current Vidzeme Planning Region development planning documents and the areas of smart specialization specified therein.

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