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The Latvia, Lithuania and Belarus Cross-border Cooperation Programme within the European Neighbourhood and Partnership Instrument succeeds the Baltic Sea Region INTERREG IIIB Neighbourhood Programme Priority South IIIA Programme for the period of 2007-2013. The overall strategic goal of the programme is to enhance the cohesion of the Latvian, Lithuanian and Belarusian border region, to secure a high level of environmental protection and to provide for economic and social welfare as well as to promote intercultural dialogue and cultural diversity.

Latgale region in Latvia, Panevėžys, Utena, Vilnius, Alytus and Kaunas counties in Lithuania, as well as Vitebsk, Mogilev, Minsk and Grodno oblasts take part in the Programme. The Joint Managing Authority of the programme is the Ministry of the Interior of the Republic of Lithuania. The web site of the programme is www.enpi-cbc.eu.

The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms.

The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

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1.Introduction

Opportunities for Lithuanian and Belarus collaboration in the area of innovation are dependent on the social and business environment in both countries. This environment greatly influences both supply and demand for innovation, hence possibilities to cooperate in concrete projects. The purpose of this guide is to provide better understanding of the context in which we intend to collaborate, rationale for the innovation support in both countries. This guide may serve as first reference when looking for the policy documents related to innovation, institutions involved in shaping this policy and programmes that support innovation. Although these programmes primarily are oriented to national innovation system, there are possibilities to participate in projects as “third parties”, subcontractors or gain synergy by exchanging information and research results. Innovation by definition means successful implementation of a novelty. This paper implicitly oriented towards industrial application, it is deliberately biased towards “company view” (in contrast to “research view”) in consideration of policies and programmes. This document does not contain references to European level policy, documents and programmes, such as Framework Programme 7 and future Horizon 2020. Although Belarus entities can participate in some EU programmes for research and innovation, these opportunities are described elsewhere.

The second section of this paper describes Lithuanian Innovation system – institutions involved their area of responsibility. This section also contains references to the web-pages of these institutions, followed by a section which lists research organizations in Lithuania.

The forth section describes innovation policy in Lithuania, including references to main policy documents. It describes rationale for innovation support policy and priorities, and changing paradigm.



The fifth section lists important innovation support programmes. Although the programming period is nearing towards its end, it is very likely that similar programmes will be operative also in the next programming period 2014-2020.



2. Innovation policy actors

2.1 Institutional Environment

National innovation system is defined as a network of institutions, acting as individual organisations and collectively, interacting with each other make an impact on innovation activity on a national level. Institutions here includes the actors in the system, as well as infrastructure, legal acts, rules and norms.

The section provides an overview of the actors involved in Lithuanian national innovation system. First, the main actors are presented, as well as their role in the system.

Innovation policy in Lithuania is formed and implemented by the state and self-government institutions (Seimas of the Republic of Lithuania, Government of the Republic of Lithuania, Ministries: mainly Ministry of Economy, Ministry of Education and Science, regional authorities and municipalities) through various laws, strategies and programmes. The design and implementation of innovation policies, albeit there are several institutions responsible, in Lithuania for the most part is centralized, as the country is rather small.

2.2 Policy makers

The Parliament is the main institution in shaping the policy of scientific research and experimental development (SR&ED). Legal acts on SR&ED policy adopted by the Parliament are followed by all bodies implementing that policy.



The Ministry of Education and Science with the participation of the Ministry of Economy implements national SR&ED policy; the Ministry of Education and Science coordinates the activities of state science and education institutions.

The Ministry of Economy is responsible for innovation and for commercialisation of the results of scientific research.

2.3 Implementing Institutions

Lithuanian Business Support Agency (LBSA) is an implementing agency that has been designated to manage and administer financial support provided by the European Union Structural Funds and national support programmes. (www.lvpa.lt)

The European Social Fund Agency (ESFA) (<http://www.esf.lt/en/about/>) administers Human Resource Development Action Program of 2007 – 2013, Administered measures (programmes) include:

- Measure 2.1. Development of Employability;
- Measure 2.2. Development of Labour Force Competencies and the Ability to Adapt to Changes;
- Measure 2.3. Prevention of Social Exclusion and Social Integration;
- Measure 2.4. Development of Conditions for Lifelong Learning;
- Measure 2.5. Improvement of Human Resources Quality in Scientific Research and Innovations.

The Research Council of Lithuania acts as a counsellor of the Parliament and the Government on SR&ED and researchers training related matters, organises assessment of scientific activities carried out in Lithuania. It also provides a program based competitive funding for the SR&ED of social sciences and humanities, scientific research in the field of physical, biomedical and technological sciences. Scientific and academic bodies as well as groups of researchers can participate in



the tenders being announced. Some competitive funding schemes are designed for business undertakings.

The Agency for Science, Innovation and Technology (MITA) is entrusted by the Minister of Economics and the Minister of Education and Science to manage the programmes of applied scientific research, experimental (technological) development and innovation and to provide a programme based competitive funding for the realisation of the projects in these programmes. The main activity is the coordination of national (high-tech, industrial biotechnology) and international programmes (FP7, EUREKA, EUROSTARS, CIP) of research, technological development and innovation and other financial schemes (innovation vouchers, protection of industrial property rights). MITA provides national financial support for projects participants. MITA also promotes business and science cooperation, commercialization of research and protection of intellectual property rights.

Research and Higher Education monitoring Centre (MOSTA) is a state budgetary institution, an analytical and advisory body. MOSTA draws up recommendations on the development of the national research and higher education systems, performs monitoring function, analyses the state of the Lithuanian research and higher education systems, and participates in the development and implementation of research and higher education policies.

Education Exchanges Support Foundation is a Lithuanian national agency responsible for implementing EU programs: Lifelong Learning Programme, Euroguidance, Europass, Erasmus Mundus, Tempus; National programs: state scholarships for students and scientists, state scholarships for master students from 3rd countries; Other : Nordplus, ESF. The Foundation administrates more than 50 various activities that are relevant to schoolchildren, seniors, kindergartens or schools, as well as for higher education or other education-related institutions.



Lithuanian Innovation Centre (LIC) is a non-profit organisation, providing innovation support services to enterprises, research institutions, industry associations and business support organisations. Mission of Lithuanian Innovation Centre is provision of the innovation support services by implementing Lithuanian innovation policy. The main strategic goal of LIC is the increasing of Lithuanian international competitiveness by stimulating innovations in business. The main services provided: technology and innovation transfer (as part of Enterprise Europe Network); advice on cluster development; entrepreneurship and innovation promotion, innovation management.

Investicijų ir verslo garantijos UAB (INVEGA) provides state guarantees to credit institutions for loans to micro-, small, and medium enterprises (SMEs) and enterprises temporarily facing difficulties, reimburses interest to SMEs, and administers the provision of micro- and small credits. (<http://www.invega.lt>)

The Business Service Network (business information centres and business incubators) ensures access to quality services for businesses and businesspersons across Lithuania. There are currently five integrated science, study and business centres that have been approved by the Government (<http://www.mita.lt/en/activities/lithuanian-business-organizations/business-information-centers>).

Enterprise Lithuania supports the establishment and development of competitive businesses in Lithuania and fosters the country's exports by facilitating cooperation with partners' networks and providing quality training, consultancy, market analysis, and business-partner search services (<http://www.enterpriselithuania.com>).



Invest Lithuania is a Lithuanian government agency that provides free advice and introductions to on the ground experts to global companies interested in doing business in Lithuania. The agency serves as a point of contact for foreign companies and guides international businesses through every step of the process of setting up operations in Lithuania (<http://www.investlithuania.com/en>).

2.4 Integrated Science, Education and Business Centres

Vilnius “**Santara**“ valley aims to develop biotechnology, innovative medical technologies, molecular medicine and biopharmaceuticals, ecosystems and sustainable development, IT and communications technologies. The valley will house a Joint Centre for Life Sciences, Joint Centre for Innovative Medicine, Joint Nature Research Centre, and Information Technology Open Access Centre bringing together geographically remote computer resources.

Vilnius “**Saulėtekis**“ valley will focus on the development of lasers and technologies of the light, material science and nanotechnology, semiconductor physics and electronics and civil engineering. The valley will house an International Access Laser Complex Naglis. Investments will be made for the development of Vilnius University Laser Research Centre, laboratory equipment and a modern laser complex.

Kaunas “**Santaka**“ valley will focus on the development of sustainable chemistry, mechatronics, and related electronic technologies, the future of energy, information and telecommunications technology. The valley will house a National Open Access Research and Development Centre. A Centre for the Latest Health Technologies and Pharmaceuticals created by Kaunas Medical University will be located in the same valley.



Kaunas “**Nemunas**“ valley aims to strengthen the infrastructure for agricultural and forestry research, technological development and studies, to form the required potential to address the issues of quality and safety of the raw materials of animal origin, and to contribute to a more advanced development of food science and technologies in Lithuania. The total budget: LTL 119 million.

Klaipėda “**Jūrinis**“ (**Marine**) valley aims at the development of modern research facilities for the needs of Lithuania's maritime research, studies and technological development, as well as for the implementation of the European Union's maritime policy objectives, and finally, for marine research needs of different public institutions. The project for the establishment of the “Jūrinis” (Marine) cluster is entrusted to Klaipėda University. The university campus will house new laboratories; investments will be made to new modern equipment and classrooms, other study facilities, and for the acquisition of a modern research vessel.

2.5 Selected Social and Economic Partners

The **Lithuanian Confederation of Industrialists** represents the interests of its members in governmental, social and international organisations, helps businesses find new markets and create the most favourable conditions for investment in Lithuania, protects social and legal interests of Lithuanian employers, and is strengthening social dialogue. (<http://www.lpk.lt>).

The **Lithuanian Business Employers' Confederation** provides comprehensive help to businesspeople (provides methodological and informational support and consultations on organising business) (<http://www.lvdk.eu>).



The **Association of Lithuanian Chambers of Commerce, Industry and Crafts** is a voluntary organisation that unifies chambers of commerce, industry and crafts, and represents the interests of those chambers. It coordinates the activities of chambers, and represents chambers when cooperating with state, government and governance bodies as well as economic entities and state institutions of foreign countries, numbers and codes goods (EAN - Lithuania), and creates and keeps the business (trade) register (<http://www.chambers.lt/lt/?m=6#>).

3. Research Organizations in Lithuania

3.1 Research Centres

GOVERNMENTAL RESEARCH INSTITUTES AND CENTRES	
Lithuanian Research Centre for Agriculture and Forestry	http://www.lammc.lt/
Lithuanian Energy Institute	http://www.lei.lt
Nature Research Centre	http://www.gamtostyrimai.lt/lt/pages/view/?id=2
Institute of the Lithuanian Language	http://www.lki.lt/LKI_LT/
Institute of Lithuanian Literature and Folklore	http://www.liti.lt/
Lithuanian Institute of Agrarian Economics	http://www.laei.lt/
Lithuanian Institute of History	http://www.istorija.lt/
Lithuanian Culture	http://www.kfmi.lt/

Research Institute	
Lithuanian Social Research Centre	http://www.lstc.lt/
Center for Physical Sciences and Technology	http://www.ftmc.lt/
Center for Innovative Medicine	http://www.imi.lt/
Lithuanian Textile Institute	http://www.lti.lt/
Institute of Law	http://www.teise.org/
PRIVATE RESEARCH INSTITUTIONS	
Public Policy and Management Institute	http://www.vpvi.lt/
Space Science and Technology Institute	http://www.space-lt.eu/kmti/

3.2 Universities

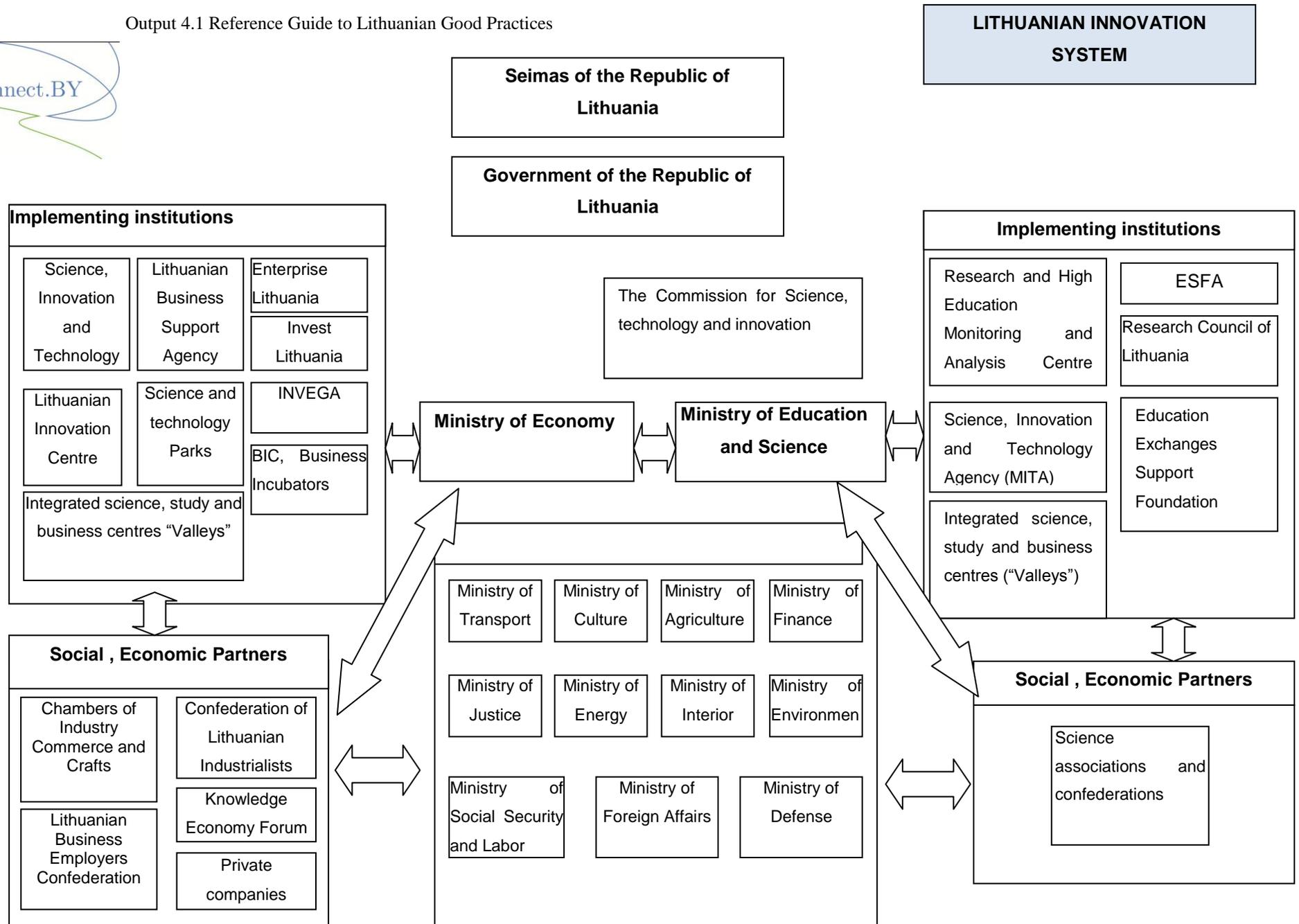
UNIVERSITIES (GOVERNMENTAL)	
Kaunas University of Technology	http://www.ktu.lt
Lithuanian Academy of Physical Education	http://www.lkka.lt
Lithuanian University of Health Sciences	http://naujas.kmu.lt/index.php
Vytautas Magnus University	http://www.vdu.lt
Lithuanian University of Agriculture	http://www.lzuu.lt
Klaipėda University	http://www.ku.lt

Šiauliai University	http://www.su.lt
The General Jonas Zemaitis Military Academy of Lithuania	http://www.lka.lt
Lithuanian Academy of Music and Theatre	http://lmta.lt
Mykolas Romeris University	http://www.mruni.lt
Vilnius Academy of Arts	http://www.vda.lt
Vilnius Gediminas Technical University	http://www.vgtu.lt
Vilnius Pedagogical University	http://www.vpu.lt
Vilnius University	http://www.vu.lt
UNIVERSITETIES (non-governmental)	
University of Management and Economics	http://www.ism.lt/
Vilnius Management Academy	http://www.vva.lt
European Humanities University	http://www.ehu.lt
Vilnius University International Business School	http://www.tvm.vu.lt/lt
Vilnius Academy of Business Law	http://www.vvtakademija.lt

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Kazimieras Simonavičius University	http://www.ksu.lt
LCC International University	http://www.lcc.lt

Output 4.1 Reference Guide to Lithuanian Good Practices





4. Innovation Policy

4.1 Recent Innovation policy developments

The most important Lithuania innovation policy documents are “Lithuanian National Lisbon Strategy Implementation Programme for 2008-2010”¹, “Innovation in Business Programme for 2009-2013”, “National general strategy: the Lithuanian Strategy for the use of European Union Structural Assistance for 2007-2013”² “Operational Programme for Economic Growth“ for 2007–2013”³, “Operational Programme for the Development of Human Resources 2007- 2013”, “High technologies development programme for 2007-2013”, “Priority trends of research and development for 2007-2010” and the “Long term research and development strategy and Lithuanian White Paper on research and technologies statements implementation programme”.

In 2008, Lithuanian parliament adopted the Programme of the Government that sets improving strategy and governance, policy coordination and communication as the aim of the institutional reform of R&D and higher education governance system. The national government has also decided to establish a permanent institution – namely, the Research, Technology and Innovation Agency (MITA) to take the reform programme forward. However, there seems to be the gap between strategic science policy documents and implementation structures, such as the measures and budgets

¹ www.ukmin.lt/en/strat_prog/27-10-2008_NRP_Lithuania_EN.doc

² http://www.esparama.lt/ES_Paramam/angliskas_medis/programming_for_2007_2013_tree/front_page/files/NSRF_1.doc

³ http://www.esparama.lt/ES_Paramam/angliskas_medis/programming_for_2007_2013_tree/front_page/files/OP_EG_1.doc



remain⁴. Partly, it is a result of previous planning cycle for structural funds for 2007-2013.

Experts summarize the main bottlenecks in Lithuanian Innovation System as follows:

- Almost non-existent capability to convert knowledge to new value generating intellectual capital, absorptive capacity of Lithuanian companies is low. This results in low rate of innovative offerings and other products such as patents; emigration of most knowledgeable specialists.
- The connections between the elements of national innovation system are weak. Business is not able to bootstrap itself and become innovative.
- Innovation management competencies lacking as well as high-quality specialists. Integration of education and innovation support is needed.

The recent changes in innovation policy governance, however, are related to the significant paradigm change. The following table compares “old” and „new“ paradigms.

	Linear model	“New” governance model
1. Policy		
1. Innovation policy model	R&D financing, direct subsidy to SMEs, focus on technological innovation	Support to networking, supporting demand for innovation, inter-sectoral measures, holistic view to innovation
2. Actors	Policy makers	Expert networks
3. Government role	Weak	Strong political will.

⁴ CREST- OMC Policy Mix Review - Background Report Lithuania, Updated version after feedback mission, May 22 2007, European Commission, 2007



		Horizontal priorities;
4. Strategic planning	Fragmented	Planning based vision and foresight
5. Decision making	Political	Evidence based
6. Strategy	Sectoral (vertical)	National inter-sectoral (horizontal)
7. Policy integration	Vertical – on institution responsible	Horizontal. Innovation is the priority for many institutions. Success factor is clear priority for innovation in the government
8. Policy implementation	Command and control	Arms-length control, result oriented, incentives and disincentives. Prerequisite- clear policy objectives.
9. Coordination	Vertical, weak or non-existent horizontal instruments	Coordination is the focus, horizontal instruments are used inter-institutional councils, committees, commissions, agency influence on policy making
10. Involvement of stakeholder groups into governance	Ad hoc consultations with stakeholder groups, their involvement is not institutionalized	Wide inter-sectoral consensus formation with all stakeholder groups
11.	Non-existent or it is used for sectoral groups	



European Union Structural Funds play a major part in Lithuanian innovation support policies, especially in terms of direct financial support given to enterprises, research organizations, support organizations.

4.2 Innovation Support Rationale and Logic

INNO-Policy TrendChart⁵ has identified three main challenges the Lithuanian innovation support should address the most:

- Improving skills for innovation and entrepreneurial attitudes
- Building R&D capabilities in firms and developing sound R&D base
- Development of knowledge-intensive clusters across public knowledge poles

This is a clear indicator that Lithuanian innovation support policies are designed according to the supply-driven approach, with investments in public R&D, human resources and technology transfer. At the same time, demand for R&D results is not stimulated on a large scale.

Innovation challenges and objectives, stated in the Lithuanian Strategy for the use of European Union Structural Assistance for 2007-2013 could be attributed mainly to the I generation (linear) innovation model. Attention is given to investment R&D investment in business and public sector. There are also measures related to the second generation model - networking and collaboration - such as research and business collaboration. Initiatives such as integrated centres of science, study and business („valleys“) and national complex programmes.

⁵ INNO-Policy TrendChart – Innovation Policy Progress Report Lithuania 2009, European Commission



The majority of stimulus to research and innovation is coming through **Operational Programme for Economic Growth** and **Operational Programme for the Development of Human Resources** co-funded by European Regional development Fund (ERDF) and the Cohesion Fund (CF)

The **Operational Programme for Economic Growth** has one priority specifically related to innovation:

Priority one: Research and development to enhance economy competitiveness and growth

Specific objective 1: To enhance public and private research and development (RTD) base.

Specific objective 2: To enhance public sector RTD activity effectiveness and accessibility to companies.

Specific objective 3 To increase RTD activity in private sector.

Specific objective 4 To Improve environment for knowledge and technology diffusion, stimulate business and science cooperation in RTD

The support measures (support programmes) are closely linked to these objectives.

4.3 Innovation support programmes

There are all together 40 innovation support measures in Lithuania according to ERAWATCH⁶. As mentioned in previously, many of the measures are directed

⁶ ERAWATCH Research Inventory Report for Lithuania, European Communities, 2010.



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towards provision of public R&D or to other public support institutions. More relevant to the context of LT.INNOCONNECT.BY programmes are “Idėja LT/ Idea LT”, “Intelektas LT/ Intellect LT”, “Inoklaster LT/ InnoCluster”, and “Inoklaster LT+/ InnoCluster LT+”, as these are the most relevant support measures for SME R&D activities and demonstrate the latest trends in Lithuanian innovation policies.



	Thematic Focus	Industrial Sectors	Type of research and innovation supported	Beneficiaries	Coordinating partner	Sources
Idėja LT (Idea LT)	Bottom up approach, given to the high technologies that would lead towards higher value added in business and strategically important innovations	All	Feasibility study of an innovation project for the creation of new and innovative products services and processes, Includes market research and development of research roadmap. Actual research excluded.	SMEs, HES may participate as subcontractors	SME	www.ukmin.lt/en http://www.esparama.lt/en/pasirengimas ERAWATCH Country Report 2009, Lithuania
Intelektas LT (Intellect LT)	Bottom-up Business R&D	All	Applied research and development for the creation of new products, services and processes	Large enterprises, SMEs, HES as subcontractors. HES participation as	LE, SME	www.ukmin.lt/en http://www.esparama.lt/en/pasirengimas ERAWATCH Country Report 2009, Lithuania



				partners usually is not attractive option.		
Intelektas LT+ (Intellect LT+)	No thematic focus	All	Support for establishment of business R&D laboratories	LE, SMEs	LE, SMEs	www.ukmin.lt/en http://www.esparama.lt/en/pasirengimas ERAWATCH Country Report 2009, Lithuania
Inoklaster LT (InnoCluster)	No thematic focus		<ul style="list-style-type: none"> • Support for R&D activities • Support for activities referring to creation of networks & clusters • Support for activities referring to science – industry cooperation • Support for activities 	REC, HES, LE. SMEs, Technology centers (non profit), Business organisations (associations, chambers of commerce)		www.ukmin.lt/en http://www.esparama.lt/en/pasirengimas ERAWATCH Country Report 2009, Lithuania

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			referring to technology/knowledge transfer <ul style="list-style-type: none"> • Support for the creation of new and innovative products or services, processes 			
Inoklaster LT+ (InnoCluster LT+)	No thematic focus		Development of research infrastructure (laboratories, tech centres) for clusters	REC, HES, LE. SMEs, Technology centers (non profit), Business organisations (associations, chambers of commerce)		
Inčekiai (Innovati)	No thematic focus		Supports small scale industry – public research	SMEs		www.mita.lt

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<p>on vouchers)</p>			<p>cooperation projects, 10000-20000 LTL innovation checks can be used for R&D activities, intellectual property protection. Aimed at companies that have no experience in cooperation with public research institutions.</p>			
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“Idėja LT/ Idea LT” aims to increase the R&D activities in business sector by supporting feasibility studies and risks assessments related to planned R&D activities, thereby reducing the risk of investing in and undertaking RTD. Although there is no specific thematic focus, priority is given to high value added sectors. During the first call 65 projects were funded, with to total value of more that 3.3 million Euro.

“Intelektas LT/ Intellect LT” is designed to increase the R&D intensity of Lithuanian industry. Support is given as a direct grant for enterprises for developing new technologies, products and services. Through the programme support is also given to high-tech start-ups. The measure is complemented by “Idėja LT/ Idea LT” (support for feasibility studies before the actual R&D project) and “Intelektas LT+/ Intellect LT+” (support for business R&D infrastructure development, acquisition of patents and licences).

“Inoklaster LT/ InnoCluster” aims at the improvement of knowledge ant technology transfer conditions in Lithuania, facilitation of business and science partnerships in order to increase international competitiveness of Lithuanian businesses via cross industrial and cross sectoral partnership. The activities supported by the measure include necessary research, marketing, management, dissemination and exchange of knowledge both between the partners of the cluster as well as with outside parties. The measure should be assessed together with “Inoklaster LT+/ InnoCluster LT+” programme, supporting cluster infrastructure development.

“Inoklaster LT+/ InnoCluster LT+” has similar aims to “Inoklaster LT/ InnoCluster”, namely facilitating industry-academia collaboration in order to improve the competitiveness of Lithuanian companies. The programme can be used for developing common R&D infrastructure, such as laboratories, testing sites, training facilities etc. The measure is designed to complement “Inoklaster LT/ InnoCluster LT”.



“**Inočekiai/Innovation voucher**” is a small grant (a fixed sum of money) that entitles SME’s to buy R&D expertise or knowledge from research and educational institutions. Having received an innovation voucher, a company prepares a concise technical specification and contacts the research institution by selecting the needed service from the approved list of possible services for the companies provided by the research institutions. Having provided services to business companies for innovation vouchers, research institutions receive a fixed sum of money – LTL 10 thousand or LTL 20 thousand. A voucher worth LTL 10 thousand is financed 100 percent, while a voucher worth LTL 20 thousand is financed 75 percent. One company may receive one voucher per year. Support in innovation vouchers is provided for acquisition of technological (applied) or basic research solutions, as well as for advice on the relevant innovation questions which businesses may obtain from research institutions. The programme is managed by MITA.

4.4 Other innovation support measures

Venture financing.

Lithuanian Private Equity and Venture Capital Association provides information that there are four venture capital funds formed under the JEREMIE initiative in Lithuania: „**Baltcap**“, „**Business Angels fund**“, „**LitCapital**“ and „**Practica**“. In January, 2010 Business Angels Investment Fund I, managed by joint stock company „MES INVEST“ and joint stock company „Strata“ was established in Lithuania. The initial amount of the fund was 8,42 million euros, and the current portfolio consists of 14 companies⁷

BaltCap established a 20m EUR Lithuania SME Fund. of which 14m EUR were provided by the EIF-managed JEREMIE Holding Fund and further 6m EUR by various Baltic financial institutions, including SEB Venture Capital, LHV Asset Management, Swedbank Asset Management and DnB NORD Asset Management(4). In 2012 Lithuania SME Fund made its sixth investment.

⁷ <http://www.mesinvest.lt/index.php/business-angels-fund-i/82>



LitCapital was established in 2010 with capital of 25 million euros⁸. The current portfolio of the fund consists of 5 companies.

In the middle of 2012 EIF and Practica capital established two funds under the JEREMIE initiative: Practica Seed Capital Fund and Practica Venture Capital Fund. EIF has committed 6 million euros into Practica Seed Capital Fund, and 15,7 million euros into Practica Venture Capital Fund⁹. Practica Seed Capital Fund had made three investments by the end of 2012 and continues to look for and invest into target companies at a fast pace.

A new initiative to promote equity investments into the innovative Baltic companies was launched by EIF, Lithuania, Latvia and Estonia lately. The newly established Baltic Innovation Fund will invest 100 million euros into private equity and venture capital funds acting as a Fund-of-Funds over the next four years. EIF, as a manager of the Baltic Investment Fund, will invest into venture capital and private equity funds as well as co-invest together with business angels, family offices and institutional investors into early to growth phase small and medium sized enterprises. Investment by Baltic Innovation Fund will begin in 2013 when EIF will start to process transactions with selected fund managers. Each fund manager is expected to attract

an additional and equivalent amount of private finance from pension funds and private investors which should double the amount of investment capital.

Tax incentives

Corporate profit tax incentives for R&D: Expenses incurred by companies carrying out R&D projects can be deducted from taxable income three times; Long-term assets used in the R&D activities can be depreciated within two years. Corporate profit tax incentives for investments into new technologies: companies carrying out investments into new technologies can reduce their taxable profit by up to 50%.

⁸ <http://www.baltcap.com/en/jeremie-funds/lithuania/lt>

⁹ <http://practica.lt/en>



Investment expenses exceeding this sum can be postponed to later, consecutive tax periods (up to five years).

5. Conclusions

Following conclusions may be drawn:

a) Approach to regional and national policies/programmes towards research and innovation in Lithuania are centralized, as the country is rather small. Although there are several institutions responsible for either design or implementation of innovation policies, all of them are national level institutions, with little voice from regions. The central policy design is led by the Ministry of Economy and the Ministry of Education and Science, whereas there are several implementation bodies.

Research institutions from Belarus may participate in innovation projects funded by structural funds as subcontractors only since project partners must be registered in Lithuania.

b) Support for innovation activities is provided through several programmes that are all partly financed by EU Structural Funds. Most important programmes are Idėja LT/ Idea LT, Intelektas LT/Intellect LT, Inoklaster LT/ InnoCluster and Inoklaster LT+/ InnoCluster LT+.

c) Most of the public research and development expenditures are given directly to universities and public research institutions as block grant. The money is not allocated on competitive basis, leading to disputes about the effectiveness and efficiency of the process. Projects funded by Science Council may have subcontractors from Belarus.



d) The major barrier for SMEs for participating in the programmes lies in the lack of innovative and entrepreneurial culture in Lithuania. The policy efforts have so far mostly concentrated on the supply side of innovation by supporting mainly R&D vs. Business innovation. Insufficient attention has been paid to business-centred support schemes. Additionally, the general regulative and business environment (establishing and terminating a company, tax schemes, labour market regulations etc.) is not always supportive.

e) Participating in innovation support programmes for SMEs sometimes is not attractive because of the administrative requirements are too difficult and time consuming. Also, the relatively long selection procedure is seen as a constraint. Therefore a direct grant alone is not sufficient enough for an SME in case the overall business environment is not supportive.

e) Key-drivers and opportunities for the development of such programmes and initiatives. The key-drivers and opportunities for future development of national support programmes are:

- Research funding at universities and public research institutions should be partly competitiveness-based
- New programmes should target currently not-R&D-performing SMEs to stimulate their awareness and willingness to undertake research and development activities either themselves or in collaboration with universities.

f) Research institutions and companies from Belarus, willing to make use of Lithuanian support schemes for innovation should formulate their offering, look for suitable partners in Lithuania and participate as subcontractors in specific research and technology niche. Alternatively, belarussian entrepreneurs could establish companies in Lithuania.