ACTION PLAN

2021

EUROPEAN UNION
EUROPEAN REGIONAL DEVELOPMENT FUND
TraCS3
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Contents

Annex 1 – Action plan

This Action Plan is a document providing details on how the lessons learnt from the TraCS3 project will be implemented in order to improve the Operational Programme for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation tackled within Lithuania. It specifies the nature of the actions to be implemented, their timeframe, the players involved, the costs and funding sources.

Part I – General information

Project: Fostering Interregional Collaboration and Support for Innovation Infrastructure in S3 Key Priority Areas, through the Improvement of Regional Innovation Eco-systems (TraCS3)

Partner organization: MITA (Agency for Science, Innovation and Technology)

Country: Lithuania

NUTS2 region: Lithuania

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Part II – Policy context

The Action Plan aims to impact: **Investment for Growth and Jobs programme**

Name of the policy instrument addressed: Operational Programme for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation

Innovation is one of the main factors accelerating the development of the Lithuanian economy and ensuring economic growth. The growth of innovations of Lithuanian companies improves competitiveness not only in domestic but also in foreign markets. Continuous innovation plays a key role in the Lithuanian economic perspective, and the country aims to be the innovation center of the Nordic-Baltic region. In promoting the development and implementation of innovation, special attention is paid to business and research cooperation, the protection of intellectual property and the clustering of innovative enterprises. In Lithuania, as in the rest of the world, innovation is the main engine of economic growth, allowing to create high added value and ensuring economic development.

This year's Global Innovation Index (GII) illustrates stability in the top five countries even in a pandemic year. Now more than ever, innovation - first and foremost in the search for treatments and vaccines - is humanity's greatest hope of overcoming the effects of quarantine on the economy. However, researchers looking at the economies of 131 countries around the world note that the effects of the COVID-19 crisis risk reducing the cost of innovation and other financial instruments for businesses and innovators as global economic output declines. The impact of this lack of funding for innovation is projected to be uneven, with young companies and start-ups in developing countries being more affected.

Lithuania ranked 40th this year (38th in 2019). According to the 2020 results Innovative products created in Lithuania exceed the contribution to innovations. Some of the most

prominent advantages of Lithuania are ecological sustainability (8/131), the number and value of mobile applications created (8/131). However, we can be proud of the excellent assessment according to the indicator of women working in the field of innovation and with a higher scientific degree - Lithuania ranks 4th among 131 countries.

The Ministry of Economy and Innovation administrated more than 1.0 billion. euros of EU funds in the period of 2014-2020. These investments focus on research, experimental development and innovation (RDI), promoting the competitiveness of small and medium-sized enterprises, increasing energy efficiency in industry, marketing, labelling and social entrepreneurship of cultural and natural heritage sites, and promoting the competitiveness of human resources. In 2014-2020 programming period only small and medium-sized enterprises were supported. EU funds were invested in new activities (e.g. supporting the business clustering process, business and science cooperation, RDI commercialization, employment of RDI infrastructure, etc.), the administrative burden on applicants is reduced, transparency is increased, as all draft documents (descriptions of project financing conditions, project selection criteria, etc.) are made public and anyone who wishes can comment on them.

Most of the measures under the Operational Programme for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation were dedicated to promote and support RDI activities in SMEs, business and science cooperation, commercialization and tech transfer actions, as well as start up or spin off development. All these measures had also a goal to help to utilize and efficiently employ the existing RDI infrastructure via partnership with HEI or just procuring RDI services. This is the reason why the Operational Programme for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation was chosen in TraCS3 project.

Part III – Details of the actions envisaged

ACTION 1

1. THE BACKGROUND

Over the past decade total intramural expenditure (GERD) for R&D performed in HE sector fluctuated around 0.4 % of GDP. This is comparable to the EU average (0,46 of GDP). A significant share of this funding was allocated to the development of RDI infrastructures. According to the OECD report called „Improving the effectiveness of Lithuania's innovation policy" (2021), Lithuania has implemented various measures to lower the barriers for the growth of innovative companies, taking into account the business and science cooperation, usage of RDI infrastructure, SMEs having needed innovation capacities. However, challenges are still remaining, in particular relating to initiatives and public investments aimed at efficient employment of RDI infrastructure by Lithuanian SMEs, on set of dedicated policies that are intended to foster innovation in the wider business sector (and together make up the overall business innovation policy mix). This means that business R&D and innovation activities should receive more attention by promoting and engaging more companies in R&D activities via the necessity of raising awareness of the importance of R&D and innovation, facilitating competence building and absorptive capacities of companies, employment of existing RDI infrastructure (that belongs to HEI) and other measures aimed at increasing the number of companies capable of and willing to engage in R&D and innovation.

Accordingly, Lithuania has introduced a wide array of measures that focus on increasing the share of R&D and innovation performers in the business sector. The most prominent action has been *promoting joint Science-Business Projects* that were supporting the R&D activities carried out by enterprises with or without partner research institutions. Enterprises or consortia are supported with initial financial resources to create new or expand/ employ the existing research, development and innovation (RDI) infrastructures. Even some of the measures were simplified and clearly defined the R&D services, employment of RDI infrastructure, which lowered the entry barrier for Lithuanian firms and facilitated their participation in implementing the Smart Specialization Strategy (S3). However, evaluation results regarding the success of this measure are rather mixed since enterprises have remained reluctant to collaborate with researchers on equal terms, and the measure was mostly popular with large companies rather than HEIs or small firms.

Furthermore, most of the policy actions taken in the area of promotion business and science collaboration, were designed as competence-building schemes that target enterprises not yet engaged in R&D and innovation, including through awareness-raising measures. *Inospurtas* has been a project implemented under the measure *Inogeb LT* providing the innovation consultancy and support services. The project involves public institutions such as the Lithuanian Innovation Centre (LIC) and Science and Technology Parks (STPs) among whose main role is to the provision of innovation consulting. Financial instruments such as *Early-Stage Development Fund I and II* were made available for firms by offering micro, small and medium-sized enterprises expert assistance in identifying innovation technology ideas with commercial potential. These policy actions do not specifically focus on firms that are not yet engaged in RDI activities and rather have wider focus on SMEs that generally lack resources and incentives to engage in such activities.

To sum up, despite the reform initiatives undertaken, Lithuania still faces numerous challenges and the low level of collaboration between the research community and the business sector, as well as utilization and employment of RDI infrastructure will continue to be a long-standing issue in Lithuania. Business-science collaboration does exist but is mostly limited to certain industries or clusters where the ties are inscribed in the history of the research institutions and businesses. In addition, the key mechanism used in Lithuania to improve the commercialization of research via the established STPs and local technology centres did not lead to a qualitative improvement of science institutions' collaborative R&D activities with businesses as well.

Therefore, TraCS3 project which addresses challenges on regional innovation infrastructures is very much in time. Regional innovation infrastructures and innovation capacities are the backbone of dynamic regional innovation ecosystems. To innovate, industry partly relies on research and innovation institutions. This is especially true for SMEs. The capacities of research and innovation institutions to provide access for business and SMEs to the necessary technology infrastructures has to be increased. The efficient employment of RDI infrastructure needs to be implemented and accessible from both parties: HEIs to provide supply and business (especially SMEs) to demand.

This is the reason why TraCS3 project partners during the interregional seminars and workshops, or good practice study visits were looking for the ways to stimulate the development and utilization of innovation infrastructures, were discussing among partners and with the stakeholders about the gaps and opportunities to support further collaboration between existing infrastructures to increase innovation capacities.

During the TraCS3 project meeting in Tampere (FI) which took place in October, 2019 and as well during the stakeholders meeting the topics on how to improve the support for regional innovation infrastructure, for better employment and involvement in innovation values chains, increase innovation capacities to build innovation and research excellence in the regions and how to enable interregional collaboration to help the regions open up their innovation potential to the world was discussed as well as the whole innovation policy, support tools and the relation with the smart specialization.

The experience presented by West Flanders (BE partner) was an initiative *mainly used by the West Flanders region to encourage the technological upgrade and digitization of industry to contribute to a prosperous and sustainable society. Together with other partners, West Flanders region was supporting manufacturing companies to achieve this goal, for example by means of the 'Factory of the Future' project.* Factories of the Future invest in digitization, smart processes and products and in global production, while also thoughtfully dealing with energy and materials and paying attention to involvement, creativity and autonomy of their employees. The key elements of Factories of the future:

- Knowledge hubs, e.g. testing facilities, research labs, incubators etc.
- SME support
    - Awareness creation
    - **Usage of open testing facilities**
    - **Usage of incubators**

'Factories of the Future' deliver customer-specific products with high added value and have the ability to respond quickly to rapidly changing market demands. With an open mind

to new business models, 'Factories of the Future' are fully committed to digitized production processes. They make maximum use of modern production technologies. Over the past five years, the 30 Factories of the Future have invested more than €850 million in the renewal of infrastructure, digitization and automation. In addition, their employment increased by 15 percent. This initiative was so efficient among the companies to encourage them to innovate and digitize, that the phrase "Factories of the Future" was used at schools and HEI as well as motivation system for students. For example, the best students in the class are given the title Factory of the Future. Flemish partners presented to TraCS3 project partners that the 'Factories of the Future' helped to promote usage of open R&D&I, other testing facilities, use incubators, clusters as platforms to facilitate and have the ability to respond quickly to rapidly changing market demands and emerging market opportunities.

'Factories of the Future' made a quick winners call for promoting innovations, SMEs to invest into innovations by support a number of short-term and practice-oriented innovative collaboration projects. They determine the specific industry areas. The result of such projects, in the form of a test set-up, pilot installation or prototype, using the Academia of the future facilities, should be achievable in the short term (max. 1 year). The projects are carried out in close collaboration between at least two mutually independent companies, of which at least 1 SME and at least 1 is located in West Flanders. In order to give as many companies as possible, including new ones, the opportunity, companies should not had received support from 'Factories of the Future' in the last two years and maximum aid amount of 50%.

Considering the above mentioned and in order to contribute to the implementation of EU RDI promotion policy, the following recommendations for TraCS3 action plan are developed.

2. ACTION

The process of developing Action Plan starts with identifying key stakeholders required to engage in the development of Action Plan. Through the whole duration of TraCS3 project, the relative stakeholders were actively involved in the discussions on utilization of RDI infrastructure, on increasing the SMEs, business innovation capacities, as well as HEI capabilities to attract business to utilize their RDI infrastructure, on the development of promotion and support schemes, etc. at national stakeholder meetings. Stakeholders were also continuously participating, working and contributing to the TraCS3 activities and good practice examples followed by the World café discussions on how to improve the national RDI policy and its' support instruments.

In the TraCS3 project we address the policy instrument called Operational Programme for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation. Policy instrument addressed targets to enhance research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence through promoting more active use of the existing and new research, development and innovation infrastructure. Under this Priority axis 1 we have quite a few measures that in various types support and promotes more efficient exploitation of the existing RDI infrastructure for enhancing the economic competitiveness, also seeks promoting business investment in R&I, developing links and synergies between enterprises,

research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, networking, etc.

We are referring to one of these measures called “INOSTARTAS”. This measure was dedicated to promote development of the start ups and spin offs via commercialization and employment of research results. The aim of the measure is to promote the RDI activities of SME, development of new one, ensuring the development of innovative ideas, products and services. The activities funded under this measure were:

1. Promotion of the development of new innovative start ups or spin offs. This action was funding the R&D activities of 2-6 TRL.
2. Recruitment of researchers and / or researchers that are employed in knowledge-intensive small and medium-sized enterprises and, at the same time, the development of an innovative products and services of SMEs.
3. Promotion of the R&D activities of SMEs. This action was funding the R&D activities of 7-9 TRL.

This measure was very popular among the new start ups and already existing SMEs that wants to innovate or to develop new innovative products and services using the RDI services. Moreover, this measure was indeed very simple, therefore it attracted quit a lot of applicants. What is worth to say, that this measure did not enough motivate SMEs to utilize or employ the RDI infrastructure as much as it was thought.

Taking the above mentioned into account it really matches our goals in TraCS3 – to increase the efficient employment and utilizations of the R&D infrastructure, increase innovation capacities. The proposed action will be integrated, i.e. via all the supporting activities, it will contribute to covering the whole innovation chain and different dimensions of ecosystem development (human resources, employment of infrastructure, business and science cooperation, etc.).

We suggest Action plan for improvement of policy support measure INOSTARTAS which will be implemented with the following steps. The improvement of policy support measure INOSTARTAS adjusting a West Flanders partner experience of ‘Factories of the Future’ approach in order to boost technological and digital upgrades and innovation activities in SMEs to contributing to the prosperity, welfare and innovativeness of the region and outside the region.

ACTION: **TO IMPROVE SUPPORT MEASURE CALLED INOSTARTAS UNDER THE OPERATIONAL PROGRAMME FOR THE EUROPEAN UNION FUNDS’ INVESTMENTS IN 2014-2020 PRIORITY AXIS 1. STRENGTHENING RESEARCH AND DEVELOPMENT AND INNOVATION BY BROADENING THE FUNDING FROM RD TO R&D AND INNOVATION ACTIVITIES FOR DEVELOPING OF INNOVATIVE PRODUCTS AND SERVICES VIA EMPLOYMENT AND UTILIZATION OF THE EXISTING RDI INFRASTRUCTURE.**

This action is the core of the proposed action plan for improvement of the Operational Programme for the European Union Funds’ Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation and will be implemented with the following steps.

1. Upgrade the existing policy support measure INOSTARTAS, in particular the 1st and 3rd funding areas (funded activities: “Promotion of the development of new innovative start ups or spin offs. This action was funding the R&D activities of 2-6 technological readiness levels” and “Promotion of the R&D and innovation activities of SMEs. This action was funding the R&D activities of 7-9 technological readiness levels.”) by focusing on support and promote R&D&I activities to developing of innovative ideas, products and services **via employment and utilization of the existing RDI infrastructure**.

1.1. The new and upgraded 1st funding area would look like this:

1UPG. Promotion of the development of new innovative start ups or spin offs utilizing the existing RDI infrastructure. This action covers the funding of the RD activities of 2-6 TRL.

1.2. The new and upgraded 3rd funding area would look like this:

3UPG. Promotion of the R&D activities of SMEs by efficiently employing and utilizing the existing RDI infrastructure. This action covers the funding of the RD activities of 7-9 TRL.

Both upgraded actions **will not force SMEs** to utilize or employ the RDI infrastructure, but SMEs will be motivated to utilize the RDI infrastructure as they will get the direct benefits from that employment.

If SMEs are showing a preliminary agreement to purchase/ rent the RDI infrastructure or use other RDI services, they (SMEs) will be granted or receive higher funding intensity (rate). The funding agency (Agency for Science, Innovation and Technology) will increase the funding intensity for the companies, SMEs that will employ and utilize the RDI infrastructure, e. g. the funding intensity could be increased for the SMEs in large cities and districts by 10% from current 80% up to 90%, and for the SMEs in regions from 90% to 95%.

2. Also, we propose to broaden the support actions up to four activities to be funded and the **new activity would support an innovation activity**. Various international comparative assessments of innovation systems and national competitiveness determine the relative position of countries at the level of the reference region. Such assessments help to identify the strengths and weaknesses of national innovation systems. The data from these evaluations are an important tool for innovation policy-making and implementation institutions to assess areas where intervention is needed to improve the efficiency of the innovation system. According to the European Innovation Scoreboard, Lithuania is still considered a moderate innovator and ranks 19th in the European Union. Areas of weakness in Lithuania include: patents, commercialization of scientific knowledge, export of knowledge-intensive services.

2.1. 4NEW. Promotion and supporting of innovation actions of SMEs which lead to the development of world-class innovation (product or services).

The aim of this action is to encourage companies to introduce world-class innovative products that create greater added value compared to traditional ones; to declare themselves as companies creating and implementing innovations; to create high-skilled jobs; to employ

R&D infrastructure from research and study institutions. The expected change is the economic benefits gained from the commercialization of R&D results. Innovation actions according to Oslo manual we do mean: (1) engineering, design and other creative activities; (2) marketing and branding; (3) employee training to develop specific sales and task performance skills; (4) software and databases; (5) the acquisition or rental of property; (6) innovation management activities.

The new action on innovation promotion will contribute and strengthen the innovation capacities of the SMEs, contribute to better employment of existing RDI infrastructure while development of world-class innovative products and services and the reduction the gap with other EU countries; to promote the improvement of the quality of human resources in the innovation sector; to encourage the development of innovative activities in more diverse business sectors. World-class innovation can guarantee the survival and development of a business and give it a competitive advantage. These companies will become the driving force of competitiveness of the Lithuanian economy and will contribute to the creation of higher added value (to reach the average of the EU Member States).

The upgraded measure will contribute to the implementation of Smart specialization strategy. Recently, the government has upgraded the Smart specialization areas. During the developing the upgraded S3 strategy, Lithuania has taken into account existing or potential competitive advantages and has identified its RDI priorities:

- health, technology and biotechnology;
- new production processes;
- information and communication technologies.

These three priority directions of Lithuania's research and innovation policy were identified after analysing the country's business potential, its receptivity to knowledge and whether, using knowledge, business structures will be able to enter global value chains and export their products, thus contributing to strengthening the economy country.

For piloting the updated INOSTARTAS measure, these Smart specialization-based research and innovation programmes can be good start to determine the future pilot call areas, in order to test the improved measure.

3. PLAYERS INVOLVED

Key players involved:

- Ministry of Economy and Innovation of the Republic of Lithuania (owner of the Priority axis 1 and INOSTARTAS measure);
- Agency for Science, Innovation and Technology MITA (implementing agency);
- Enterprise Lithuania.

The key player in this action plan is the Ministry of Economy and Innovation of the Republic of Lithuania as it is the owner of the Priority axis 1 and INOSTARTAS measure and the whole ERDF funding of 2014-2021 period and the new one for 2021-2027. That's is why, we were engaging the representatives from the ministry into our project activities via the good practice study visits, or to participate in the project interregional seminars and world café

discussions, as well as the proactive participation in the stakeholder group meetings.

Enterprise Lithuania is also important player, as Agency for Science, Innovation and Technology MITA as implementing body will be incorporated into the Enterprise Lithuania. This is the reason, why it is also important to involve the representatives from Enterprise Lithuania into the development and implementation of this action plan in a very early stage – from the beginning.

It is important to mention that the Managing Authority – the Ministry of Economy of the Republic of Lithuania took part in the development of Action plan and endorses the current document.

Other important stakeholders that are participating in the consultations while launching and presenting new support schemes:

- Lithuanian business support agency;
- Education and research organizations;
- NGOs, social partners;
- Lithuanian innovation centre.

The above-mentioned stakeholders are very important in order to have a successful implementation of our action plan. Some of them were contributing from the beginning as stakeholders in our project, giving the ideas, discussing, taking part in TraCS3 project meetings – seminars, world café discussions. They also contributed with the ideas to the development of this action plan. These organizations have representatives in the decision-making groups, bodies, therefore their support during the decision-making process will be also very valuable.

The decision-making process also includes these steps: the Ministry of Economy and Innovation should prepare the draft of the upgraded measure and provide it for final approval for national Monitoring committee (see webpage: http://www.esparama.lt/administravimas/stebesenos-komitetas), coordinated by the Ministry of Finance. This committee is the most important and the final the decision-making process. What is worth to mention, the national Monitoring committee meets only several times per year, therefore it is very important to keep up with the committee work time schedule.

Still, it is critical that relevant stakeholders would be engage in the process. Relevant stakeholders are likely to be individuals and/or organizations or group of organizations that have:

- An expressed mandate to improve the economic wellbeing of the region and its citizens.
- A desire to create a regional innovation ecosystem linked to the RIS3.
- The capacity and capability to identify and develop the region-specific smart specialization.
- A commitment to support development and implementation of Action Plan.
- The capacity, capability and authority to play an integral role in the region´s RDI process.

4. TIMEFRAME

The suggested timeframe depends on several issues and risks which we should take into account.

First – the development of all the related and additional documentation of the upgraded INOSTARTAS measure in order to start piloting.

Second – to prepare it in line with the worktime schedule of national Monitoring committee and to get the final approval from the national Monitoring committee.

And the third – to have savings from other OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Measures.

The suggested and planned timeframe for implementation of the action plan:

- Upgrade the existing policy support measure INOSTARTAS measure: December, 2021-February, 2022. To develop all the related and additional documentation of the upgraded INOSTARTAS measure in order to start piloting.
- To approve the designed measure: February-July, 2022. To get the final approval from the national Monitoring committee.
- To pilot the upgraded measure INOSTARTAS – July, 2022-January, 2023. Just to mention, that for this action to be implemented we will need to have savings from other OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Measures.

5. COSTS

Preliminary costs that might occur could be the additional staff costs for implementing the proposed action plan. According to the preliminary data, they could reach max. around 15 000€ (4 persons from two institutions: The Ministry of Economy and Innovation and MITA will work on measure improvement for about three months). The staff costs will be covered from the Ministry of Economy and Innovation and MITA budgets.

6. FUNDING SOURCES

Resources needed: The upgraded INOSTARTAS pilot Call budget could be up to 0,5 M €. This mean that the project would get funding up to 70 thousand € per project.

If SMEs are showing a preliminary agreement to purchase/ rent the RDI infrastructure or use other RDI services, they (SMEs) will be granted or receive higher funding intensity (rate). The funding agency (Agency for Science, Innovation and Technology) will increase the funding intensity for the companies, SMEs that will employ and utilize the RDI infrastructure, e.g. the funding intensity could be increased for the SMEs in large cities and districts by 10% from current 80% up to 90%, and for the SMEs in regions from 90% to 95%. This financial intensity (rate) would be valid for all activities: upgraded 1st and 3rd activities (1UPG and 3UPG) and the proposed new one to supporting the world-class innovation (4NEW).

The funding sources will be EU Structural funds for period of 2014-2020. Of course, as it was already written above – the piloting will be implemented in case we will have savings from other OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Measures. The rest of contribution will be made by applicants - SMEs.

In order to facilitate the whole support scheme, we also propose the following amendments:

- to allow financing the short-term asset (materials) for applicants, and if it is possible do not limit the amount or limit it up to 30%.
- more efficient would be to allow for the companies to choose how to use the budget or to purchase the R&D&I services (not fixing the amount for this action) or to use it for employees.
- Increase the support amount (up to ~ 70k) to consider the possibility of covering 85% of the costs per de minimis. West Flanders they use to give a small 25k support, but it covers only 50% of needed support. Therefore, taking into account that the SMEs are struggling with the accessing to the finance, we might try to use de minimis regulation for this pilot support scheme.
- If it is possible, we propose to allow the advanced payment, suggesting at least up to 50 % of the financial support without any bank or insurance guarantees.

Part IV – Performance indicators

Action	Self-defined performance indicator	Baseline	Target
1UPG	Number of new developed start ups or spin offs that used RDI infrastructure services (new start ups or spin offs will provide an agreement with RDI infrastructure service providers that used RDI infrastructure services in order to develop a prototype of their new product or service)	0	2
3UPG	Number of companies that used RDI infrastructure services (companies which will provide a contract or proof of procured RDI infrastructure services)	0	2
4NEW	Number of Innovation activities (number of projects that will produce innovative products and services)	0	2

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