Estonia

Strategic framework, action plan and scope for procurement for innovation policy

Estonia has not (yet) developed and agreed upon a strategic framework for procurement for innovation. Elements of demand-side innovation policy are included in some initiatives and programmes, but this is not the outcome of systemic policy implementation. Innovation policy as such is governed by two ministries: the Ministry of Economic Affairs and Communications (MEAC) and the Ministry of Education and Research. Both ministries have developed strategies where the concept of and the need for further elaboration of procurement for innovation is presented: “Knowledge based Estonia 2014-2020” and “Estonian Entrepreneurship Growth Strategy 2014-2020.” The Estonian National Reform Programme “Estonia 2020” also indicates a need to transform public procurement regulations into an engine of development in fields important to the state (e.g. innovation).

Estonia does not have yet a stand-alone procurement for innovation action plan, but is working on it. The intention is to develop several instruments that together constitute a set of co-ordinated activities (collectively called “action plan”), rather than compiling one single document.

MEAC and Enterprise Estonia have developed practical guidance material to procurers on how to procure innovation. The guide is complementing the procurement law. MEAC has set up a horizontal taskforce encompassing different ministries. This taskforce fosters the debates about procurement for innovation nationwide.

Enterprise Estonia has designed different support measures to foster the uptake of procurement for innovation. Pilot support measures were launched in the beginning of 2016. Enterprise Estonia has started awareness raising activities and trainings and has moved on to financial support to concrete procurement for innovations.

Innovation-oriented procurement policies (POPP) are in initial development phase and, mostly take the form of one-off initiatives or specific elements of regular procurement procedures. Estonia is using the definitions of PCP and PPI.

Implementation

Estonia has prepared specific actions supporting procurement for innovation. As mentioned above, Estonia has developed practical guidance and has created a taskforce in 2016. Several activities begin in 2016: training courses, awareness raising events. Although procurement for innovation is strategically yet underdeveloped, there are some practices to report, for instance:

- ELMO project (2011): Estonian Electro mobility Programme. Procurement for innovation for creating a charging network for electric cars

* OECD Survey Part I submitted by Sigrid Rajalo, Executive Officer of Innovation Division, Ministry of Economic Affairs and Communications.
• Iris e-project (2001-10): Successful pre-commercial procurement by the Estonian Defence Forces for developing a device that disrupts radio waves and blocks the remote controlled explosive devices starting signals

• Smart Port (2013-16): A new traffic flow management solution organising pre-check in, check-in and line management for ports with multiple ferry operators by providing a holistic and easy-to-understand service for people with trucks and cars.

**Challenges, risks and solutions to overcome obstacles**

Estonia faced the following challenges in supporting procurement for innovation:

• In developing strategic and horizontal policies for procurement for innovation, one of the occurring significant challenges is the overall lack of horizontal policy implementation (the co-operation between ministries and agencies could always be better).

• There is a lack of long term vision, and too much focus on short-term resources, too much risk aversion, as well as too little awareness and motivation for innovation. There are exceptions; some sectors are performing very well (e.g. ICT). Openness to innovation in the public sector is at very different levels in different fields. The overall openness to innovation especially with regard to procurement practices could be much better.

• The overall procurement practice is rather conservative and risk averse. The greatest challenge is to change existing practices.

• It has been difficult to use structural funds to develop procurement for innovation measures.

As the process to support procurement for innovation is in an early stage, concrete results to show that these challenges have been overcome have not materialised yet. However, Estonia has conducted some exemplary procurement for innovation projects; more projects are planned for the pilot phase. The obstacles mentioned above need to be addressed systematically. Just applying one measure is not enough. Procurement for innovation encompasses great potential, but at the same time requires smart policy development. Therefore, Estonia has come to realise that all the different affecting factors have to be addressed: the legal framework has to enable procurement for innovation (not just in rhetoric, but in practice), procurement practice needs changes, the risks for procurers have to be managed, the same for the bidders, skills to manage the process of procuring innovation need to be developed, appropriate know-how has to be made available to procurers and bidders, higher level (director generals) administrators have to realise the potential and possibilities of procurement for innovation, impact measures have to be developed together with a monitoring system, etc.

**Key lessons learned**

Estonia submitted the following lessons learned during their early procurement for innovation efforts:

• There is a need for a systematic approach.

• Horizontal policy co-ordination is essential.
• Awareness and acceptance of this policy by policy designers at a higher level is important.
• Good practice examples to illustrate (evidence to support arguments) are needed.

**Measurement and impact assessment**

There are several discussions on the subject - quantified target for procurement for innovation in Estonia, but there is no agreed hard target yet. MEAC is conducting a study to determine the percentage of innovative procurements in year 2015 and the results are considered as a base line of innovative procurements in Estonia. MEAC is also starting to monitor the innovative procurements in e-procurements system late 2016. A feasibility study was conducted for the design and implementation of demand-side innovation policy instruments.

Estonia will start to monitor innovative procurements late 2016 and criteria for evaluation were proposed by the authors of the study “Feasibility study for the design and implementation of demand-side innovation policy instruments in Estonia.”