

Interreg Europe INNOGROW project's **Action Plan**

by

Zemgale Planning Region



Part I General information

Project: Regional policies for innovation driven competitiveness and growth of rural SMEs.

Acronym: INNOGROW

Partner organisation: Zemgale Planning Region

Country: Latvia

NUTS2 region: Latvija

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Part II Policy context

The Action Plan aims to impact: Regional Development Programme

Name of the policy instrument addressed: Zemgale Planning Region Development Programme 2020-2027 (ZPRDP)

Further details on the policy context and the way the action plan should contribute to improve the policy instrument:

THE POLICY INSTRUMENT: Zemgale Planning Region Development Programme 2020-2027 (ZPRDP)

Zemgale Planning Region Development Programme's strategic part determines the medium-term strategic settings for sustainable development of Zemgale. The strategic part of the development programme defines six medium-term objectives development priorities:

P1 Business-friendly environment;

P2 Lifelong learning;

P3 Efficient and high quality transport system and infrastructure for external and internal accessibility of the region;

P4 Sustainable Management and Development of Environment and Natural Resources;

P5 Efficient service system;

P6 Cultural environment and identity of Zemgale.

INNOGROW PROJECT:

The Regional policies for innovation driven competitiveness and growth of rural SMEs – INNOGROW project supports public authorities in rural areas to improve

implementation of policies on SMEs competitiveness, aiming to assist rural economy SMEs in adopting innovation and new business models to increase their competitiveness and access new markets. INNOGROW regions are called to play an important role in supporting the modernisation of their existing rural SMEs and the proliferation of innovative start-ups.

The main project objectives are:

1. Increase the capacity of regional administrations, to effectively implement SMEs competitiveness policies.
2. Develop and offer innovation support services to rural economy SMEs.
3. Unlock regional/national investments on innovative technologies and new business models.
4. Encourage horizontal and vertical cooperation among SMEs for products' commercialisation.
5. Raise awareness among policy makers about the influence of regional policy measures on innovation adoption.

The main project activities are following:

1. Analysis of the factors affecting the adoption of innovation by SMEs.
2. Evaluation of existing national policies on the diffusion of innovation.
3. Identification of Good Practices on successful business models for SMEs.
4. Development of tools to promote benchmarking and policy learning.
5. Promotion of interregional learning and capacity building through workshops, study visits, and policy learning events.
6. Joint development of regional action plans.¹

POLICY INSTRUMENT'S IMPROVEMENT:

The INNOGROW project's action plan by Zemgale Planning Region aims to improve ZPRDP priority P1 "Business-friendly environment" by proposing concrete actions which are aimed to achieve innovations' adoption in the regional SMEs.

Proposed self-defined performance indicator in relation to the policy instrument addressed by Zemgale Planning Region - **% increase of rural economy SMEs involvement into innovative business models or increase of innovative technologies adoption.**

¹ Interreg Europe programme project INNOGROW, Application from

PROJECT CONCLUSIONS FOR THE FURTHER ACTIONS

INNOGROW activities structure:

As mentioned before the INNOGROW project has a lot of activities which could be divided into the activities' groups like:

- Common analysis. Within these activities' group each project region makes data gathering and provides it to the activity responsible partner which later makes overall analyses of the observed findings and provides concrete and valuable conclusions for each region and the project consortium in general. These activity group is called **A1 activities**.
- Another activities' group is **A2 activities** which are **public dialogue events** like regional stakeholder meetings each project semester (once per 6 months), public consultations and project informational days. These activities are valuable source of knowledge for each project region for defining its needs, challenges and also possible solutions.
- **A3 activities** which are interregional experience exchange events like interregional workshops, study visits and interregional summits. These activities also play important role in the regional action plan development processes as the gathered experience allows different regions to transfer good practices from other regions into their own region.
- **A4 activities** are actions related to the transferable tools and resources. Within the framework of the mentioned activities the policy briefs have been developed for the project consortium. Another noticeable action was the development **benchmarking online tool** for the project regions, which is mainly developed for the policy authorities to receive actual statistical information on different indicators related to rural SMEs and economy to compare, analyse the data for taking better decisions on related questions.
- And the most important activities' group is **A5** which is common **action plan development** within the project consortium. During the end of this activities implementation each project partner provides its own regional action plan and later it is included in the common action plan which is compiled by the project lead partner.

CONCLUSIONS FROM A1 ACTIVITIES:

The INNOGROW project deliverable A1.1 – “Investigating innovative technologies' impact on rural economy SMEs competitiveness and productivity”.

The most appropriate conclusion, in Author opinion, for Latvian partner from the deliverable A1.1 is the following conclusion:

In case that rural SMEs face difficulties in remaining competitive due to limited or no profitability, it is recommended that policy makers offer incentives related to funding

sources for SMEs to adopt new technologies, as well as incentives to collaborate (vertically or horizontally) **with other businesses to achieve economies of scale or to acquire access to knowledge, skills and specialisation that are currently not available inside the firm.** To optimise policy implementation towards this goal, it is recommended to focus policy efforts on either firms with less than 10 employees.

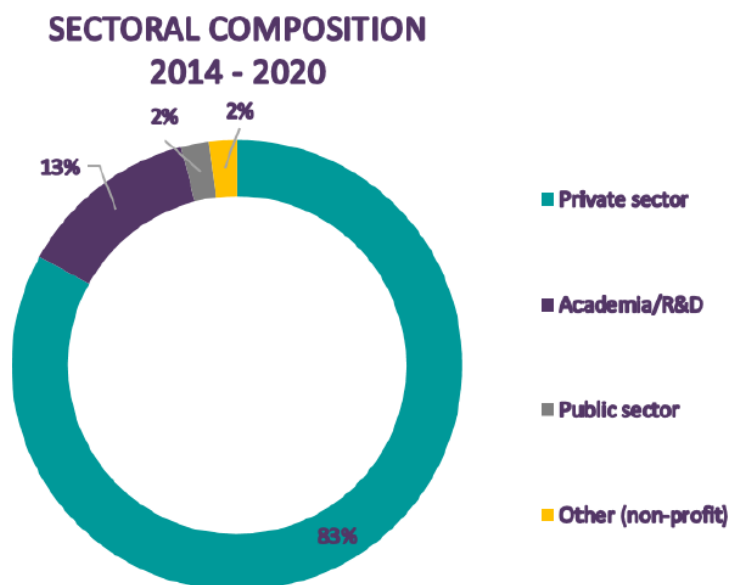
It is important to stress that the mentioned incentive has been already applied by the OPGE Managing Authority - the Ministry of Economics of Latvia, and it is Cluster Programme which supports SMEs to increase competitiveness, export capacity and the cooperation of SMEs to promote growth of productivity and high value-added products and services, as well as foster cooperation between SMEs, education and research institutions and other partners to develop common marketing, internationalisation, research and other projects to develop new products and access new markets. The Cluster Programme had been launched in the year 2016 with accessible financial support of 6 200 001 EUR (grant support)².

Though as it was stated by the Ministry of Economics itself³ that the main issues within the existing Latvian clusters are:

1. Low critical mass;
2. Unbalanced structure.

Sectoral composition of Latvian cluster organizations

(Source: CLUSTERS3 Project's Action Plan by Ministry of Economics of Latvia)



² https://em.gov.lv/lv/es_fondi/atbalsta_pasakumi_2014_2020/klasteru_programma/

³ CLUSTERS3 Project's Action Plan by Ministry of Economics of Latvia

Main conclusions of the project activity A1.2 “Identifying successful new business models for rural economy SMEs” might be found in the following table which shows the identified innovative business models’ aspects which are capable to dramatically increase the existing SMEs profit, productivity and development indicators.

Table: Aspects of innovative business models

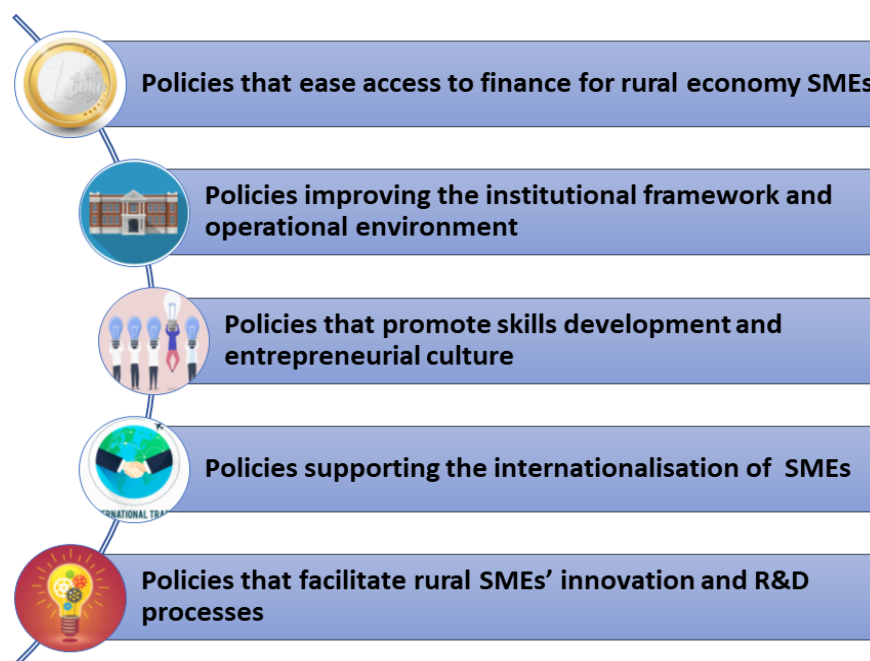
(Source: INNOGROW Deliverable A1.2 “Identifying successful new business models for rural economy SMEs”)

<p>Network/Channel innovation</p> <ul style="list-style-type: none"> •Creating a wide network of collaborations with large companies and local producers. •Innovative ways to make products available to end users. •Develop long-term trading relationships with key (worldwide) retailers. •Employ a contractual agriculture approach, which guarantees the necessary supply of raw materials at a fair price for all sides.
<p>Process Innovation</p> <ul style="list-style-type: none"> •Develop business operations that protect natural resources, conserve biodiversity, and use only approved substances. •Develop standardised production processes. •Supports on-demand production.
<p>Product/service performance Innovation</p> <ul style="list-style-type: none"> •Improving upon traditional products/processes to approach the needs of modern, eco-savvy people (e.g. develop eco-tourism as a supplement to traditional tourism). •Provide a unique experience or other service if not in the tourism industry. •Perform regular quality checks. •Service diversification to provide distinct or even unique experiences. •Provide personalised services 24/7. •Develop a flexible pricing scheme to accommodate for different needs.
<p>Brand Innovation</p> <ul style="list-style-type: none"> •Present offerings and business in a distinctive, memorable, and likeable way, capitalising on the long history and competitive advantage of EU production processes. •Differentiate your business from others in terms of branding, franchising. •Develop a coherent branding system with an all-encompassing trademark. •Run a very comprehensive website where one can browse the products, go through the company’s story and buy products online, gather information on retailers etc.
<p>Product System Innovation</p> <ul style="list-style-type: none"> •Provide complementary products and services that connect or bundle together to create more value (e.g. organised tours showcasing traditional agricultural methods).

Another important deliverable of the INNOGROW project is A1.3 activity's output that brings policy recommendations to the project consortium. All policy recommendations are divided in to the groups which could be seen in the scheme below.

Scheme: Types of policy recommendations

(Source: INNOGROW Deliverable A1.3 "Analysing existing measures in INNOGROW regions for promoting innovation in rural economy SMEs")



Another noticeable finding, regarding the proposed recommendations, is that many of the proposed recommendations had been already implemented in Latvia. The following actions from the proposed recommendations are being provided in our region already:

1. Access financial capital while developing an innovation, especially during its early stages (Policies that ease access to finance for rural economy SMEs):
 - a. Innovation voucher initiative for SMEs by Latvian Investments and Development Agency⁴;
 - b. Technology scouts for SMEs by Latvian Investments and Development Agency⁵;

⁴ <http://www.liaa.gov.lv/lv/fondi/2014-2020/inovaciju-vauceru-atbalsta-pakalpojumi>

⁵ <http://www.liaa.gov.lv/lv/tehnologiju-skauti>

- c. Latvian Business Angels Network ⁶ (The private venture capital organisation)
2. Access composite funding schemes and synergies that are better suited for their innovative activity (Policies that ease access to finance for rural economy SMEs):
 - a. ALTUM (State finance development institution) provides loan guarantees, loans and venture capital to SMEs⁷

Still it is understood that the described actions above are not enough for the necessary support to rural SMEs in Latvia and in Zemgale region and more actions should be implemented in the future.

In addition, Author outlines 3 (three) most important recommendations that derives from the recommendations for the **institutional framework and operational environment enhancement**:

1. **Development of business model consultation tools and services targeted specifically to rural economy SMEs:** Action plans should be directed towards establishing a support ecosystem that accompanies innovative rural economy SMEs for a long period of time. In this context, regional authorities and relevant institutional bodies should develop business model consultation tools and services adapted to the needs of SMEs in their territories in collaboration with relevant stakeholders and experts. These tools and services will be able to guide and provide know-how to rural SMEs throughout the whole development and implication of their idea.
2. **Foster collaboration between industry and academia.** Linkages between businesses and universities could be encouraged to enhance applied research and SMEs' engagement in innovation activities. Research institutes could develop technical audits of rural SMEs, which could raise awareness among SMEs of their research flaws and capacities. For example, joint partnerships initiatives between SMEs and public research institutes could be established, with the former contributing financial resources and a market-oriented perspective and the latter providing experienced technical staff and research

⁶ <https://www.latban.lv/lv/par-mums>

⁷ <https://www.altum.lv/lv/par-altum/kas-mes-esam/>

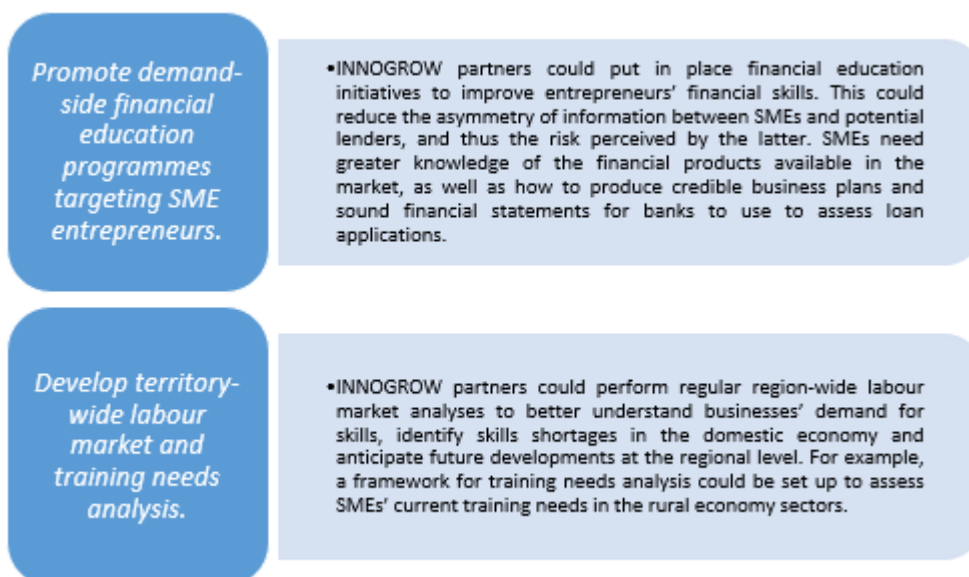
equipment. A cluster-type approach could be promoted, whereby SMEs co-ordinate their needs for innovation and engage with public research facilities with a shared objective.

3. **Strengthen international linkages between European, national, and local hubs of knowledge.** Transfer of institutional infrastructure, best practices, paradigmatic policies, and expertise relating to innovation practices assists SMEs access to knowledge, networking opportunities, and encourages the exchange of experiences. Co-operation among all stakeholders – including SME associations, public agencies, and intermediary organisations – should correct deficiencies in existing sources of information.

The following figure some supposes concrete actions for the **improvement of the skills and the entrepreneurial culture.**

Figure: Actions improving personnel skills and promoting entrepreneurial culture

Source: INNOGROW Deliverable A1.3 “Analysing existing measures in INNOGROW regions for promoting innovation in rural economy SMEs”



For the internationalization of SMEs the following recommendations fits the Latvian OPGE the most and it is formulated in the following way. **To promote and improve export related activities and export-related skills among SMEs:** INNOGROW territories should broaden current export promotion activities to provide information on priority sectors and target markets for rural economy SMEs. In addition, INNOGROW partners could support SMEs to develop a cluster-type approach with regional and industrial business partners to help them meet the quality and quantity demands of international markets. Co-ordination at certain steps of the value chain may help SMEs strike better deals with suppliers, share promotion costs, engage in joint marketing activities, and exchange exporting knowledge.

It is important to mention that not only Latvian OPGE mentions the cluster development to promote the adoption of innovations and enhance export volumes within the SMEs but the **conclusions made out of the INNOGROW regions' data gathered and made analysis that the cluster formations can serve the rural economy SMEs to adopt innovations, raise the firms profit, enhance export volumes and enter the foreign markets.**

The final INNOGORW A1 activity was the “Report on the factors that influence rural economy SMEs to adopt innovation, enabling partners to realize the policy obstacles concerned”. The report presented the main findings and conclusions drawn from the survey conducted with SMEs representatives of all INNOGOROW regions regarding the factors that influence SMEs in rural areas to invest in new technologies and get involved in new collaborative models. And The key enablers of business innovation can be grouped into three clusters: **a) internal capacity and capability** (e.g. availability of existing technological infrastructures, internal capital, employees with relevant skills), **b) market structure** (e.g. market potential, collaboration with other business actors across the supply chain, availability of business support) and **c) the external environment** (e.g. favourable regulatory framework, external funding). Overall, the regulatory framework was found the most pronounced driver of innovation, followed by market potential and employees with relevant skills. In any case, all examined factors were found to be perceived enablers of innovation.

Part III – Details of the actions envisaged

ACTION 1

Name of the action: **INTEGRATION of the INNOGROW project’s results and knowledge into the NEW PROJECT PROPOSAL “Entrepreneurship Support Measures in Zemgale Planning Region”**

1. Relevance to the project (please describe how this action derives from the and in particular from the interregional exchange of experience. Where does the inspiration for this action come from?)

North East Rural Growth Network is a rural focussed investment programme consisting of Strategic Infrastructure scheme and Rural Business Growth Fund in the United Kingdom. The Rural Growth Network has specific funding and expertise available for businesses located in rural locations, to help generate rural economic growth.⁸

The pilot programme created network of 36 hubs throughout the region. A diverse mix of private, public and third sector ownership. The enterprise hubs support local businesses and people wishing to start up new businesses. Hubs offers competitively priced small offices and workshop space on flexible rental terms to micro-enterprises, providing access to superfast broadband. In addition, the hubs are ensuring the mentors, knowledge sharing, expert consultations on the funding possibilities and thematical workshops for its participants. Another important role of the hubs are the networking possibilities among participants. Mentioned support services significantly increase the competitiveness and growth of the SMEs located in the rural areas.

The concrete idea was inspired by one of the rural enterprise hubs which is not a physical but an online hub. The online hub provides online consultancies on the existing supporting measures and development possibilities for the rural economy SMEs in England.⁹

2. Nature of the action (please describe precisely the content of the action 2. What are the specific activities to be implemented?)

The concept of the new project **“Entrepreneurship Support Measures in Zemgale Planning Region” (ESMZPR)** had been already developed and is ready to be submitted in the framework of the EEA and Norway Grants 2014–2021 programme in the spring 2020. In addition, the project had been already pre-approved by the programme and it is known that ZPR would implement this project, the submission

⁸ <https://www.nelep.co.uk/projects/north-east-rural-growth-network>

⁹ <https://www.nelep.co.uk/news/scale-up-support-on-offer-to-smes-at-growth-hub-goes-live-event>

procedure in spring 2020 would only co-shape and harmonize the project activities in accordance with the programme's requests and opinion.

The ESMZPR project aims to support not only regional SMEs but the regional business consultants from the public support institutions. The project consortium consists of four partners: Zemgale Planning Region (Latvia, Lead Partner); Innovation Circle Network (Norway, Project Partner), Jelgava City Council (Latvia, Project Partner); Jekabpils City Council (Latvia, Project Partner). The project aims to provide support to the local business and business consultants by organising joint trainings and informative events (about 50 trainings are planned) on business promotion, development and opportunities; experience exchange visits to Norway, participation in the business exhibitions and much more. In the framework of the project activities it is foreseen to involve eight business consultants for the provision of the consultancies on different topics for regional SMEs. Project duration is 42 months (till 05.2023) with the overall project budget of 969 256,00 euros.

The idea of the proposed action is to integrate the INNOGROW project's generated results, outputs, knowledge and interregional experience into the ESMZPR project and directly to the project's stakeholders (regional SMEs and business consultants).

The proposed action foresees INNOGROW project's team involvement in the ESMZPR project's trainings by presenting and sharing the information on the: innovative business models, innovative production and service technologies; innovation support measures in Latvia and Zemgale region; interregional experience in innovation adoption by EU rural SMEs; best practices examples; as well as findings from INNOGROW project's joint analyses. The ESMZPR project's training cycle consists of 50 events, for the purposes of the INNOGROW project's results integration and knowledge sharing among all stakeholders, at least 4-5 sessions (information presentations) on different topics are needed, and they would be ensured by INNOGROW project manager at the new project's trainings.

The second integration of the gathered knowledge and experience from the INNOGROW project would be shared among eight business consultants which would be involved into ESMZPR project's activities. All information would be provided to the consultants by providing access to the INNOGROW project's outputs like joint analyses, reports from the stakeholder group meetings as well as reports from the interregional workshops and study visits.

To monitor the achievements of the proposed action ZPR project team would prepare two input surveys for the ESMZPR project's stakeholders (SMEs). The survey No.1 would gather information on the current level of the innovation adoption by the SME before the trainings and consultancies, the survey No.2 would gather information after the trainings and consultancies. The described method would allow to monitor how many SMEs would adopt innovation or would be considering to adopt innovation after the trainings and consultancies.

The proposed action would allow to increase the additional value of the new project as well as multiply the dissemination of the gathered knowledge and experience and results from the INNOGROW project to the practical field, directly to the regional SMEs and business support consultants.

3. Stakeholders involved (please indicate the organisations in the region who are involved in the implementation of the action 1 and explain their role):

Zemgale Planning Region (ZPR, ESMZPR project team). ZPR is ESMZPR project submitter and lead partner, ZPR would be responsible for the project management and implementation.

Zemgale Planning Region (ZPR, INNOGROW project team). The INNOGROW project team will ensure the information transfer for the ESMZPR project's stakeholders and consultants and monitor the achievements.

Innovation Circle Network (ICN). The NGO ICN is a the ESMZPR project's partner from Norway, organisation would ensure project implementation on behalf of the project partner.

Jelgava City Council (JCC). The public authority is a the ESMZPR project's partner from Latvia, organisation would ensure project implementation on behalf of the project partner.

Jekabpils City Council (JCC2). The public authority is a the ESMZPR project's partner from Latvia, organisation would ensure project implementation on behalf of the project partner.

the ESMZPR project's business consultants. 8 consultants would insure the consultancies within the project for the involved SMEs.

Zemgale region SMEs. The SMEs would be the main target group, and would receive all necessary information for the further innovation adoption.

4. Timeframe (please specify the timing envisaged for action 1)

ACTION	TIMEFRAME
1. ZPR submits “ Entrepreneurship Support Measures in Zemgale Planning Region ” (ESMZPR) project to the EEA and Norway Grants 2014–2021 programme	March, 2020 – May, 2020
2. The start of the ESMZPR project implementation. All consortium involved: ZPR, ICN, JCC, JCC2.	September – October, 2020
3. ZPR would form the group of 8 business consultants and ZPR INNOGROW project team provide, transfer information on the INNOGROW project results and gathered knowledge to the consultants.	October – December, 2020
4. The start of the ESMZPR project trainings. ZPR INNOGROW project manager prepares the summary presentations on different INNOGROW topics as: innovative business models, innovative production and service technologies; innovation support measures in Latvia and Zemgale region; interregional experience in innovation adoption by EU rural SMEs; best practices examples; as well as findings from INNOGROW project’s joint analyses. The summary presentations would be presented at the trainings during several sessions (4-5 sessions). 1 session (1 presentation) per 1 training day. INNOGROW project team also initiates the survey No.1 dissemination among involved SMEs to gather the data on innovation adoption.	December, 2020 – February, 2021
After the INNOGROW project team would finish the information transfer to the target groups it	March 2021

would gather information on the innovation adoption by the involved SMEs by the survey No.2 and would prepare summary report on the archived results. The summary report would be sent to the INNOGROW lead partner as an evidence of the Action implementation.	
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5. Costs (please estimate the costs related to the implementation of action 1)

All the organisational costs would be covered from the ESMZPR project budget. The costs of the applied INNOGROW project manager work would be covered from the existing INNOGROW second phase staff costs budget.

6. Funding sources (please describe how action 1 will be financed. Is it through the policy instrument indicated in part II);

the EEA and Norway Grants 2014–2021 programme

Date: 29.11.2019

Zemgale Planning Region

Valdis Veips

Executive Director

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