



***iBuy – Fostering the role of public authorities as demanders of innovation through public procurement***

# **Action plan for Latvia**



# Introduction

Project “iBuy” is aiding the Government of Republic of Latvia in launching and promoting innovation procurement as the central instrument to foster innovation in public sector, and this initiative is aligned to the RIS3 in the country. Partner organization that has agreed to cover this policy area in Latvia is the Ministry of Economics. As the concept of innovation procurement is relatively new to Latvia, this project provides the Ministry of Economics the opportunity to gain external expertise to develop a framework for raising awareness of policy makers and providing support tools to promote innovation procurement. As a result of the project, the Ministry of Economics will expand its professional competence and capabilities, as well as create an opportunity to promote the application of innovation procurement.

Sustainable growth is increasingly related to the capacity of regional economy to innovate and transform. This means that a much greater effort needs to be put into creating the eco-system that encourages innovation, research and development and entrepreneurship. Since the implementation of the Operational Programme 2014 – 2020 (OP 2020) is expected to increase Latvia’s innovation potential, several support programs designed under the OP are directly improving innovation demand and implementation of innovative solutions.

The Action plan is focusing on the introduction of the specific activities in order to improve the current OP 2020, as well as to support the development of the new Operation Programme 2021 – 2027 (OP 2027). Actions identified will have a direct influence within the current measures – increase and improve project applications, foster R&D investment within public and private sector, raise the competences of the public authorities.

Policy instrument within OP 2020 targeted by this Action Plan is focused on growing the private sector investments in R&D activities, as well as on raising the competitiveness of the SME’s. Currently, one of the implementation challenges of the policy instrument is attracting and motivating private companies to invest into their development through research and innovation activities. Same challenge exists in the policy measures and specific support instruments, as projects are not well-developed, and the success rate is lower than expected. Public procurement is one of the key instruments to foster private sector investment in R&D activities, as it provides additional funds for such investments



and targets the development of commercially capable, cost-effective and innovative solutions. At the moment, the potential of the innovation procurement is not fully used by the public authorities, and it is mainly due to the lack of competence.

Actions within the Action Plan are targeting the main issues identified within the project on why innovation procurement is not widely used in the region. The implementation of the action plan will increase the number of innovation procurement cases, and therefore foster private sector R&D activities, which will have a positive impact on the OP2020, as well as on the OP2027, where the measures will also be focused on the private sector R&D capacity building.

Through activities realised within the Phase 1 of the project, the Ministry of Economics experts have developed an Action plan to promote innovation procurement. In order to create this plan, following actions were carried out:

1. gathering and exchanging experience related to different models of innovation procurement in project partner countries;
2. identification of best practice in innovation procurement on ex-post evaluation in Latvia and other project partner countries;
3. identification of approaches how to increase the level of knowledge, understanding and competences of public sector representatives (from state, regional and local authorities, public utility enterprises etc.), especially those involved in the procurement process, about various aspects of innovation procurement, including types and procedures, market research, evaluation criteria, management etc.;
4. identification of appropriate support tools and pilot actions needed to promote innovation procurement.

The developed Action plan demonstrates a detailed set of actions what will be carried out in the region to ensure that the lessons learnt from the cooperation project are employed to improve understanding, practices and national policy regarding innovation procurement.



# Part I – General information

<b>Project</b>	Fostering the role of public authorities as demanders of innovation through public procurement “iBuy”
<b>Partner organization</b>	Ministry of Economics of Republic of Latvia
<b>Other partner organisations involved (if relevant)</b>	-
<b>Country</b>	Latvia
<b>NUTS2 region</b>	Latvia
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## Part II – Policy context

- The Action Plan aims to impact:
- Investment for Growth and Jobs programme
  - European Territorial Cooperation programme
  - Other regional development policy instrument

Name of the policy instrument addressed:

**Innovation Public Procurement under the Latvian ERDF OP linked to its RIS3**



# Part III – Details of the actions envisaged

## 1. Include innovation procurement in the policy planning documents

### Background

A unified development planning system has been established in Latvia and its principles are enshrined in the regulatory framework. Long-term planning mostly takes place for a period of 15-20 years. Medium-term programming is carried out for seven years and corresponds to the programming period of the Structural and Investment Funds of the EU. During the end of the Phase 1 and the beginning of the Phase 2 of the “iBuy” project, Latvia has been preparing for the 2021-2027 planning period and developing new medium-term policy planning documents in accordance with the long-term goals.

The hierarchically superior medium-term planning document in Latvia is the National Development Plan (NDP), which sets out the national medium-term development strategy – objectives, priorities, action directions, objectives and policy outcomes to be achieved – as well as the institutions responsible for the implementation of the tasks. NDP defines Latvia’s seven-year commitments to achieve the Latvian Sustainable Development Strategy 2030, the UN Sustainable Development Goals and to improve the quality of life in Latvia over the next seven years. NDP is used to identify new priority policy initiatives to be financed from the State budget. Funds from the European Structural and Investment Funds may only be planned in accordance with the NDP. Other European Union and foreign financial instruments, unless their use is determined by the National Development Plan, shall be used for the measures provided for in their programmes.

Other medium-term policy planning documents are guidelines, and they are designed to identify development directions in sectoral policies in accordance with NDP. Guidelines



on National Industrial Policy (NIP) are considered to be the most important document of Latvia's growth and economic transformation policy both locally and internationally. NIP are aimed at identifying macro- and micro-level bottlenecks hindering future development of export-oriented sectors, i.e. identifying main industrial policy directions based on current development trends, global challenges and potential opportunities of the sectors towards production of higher value-added products. Ministry of Economics is responsible for the development of NIP in coordination with sectoral ministries and other stakeholders.

Within Action 1 Ministry of Economics aims to include innovation procurement in the two main policy planning documents – NDP and NIP – for the period 2021-2027. This action complies with the goals set out in OP 2020 and will aid in setting innovation procurement as a priority for the next planning period, as well as developing and adjusting policy instruments, including the OP 2027.

**Motivation:** The need to include innovation procurement in the national policy planning documents has been identified during the stakeholder meetings. Based on the learnings from the Project, as well as on the several discussions among stakeholders and other relevant representatives, who stated that innovation procurement is an important instrument to deploy new products and services, Ministry of Economics has decided to include innovation procurement in the main policy planning documents as an instrument to promote innovation emphasizing it as a priority in NDP 2021-2027 and NIP 2021-2027.

**Concept:** Ministry of Economics plans to include innovation procurement in the mentioned policy planning documents under the priority actions related to innovations, productivity and technologies. Within these priority actions, Ministry of Economics aims to underline the role of public sector authorities as innovation supporters and consumers and promote investment in innovative solutions, using innovation procurement. Within NIP 2021-2027 Ministry of Economics plans to detail activities to promote public sector investment in innovation like increasing the awareness and understanding of innovation procurement and evaluation of the legal framework.

**Inspiration:** The importance of policy documents has been identified during the partner meetings in Lithuania, Portugal and Finland, in particular, while discussing the potential support instruments for the innovation procurement. Lithuania and Finland have specific support measures and financial programmes dedicated for the support of the pre-commercial and innovation procurement, however, local authorities have underlined the



importance for the priorities to be included in the policy planning documents so that the support measures can be designed based on the identified priorities. Finland has included innovation procurement in their national policy planning documents, more precisely, Finland has set a national aim to increase the share of innovation procurements of all public procurements. For Latvia setting a precise national goal for increasing innovation procurement cases is not yet possible due to the relatively low number of innovation procurement cases and a lack of knowledge among public authorities on the topic. The first step is to prioritise it in the policy planning documents, therefore encouraging and allowing to develop specific policy instruments and allocate funding in the future.

### Players involved

- Ministry of Economics – responsible for the mid-term policy planning of the industrial policy
- Cross-Sectoral Coordination Centre – responsible for the development and coordination of the National Development Plan of Latvia

### Timeframe

Activity	Date
Propose changes in the NDP 2021-2027	July 2020
Propose changes in the NIP 2021-2027	March 2021

### Funding sources

Action will be financed from the remaining regional ERDF OP 2020, under the Priority Axis 1 and will mainly cover the staff costs.



## KPI

Indicator	Target value
Approved NDP 2021-2027 where innovation procurement is identified as an instrument	1
Approved NIP 2021-2027 where innovation procurement is identified as a priority and included in the action plan	1
New policy instrument regarding innovation procurement developed under the OP 2027	1



## 2. Organisation of seminars on innovation procurement

### Background

According to the Single Market Scoreboard, Latvia has good results in the SME contractor indicator (92% in 2019)<sup>1</sup>, this confirms that Latvia has a potential and willingness to participate in public procurement tenders. But, to develop the emergence of innovations and the willingness of SME's to engage in innovation procurement by offering new solutions, it is necessary to raise the level of knowledge and awareness about the implementation of innovation procurement. During the Phase 1 of the project experts of the Ministry of Economics have identified that information sharing and awareness raising activities are necessary to enable public officials to recognize the importance of innovation procurement and the opportunities it can bring for the successful economic growth in a long run.

To fill the gap, Ministry of Economics has decided to organise seminars on innovation procurement for public authorities. Raising awareness on the topic will foster the private and public sector investments in R&D activities which will result in more and better applications for the calls within the OP 2020 measure, as well as improve the quality and amount of the successful projects within the OP 2027 measures.

**Motivation:** During the Phase 1 of the project, the Ministry of Economics has identified that there is a lack of knowledge and common understanding of innovation procurement among policy makers, public procurers, private sector representatives and others. As awareness raising is one of the main aspects in fostering innovation procurement among public authorities, additional attention will be paid towards information dissemination events.

**Concept:** Ministry of Economics aims to employ the expertise and information gathered through interregional cooperation and locally conducted research to design and to

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<sup>1</sup> European Commission, "Performance per policy area: Public Procurement", 2020, available: [https://ec.europa.eu/internal\\_market/scoreboard/performance\\_per\\_policy\\_area/public\\_procurement/index\\_en.htm](https://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm)



organise seminars that provide focused and specific information relevant to public procurers in Latvia. The main concept of the seminar organisation process is a client-oriented approach in order to address all the current issues, questions and interests of the audience.

The idea of these seminars is to first-off gather all the potential questions and topics, which the audience is interested in. This will be achieved through disseminating the questionnaires to all the potential attendees. Once the data is summarized, the structure of a seminar will be developed based on the questions asked. Presentations will be designed to give responses and create additional discussions around the identified issues.

In addition, project partners from the Baltic Institute of Finland have agreed to collaborate and organise joint seminars and share experiences during the Phase 2 of the iBuy project. There is a need in both regions to gain more information about the innovation procurement practices and implementation. During these seminars, good practice cases from each region will be discussed and shared to demonstrate innovation procurement opportunities and to promote the opportunity of transferring good practices between two countries. Selected cases will aim to cover the topics of interest expressed by the audience.

**Policy relevance:** Through implementing this activity and raising the knowledge of public authorities, it is expected to improve future calls and applications, as well as innovation procurement projects, thus promoting private sector investments in R&D. Moreover, action is focused on the long-term solution for the successful design of the new OP, based on the current challenges within the EU funded projects, where one of the cornerstones of a successful implementation is a well performed procurement. When performing compliance checks of procurements, it can be concluded that while preparing procurement documentation and evaluating the proposals, the contracting authorities usually make the same mistakes, which may result in financial corrections and even reduction of funding. Therefore, awareness raising will not only improve the quality of project applications, but will also facilitate the administration and monitoring of the projects financed under the OP. As a result, faster and simpler decision-making procedure will be applied, and good practice of existing planning period will be extended to the next planning period.

Activity focuses on the improvement of the applications under the policy instruments of the OP 2020 “Growth and Jobs” and the main support mechanism tackled by this activity is Measure 1.2.1. “Increase private sector investments in R&D”



This activity is also expected to be in line with national policy planning documents NDP 2021-2027 and NIP 2021-2027 and included in NIP 2021-2027 action plan.

**Inspiration:** The concept and the idea of such dissemination seminars comes from the Finnish project partners, as Baltic Institute of Finland has been organising client-oriented seminars quite often and have received positive results. Baltic Institute of Finland is organising the seminars based on the previously gained questions and reviews of the participants.

### Players involved

- Ministry of Economics – will provide the concept of the seminar, topics, exchange information with the potential audience, prepare questions and answers.
- Procurement Monitoring Bureau – responsible for the organisational part of the events (workshop/seminar etc.).
- Baltic Institute of Finland – will participate in the local seminars to share experience as well as participate in the organisation of the joint seminars for both regions.

### Timeframe

Activity	Frequency	Date
Seminars on innovation procurement	At least once in a quarter (Q4'2020 – 2022)	First seminar: 25/11/2020
Joint seminars with Baltic Institute of Finland	Once a year	Semester 1 & 2 of the Phase 2

### Funding sources

Action will be financed from the remaining regional ERDF OP 2020, under the Priority Axis 1 as well as from the regional ERDF 2021-2027 funds.



## KPI

Indicator	Target value
Number of seminars	9
Number of participants per seminar (local)	60
Number of participants per seminar (joint)	200



### 3. Innovation procurement lecture session

#### Background

The Ministry of Economics experts have concluded that strengthening innovation procurement in the national policy planning documents and implementing awareness raising activities would not be enough to promote innovation in the public sector through procurement. According to experts, the key is to improve competences of the public sector representatives – this issue has been often discussed during the project partner meetings.

Currently in Latvia, there are no activities dedicated to competence raising of the public authorities specifically on the topic of innovation procurement. Procurement Monitoring Bureau together with State Administration School have already developed an online course and are planning to work on the development of comprehensive courses on public procurement. Ministry of Economics proposes to develop additional lectures about innovation procurement within the course on procurement methods with the aim to raise the competences and knowledge of public authorities and promote their role as innovation consumers and supporters.

Ministry of Economics believes that public sector, as the major procurer of goods and services, can drive innovation in private sector by stimulating its response to current and future service needs, smart regulation, and demand for innovative solutions. Public sector can influence various industry's investments in new skills, equipment, research and development, which, in turn, supports growth and competitiveness. Moreover, this will promote public sector involvement, raise the R&D statistics, and support the participation in local and global projects and procurement calls.

**Motivation:** The Ministry of Economics plans to develop a lecture session that will aim to improve the competences of public officials, and incorporate it in the existing online course and/or new comprehensive training course that will be developed within next year by Procurement Monitoring Bureau on the basic procurement methods. It has been identified that there is a need to focus the competence raising mechanism on various management levels in order to both provide practical information and motivational push to foster innovation procurement.



**Concept:** This lecture session will mainly provide an answer to the question WHY innovation procurement is needed and HOW to perform innovation procurement. Through the development of the lecture session and incorporating it in existing online course and/or comprehensive new training course that will be developed within next year by Procurement Monitoring Bureau, Ministry of Economics aims to promote innovation procurement by enabling senior and middle level management to understand the importance of innovation in the public sector, to identify the areas for potential innovation, to aim to implement innovation procurement in their organisations and to promote innovation procurement by providing the relevant knowledge and tools to implement innovation procurement in practice.

**Policy relevance:** This Action focuses on the improvement of the support instrument of the OP 2020, 3.4.2.0. "Professional Development of Human Resources in Public Administration for Improving Regulations to Support Small and Medium-sized Enterprises". As support instrument is aimed at developing competences of the public administration, it is important to include the education on the innovation procurement. The additional influence will be – better understanding of legal acts, improved public services and legislation and reduced administrative and legislative burden. The improvement of the instrument will have a direct influence on the Axis 1 of the OP 2020, and in a long run will foster public sector investment in the innovation projects, as well as the application to the projects and procurement calls.

**Inspiration:** While participating in the seminar organised by project partners from Portugal in cooperation with the Horizon 2020 project Procure2Innovate, an idea of the competence raising mechanism emerged. The idea for this Action was further developed taking inspiration from Lithuania's good practice – consultation services (including informative events and consultations with experts) on innovation procurement, provided to companies and public authorities. In the case of Latvia, these lecture sessions would similarly include valuable information and assistance to public authorities.

**Target audience:** public-sector senior and middle level management (directors, chairpersons, city mayors, ministers, state secretaries and other level decision makers); public sector procurement implementers (public procurement specialists, experts, project managers, members of the evaluation committee etc.).



### **Topics included in the lecture session:**

- general information on the concept, government role and the main benefits and potential of the innovation procurement;
- approaches on how to identify innovation needs and foster innovation within organisations;
- information on the implementation process of innovation procurement, focusing on the transparent and efficient processes, facilitating equal access and open competition, importance of prior market consultation and identification of the possibilities to delivering better services with long-term value for money;
- information on the concept, available procedures and approaches;
- practical information and examples on how to prepare procurement documents, including information on how to design technical and functional specification, how to develop evaluation criteria and legal agreements;
- recommendations on how to avoid potential risks.

### **Players involved**

- Ministry of Economics – initiator, provides expertise on the content of the course.
- Procurement Monitoring Bureau – provides expertise on the content of the course.
- Latvian School of Public Administration – responsible for organising courses for state officials.
- The Local Governments Training centre – responsible for organising courses for municipality representatives.
- The State Chancellery – responsible for organising trainings for public sector senior and middle level management.
- Cross-Sectoral Coordination Centre – responsible for the involvement of joint-stock companies, will assist in communicating and developing content for them.



## Timeframe

Activity	Date
Development of the lecture session concept – detailed description of topics, collection of sources, good practice examples etc.	Semester 1 of the Phase 2
Validation (with stakeholders) and refinement of the lecture session concept	Semester 2 of the Phase 2
Development of the lecture session content and materials in coordination with stakeholders	Semester 2 of the Phase 2
Testing the lecture session and validating it with stakeholders	Semester 3 of the Phase 2
Spreading information about the lecture session on media	Semester 3 of the Phase 2

## Funding sources

Action will be financed from the remaining regional ERDF OP 2020, under the Priority Axis 1 and 3. Ministry of Economics is also looking for an opportunity to allocate funding for competence raising activities from OP 2027.

## KPI

Indicator	Target value
Number of attendees of the lecture session	200
Positive feedback	90%

