

# **Innovation Procurement Initiatives in Estonia**

Mid 2014 the Estonian ministry of economics and communications completed a feasibility study about how to best design demand-side measures for Estonia<sup>1</sup>. The study analysed the potential to deploy innovation procurement especially in smart specialisation areas of particular interest for Estonia (e.g. e-governance, healthcare and smart construction). Secondly it made policy recommendations on the key building blocks that are needed to set up an innovation procurement policy in Estonia: create an innovation procurement action plan (with a mandatory percentage of procurement budget to go to innovation and/or a predefined number of procurement projects/purchases to be innovative), setup a measurement system to track progress, setup competence center that provides training and tools, create a unit in the public procurement department to introduce PCP and PPI, provide financial incentives to reduce the risk for Estonian public procurers to undertake innovation procurements.

In 2015 the Estonian ministry of economics and communications introduced innovation procurement policy 'the public sector as a smart customer' strategically into its wider innovation policy. It assigned the task to Enterprise Estonia (EAS) to setup and manage a 20 Million euro scheme - co-financed by the EU Structural Funds – to support Estonian public procurers to undertake innovation procurements. From Autumn 2015 onwards the ministry and EAS organised several discussions and workshops with public procurers, potential consultants and companies, which culminated in the first Estonian innovation procurement conference in April 2016. A handbook on innovation procurement was also published<sup>2</sup>.

The 20 Million euro support scheme is split in two large segments of activities:

- Circa 2 Million euro will be devoted to general awareness raising, knowledge sharing, workshops, consultations etc. – everything that helps the procurers and companies to better understand what innovation procurement is and why it is useful.
- The remaining 18 Million euro provides co-financing for Estonian public procurers to carry out an innovation procurement. Only procurers can apply, not companies, so it is fully demand-based measure. In 2016 Enterprise Estonia opened the first call for Estonian public procurers (deadline for applications: 21 June 2016).

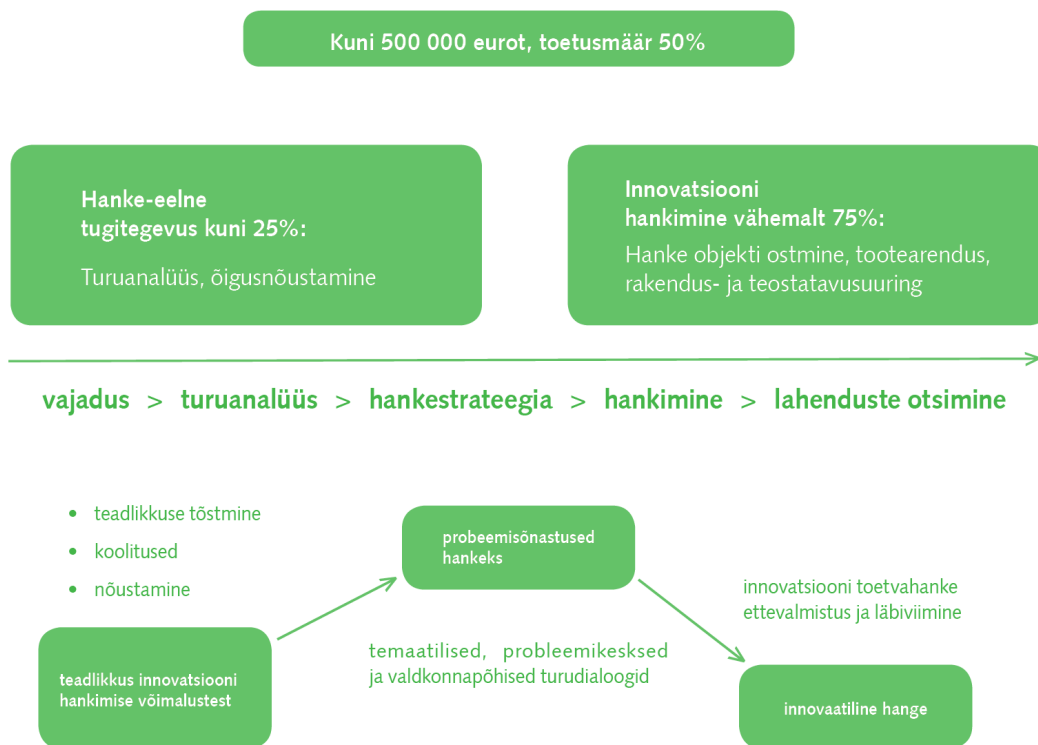
The 18 Million euro support co-finances the actual procurement need (a new innovative solution, service or product) and supporting activities for the procurers to prepare and manage the procurement (e.g. the engagement of a project manager by the procurer, open market consultations before the procurement, legal support, market analysis etc.). Procurers can apply for up to 50% of co-financing from the total cost of the project. The funding is divided via a ratio of 75%-25% between the actual solution to be procured and supporting activities. At least 75% of the eligible financing has to be invested into the actual solution, max 25% can be invested into supporting activities. The engagement of a project manager and market analysis are compulsory supporting activities.

Enterprise Estonia (EAS) is executing the whole 20 million euro support scheme. This first call is considered a pilot that will be used to refine next future calls

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<sup>1</sup> Part 1 of the study [https://www.mkm.ee/sites/default/files/final\\_report\\_part\\_1.pdf](https://www.mkm.ee/sites/default/files/final_report_part_1.pdf) (Market potential and International experience), Part 2 of the study [https://www.mkm.ee/sites/default/files/final\\_report\\_part\\_2.pdf](https://www.mkm.ee/sites/default/files/final_report_part_2.pdf) (policy recommendations)

<sup>2</sup> Website about the Estonian innovation procurement support scheme and the handbook: <http://www.eas.ee/teenus/innovatsiooni-edendavate-hangete-toetamine/>



### Principles Estonian innovation procurement support scheme

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Website Estonian innovation procurement policy activities:

<https://www.mkm.ee/en/objectives-activities/economic-development-and-entrepreneurship/innovation#state-as-a-smart-customer10>

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Website Estonian financial support scheme for innovation procurement:

<http://www.eas.ee/teenus/innovatsiooni-edendavate-hangete-toetamine/>