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CLUSTERFY ACTION PLAN

LITHUANIA

2020–2023

PREPARED BY:

TEAM OF AGENCY FOR SCIENCE INNOVATION AND TECHNOLOGY
WITH SUPPORT OF EXTERNAL EXPERT AND
PARTNERS AND STAKEHOLDERS PARTICIPATING IN
THE CLUSTERFY PROJECT MEETINGS



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POLICY CONTEXT

The European Commission focuses on its actions to boosting for jobs, growth and investment, and a deeper and fairer Internal Market with a strengthened industrial base¹. In September, 2017 EU Commission presented a renewed EU Industrial Policy Strategy, entitled “Investing in a smart, innovative and sustainable industry”² in order to encourage European industries innovate, digitize and decarbonize.

In its industrial policy strategy, the Commission highlighted its effort to facilitate a dialogue on cluster policy excellence in order to make better use of clusters as a strategic tool of industrial policy. Also seeing clusters as the platforms and a favourable business environment for start-ups and SMEs to innovate and grow and help to connect with skilled people, technology centers and support organizations within and across regions to accelerate diffusion of knowledge and to integrate into global value chains. In the context of smart specialization strategies, clusters are viewed as instruments to foster strategic interregional collaboration, sustainable linkages and investments between regional ecosystems across Europe³. Moreover, the European Cluster Policy Forum and the 2018 Council Conclusions on the EU Industrial Policy Strategy called for a further development of European cluster policy, including the introduction of Joint Cluster Initiatives as a key tool for boosting industrial modernization and strengthening the business environment for SMEs. EU industrial policy calls for the further development of the European cluster policy, with the aim of **linking-up** and **scaling-up regional clusters into cross-European world-class clusters**, based on smart specialisation principles, in order to **support the emergence of new value chains across Europe**.

Therefore, the use of Key Enabling Technologies (KETs) is a core aspect of industrial modernization. Key Enabling Technologies (KETs) provide the basis for innovation in a range of products across all industrial sectors. They underpin the shift to a greener economy, are instrumental in modernising Europe’s industrial base, and drive the development of entirely new industries. Their importance makes them a key element of European industrial policy⁴.

EU Policy strategies promotes the support to digital transformation and modernization of industry, promotion of energy and resource-efficient technologies, and the development and employment of (other) and KETs related technologies (KETs comprise micro and nanoelectronics, nanotechnology, industrial biotechnology, advanced materials, photonics, and advanced manufacturing technologies). On a European level, this is facilitated mostly by H2020 programme actions.

On national scale, in Lithuania, clusters are defined as a voluntary, self-governing group of companies or other entities that work together on the principle of partnership. By acting jointly, the members of the cluster aim to increase the added value they create. Clusters are based on

¹ A New Start for Europe: my Agenda for Jobs, Growth, fairness and Democratic Change Political Guidelines for the next European Commission. http://ec.europa.eu/priorities/docs/pg_en.pdf.

² <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/investing-smart-innovative-and-sustainable-industry-referral>.

³ See 2017 Smart Specialisation Communication on ‘Strengthening Innovation in Europe’s Regions’, available at https://ec.europa.eu/regional_policy/en/information/publications/communications/2017/strengthening-innovation-in-europe-s-regions-strategies-for-resilient-inclusive-and-sustainable-growth

⁴ https://ec.europa.eu/growth/industry/policy/key-enabling-technologies_en



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cooperation between different organisations working in a particular field – sometimes even competitors in the market. Their cooperation takes many forms, from sharing resources to the joint development of products and innovations.

Clusters first appeared in Lithuania several decades ago, but the pace of clustering increased dramatically during the period 2010–2015, with the implementation of EU financial instruments supporting their development. Although the majority of Lithuania's clusters are still young and relatively small, with an average of 13 members, the largest clusters comprise 30 members or more. Clusters are mainly composed of small and medium-sized companies. Members are located in 34 cities and towns, with the greatest concentration in Lithuania's largest cities, Vilnius and Kaunas. The 2007–2013 EU structural support funding was oriented towards cluster development. About EUR 44.8 million was foreseen for measures promoting clustering in Lithuania. During the 2014-2020 EU funding period, the focus is placed on strengthening the existing clusters, promoting their growth, maturity and internationalization.

The policy instrument addressed in ClusterFY project is INOKLASTER which is one of the R&D and Innovation promotion measure of the **'OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Strengthening Research and Development and Innovation; and Investment priority: 1.2. Stimulating business investment in R&I, developing links and synergies between enterprises, R&D centers and the higher education sector, in particular by promoting investment in product and service development, technology, social and public service innovation; as well as stimulating demand, networking, clustering and open innovation through a smart specialization strategy by supporting technological and applied research, pilot lines, pre-product validation actions and high-tech advanced production capacity, diffusion of primary and generic technologies.** Measure INOKLASTER supports and promotes clusters and its' members (private legal entities and / or other entities) to collaborate in R&D and innovation activities.

The Agency for Science, Innovation and Technology (MITA) is responsible for cluster facilitation in Lithuania, which facilitates cluster development, strengthen it's maturity, strategy development, supports innovation activities and other legal issues, also helps to find partners both inside and outside of Lithuania.

The main figures of Lithuanian clusters:

- Around 50 clusters operate in Lithuania (registered at www.klaster.lt).
- 10 clusters have been certified with the Bronze Label for Excellence by the European Secretariat for Cluster Analysis (ESCA).
- The average number of members in a cluster is 13. Around 1/3 of clusters in Lithuania engage in intersectoral activities.
- The fields with the largest number of clusters are ICT, as well as manufacturing and engineering.

In Lithuania, clusters, especially its members, are active in the spheres of manufacturing and engineering, information and communications technologies (ICT), energy and construction, as well as in the creative industries. These industrial areas accumulated the biggest industrial potential and having the active members that are keen on development and participation in various initiatives,



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cooperation with research projects. Around one-third of all clusters are cross-sectoral, carrying out activities in two or more sectors. Most often, these cross-sectoral clusters focus on activities relating to ICT, the creative industries, manufacturing and engineering.

The majority of clusters are engaged in R&D activities in new and developing industries, and across sectors. Much has been done in Lithuania to implement solutions in the maritime industry and logistics, and exceptional results have been achieved in the spheres of lasers and photonics, digital technology, environmental protection, medical devices and mobility technologies.

Lithuania's clusters are currently at one of the most important stages in their development: building international activity. A great number of clusters are already engaged in international programmes and projects. Many participate in international industrial exhibitions, business missions, cluster conferences and partner search fairs. The strongest clusters in Lithuania already provide leadership in international projects involving foreign partners.

According to the national report on Lithuanian cluster development, conducted in 2017, the main insights on clustering processes in Lithuania in the context of the EU and smart specialization were made:

- cluster policy focuses on promoting the maturity of clusters and new emerging industries;
- promote cross-sectoral cluster cooperation and partnerships at international, regional level;
- to highlight the role of clusters as centers of excellence (exclusive abilities);
- clusters as complementary competencies / technology platforms (infrastructures) that combine clusters of different fields and capabilities;
- Clusters are key players in creating new relationships, technologies to promote the development of new, emerging industries, especially focusing on SMEs.

ClusterFY project aims to improve regional and national policy instruments seeking to intensify Key Enabling Technologies (KET's)-related clustering processes, as well as fostering interregional cooperation between and among clusters and business networks and encourage their integration into innovative value chains. These developments advance the implementation of regional innovation strategies.

After the eight learning and good practice workshops and seminar as well five stakeholder meetings of the ClusterFY project, the main key findings related to:

Specialization (ERDF) and the Role of European regions in the clusters policy and development are:

- Different trends of cluster policy priorities in each country and the different level of maturity
- In more developed regions already the local or regional authorities takes the active role in the development of cluster policy;
- Mainly all countries/ regions use cluster development policy in order to strengthen the competitiveness of SMEs (its' members);
- Still the challenges on more proactive and active collaboration, especially on interregional collaboration. The key areas for improvement for the cluster support policy tools to strengthen interregional collaboration, cross-sectorial and cross-cluster collaboration;



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- More 'formal' role/recognition of cluster organizations instead of being an administrator of cluster by taking more ambitious roles in industrial transformation and internationalization activities;
 - Access to other financial funds, e.g. seed capital funds being used by clusters.
 - More systemic connections and linkages at all levels: businesses across sectors (i.e. "cross sector B2B"); clusters organizations (C2C); regions/Ministries; expertise and key competencies (i.e. cross cutting expertise at cluster level: ICT, digitization); different types of organizations;
 - more active role of cluster organizations taking on more ambitious 'missions', being able to adapt the changes and transform clusters activities into emerging market opportunities;
 - The promotion of cross-sectorial and cross-border collaboration can enable employment of KET's and cross sectoral linkages for application of technologies and integration into the global/new/innovative value chains.

Related to the Key Enabling Technologies for Cluster development, benefits of application of KETs, how clusters serve as a platform for employing KETs seeking to solve the social and economic challenges, enhance the competitiveness of clusters and their members SMEs through their employment of KET's and involvement into innovative value chains are:

- KETs are not yet efficiently "embedded" into the regional context, it is still missing the direct support for cluster initiatives, test/demo platforms within universities which would encourage clusters to promote the employment of KETs;
 - KETs are commonly employed by the SMEs and clusters but still faces the barriers of hard identification of real KETs; needed support to modernize and increase productivity, encourage cross-sectoral linkages, move up the value chain;
 - Clusters are the main platform for SMEs to help them to engage in/become integrated in global value chains (e.g. market intelligence, new network/commercial contacts, new knowledge/research contacts);
 - More focus the country/ regional cluster policy on opportunities to improving the use of KETs/cross-sectoral linkages and integration into value chains.

The main insight was that in more mature countries, like the Netherlands, clusters are considered as ecosystems or networks uniting all the actors of the region and the region itself. Network works for the region by helping in solving societal and economical challenges. Working in cross-cluster/ industry manner and acting as a platform of opportunities for SMEs in application and development of innovation/ new products. What is more important that the region in ecosystem development is working proactively by supporting the employment of new solutions. On the other hand, in lagging countries, the cluster role is more focused on the industrial area, working more locally and still depended on national support.

Considering the above mentioned and in order to contribute to the implementation of EU industrial policy, the following ClusterFY Action plan are developed.



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OBJECTIVES AND ACTIVITIES

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 ClusterFY project, the relative stakeholders were actively involved in the discussions on cluster development at national stakeholder meetings. Stakeholders were also continuously updated on the ClusterFY activities and good practice examples followed by the discussions on how to improve the national clusters development policy and its' support instruments.

The overall objective of this Lithuanian Action Plan is **to improve national policy instrument INOKLASTER seeking to strengthen cluster cross-cluster, cross-sectoral and cross-regional collaboration (especially in KETs related sectors) and their excellence and innovation performance.**

The specific objectives are:

- to enhance the cross-cluster, cross-sectorial, cross-regional collaboration, networking and learning of clusters and cluster organizations towards the cluster maturity and specialization (niche) becoming the ecosystem for SMEs to grow and scale up.

- to foster cluster excellence capacity building and to promote cross-cluster learning enhancing new knowledge combinations and scaling-up clusters into cross-regional clusters based on S3 principles to support the emergence of new value chains within/ across country and the involvement into European values chains.

The relevant stakeholders that could valuably contribute to the preparation and implementation of this Action Plan have been identified:

Policy makers – key actors:

- Ministry of Economy and Innovation
- Agency for Science, innovation and technology agency
- Lithuanian Business Support Agency

Clusters:

- Approx. 60 cluster
- Cluster association, etc.

Industrial associations:

- Lithuanian business confederation
- Lithuanian service association
- Lithuanian engineering industry association, etc.

Business and innovation infrastructure support organizations:

- Science and technology parks, incubators
- Lithuanian innovation centre, etc.

The action proposed herein is expected to strengthen cluster management excellence and facilitate cross-cluster, cross-sectorial and cross-regional value chain collaboration among clusters.



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ACTION: TO IMPROVE POLICY SUPPORT MEASURE INOKLASTER BY BROADENING CLUSTER AND CLUSTER ACTION DEFINITION IN ORDER TO PROMOTE CROSS-CLUSTER/ NETWORK COOPERATION (MERGE) TO BE ABLE TO RESHAPE, TRANSFORM AND ADJUST TO EMERGING OPPORTUNITIES

Background:

During the ClusterFY project kick off meeting in Groningen (NL) which took place 17-18 of October, 2017 and as well during the stakeholders meeting the topic of application of technologies (especially related to the KETs) and innovation potential was discussed as well as the cluster policy, support tools and the relation with the smart specialization.

Partners started the discussion on the definition of cluster, cluster organization, the role of cluster organization in the cluster development potential, activities, application of new technologies, collaboration activities and maturity level. Are companies ready to develop products, systems, innovative equipment? Have the capacity, the ability and knowledge to innovate, apply technologies? Are they actively take part in international arena, do they have an ability to collaborate cross-sectorial or cross regional manner, if they have even the willingness to network? We will create a set of tools that evaluate regions' innovation capability by making sustainable growth.

The experience presented by Dutch partners was a broad cluster as a network definition in order to focus on promotion of clusters'/networks collaboration and their members (SMEs) scale up – using an Open innovation call. The Call was presented as an innovative ERDF instrument that puts objectives first rather than activities. Because it doesn't define actions in advance, it is flexible. In the recent past the Northern Netherlands have created several innovation environments and hubs. SNN (ClusterFY project partner) designed a new support instrument to foster these processes: to stimulate businesses, knowledge partners and society stay in a continuous interaction, to foster cooperation and to increase the chances for discoveries. There was a technical reason as well to create the Open Innovation Call. SNN said that they felt that most support instruments within Structural Funds programmes, were too directive in advance, hampering the creativity of the actors involved. The main novelty of the Call is that it is directive not in terms of activities or actions - for which to receive funding or not, as usually is the case with support instruments – but objectives. The logic of the call starts with a strictly defined objective. What follows is an open invitation for consortia to come up with initiatives which contribute to the objective. Crucial is that it's up to the consortia to define the initiative, that is how to reach the objective. Nothing is defined in advance. All actions or activities which form an indispensable element of the project are eligible. This of course subject to basic rules, in line with EU Regulations.

SNN presented to project partners that it helped to use clusters as platforms to facilitate and merge small clusters/ SMEs into bigger “cluster”/ network with the flexible approach based on idea – various forms of networks then can be developed. It invited companies and knowledge institutions to build strong innovation consortia eager to develop joint initiatives that contribute to a structural improvement of the region/ country innovation ecosystem. Such a broader approach on cluster definition and actions enabled region to develop the creative climate in which new ideas for innovation arise; development and usage of new technologies will be promoted. This also required an active interaction between knowledge institution (s) and the SMEs and preferably also



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end users. Consortia's with companies, knowledge institutions and / or social organizations were very welcome.

At present, the development of clustering processes in Lithuania is given great attention. Creating a cluster-friendly environment, developing international links and promoting integration into international clusters in order to have a high level of innovative clusters in Lithuania, as innovation networks create a favourable environment for small and medium-sized enterprises to innovate and develop links with large companies and international partners. During the funding period of 2014-2020, the focus is on strengthening existing clusters, growth, maturity and internationalization. In order to promote cluster development in Lithuania, the Minister of Economy and Innovation approved the concept of Lithuanian cluster development in 2014. In the nearest future the Cluster development concept will be upgraded.

Moreover, during the ClusterFY project partner meetings in Hudiksvall (Sweden), which took place on 11-12 of June, 2018, partners and stakeholders were able to get acquainted with the other approach of application of new technologies using and looking for the cross-sectorial cross-regional collaboration opportunities. A good practice "Fiber Optic Valley a regional innovation node for digital transition in the industry" inspired to think how to assist SMEs digitalisation and business diversification using clusters.

The ClusterFY local stakeholders together with the Ministry of Economy and Innovation and Agencies, including MITA, will be able to discuss the improvement of policy support measure called INOKLASTER by broadening the cluster and cluster action definition in order to use clusters as a platforms to facilitate cross-cluster cooperation and merge small clusters/ SMEs into one bigger to support, promote and facilitate various types of clusters, networks that are flexible to adjust, reshape, change and contribute to the development and application of new opportunities; and to activate and gather SMEs having the potential to innovate, to employ new technologies (especially related to KETs) in order to promote cross-sectorial and cross-regional collaboration. This approach will encourage clusters and its members to be more vital in shaping the European, regional and national economic landscape.

This action is the core of the proposed Action plan for improvement of policy support measure INOKLASTER and will be implemented with the following steps:

1. The improvement of policy support measure INOKLASTER adjusting a Dutch partner experience of Open innovation call approach and using the Swedish partner experience to add the activities to the policy support measure – **Actions:** Upgrade the existing policy support measure INOKLASTER measure focusing on support for cross-clusters' (stimulating a merge) cooperation and using clusters as intermediaries to enhance scaling up of their members SMEs; also adding the special focus on clusters and their members SMEs cross-sectorial and cross-border collaboration.

1.1. In particular, **to upgrade INOKLASTER measure by broadening cluster and cluster action definition and use clusters as platforms to facilitate and merge small clusters/ SMEs into bigger "cluster"/ network with the flexible approach based on idea.** Therefore, it will encourage to develop (by joining forces) various forms of networks, cross-cluster (based on cross-sectorial and cross-border collaboration) cooperation. Upgraded measure will invited



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companies (especially SMEs) and knowledge institutions, other NGOs to build strong innovation consortia eager to develop joint initiatives that contribute to a structural improvement of country innovation ecosystem. Such a broader approach on cluster definition and actions will enable Lithuania to develop the even more creative climate in which new ideas for innovation arise; development and usage of new technologies (focusing on employment of new technologies, especially related to KETs) that will be promoted, enhance scaling up of cluster members (SMEs).

2. The main challenge is to select projects that in a structural way contribute to the open innovation climate in the country. In the selection of projects, a crucial role is played by external experts. Each project is assessed by an external body with experts from businesses and knowledge institutes. Based on Dutch partner experience and lessons they have learnt in first Open Innovation call, we propose 2 stage proposals' submission: 1 – a proof of idea and 2 – a grant application. This practice also will help to save time, efforts and resources put by both parties: applicant and supporting agency.

3. To pilot the improved measure INOKLASTER and announce upgraded call for proposals. Presentation of the piloted results – January 2023.

4. Responsibility: MITA will present the policy measure improvements to the Ministry of Economy and Innovation together with Lithuanian business support agency to approve the improvements and to pilot an upgraded measure, end of 2022.

5. The Ministry of Economy and Innovation will prepare the draft of the improved 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.

6. Resources needed: The Call budget up to 0,5 M € for two years – up to 25 thousand € per project. The contribution is maximized at 40% of the total eligible costs. The funding sources will be EU Structural funds for period of 2014-2020 (in case there will be savings from other **OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Measures**). The rest of 60% contribution will be made by applicants.

7. Costs: the staff costs for implementing the proposed action plan are 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.

Key players involved:

- Ministry of Economy and Innovation of the Republic of Lithuania;
- Agency for Science, Innovation and Technology MITA;

Other important stakeholders:

- Lithuanian business support agency;
- Cluster organizations and Cluster association;
- Members of the clusters, SMEs;
- Education and research organizations;
- NGOs, social partners;
- Lithuanian innovation centre.



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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.

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 R&I&C process.

Timeframe:

2020 – January 2023.

- Upgrade the existing policy support measure INOKLASTER measure: 2020 February - April.
- A description of the evaluation of projects, in 2 stage proposals: 2020 May - June.
- To approve the designed measure: 2021 February.
- Piloting the improved measure INOKLASTER –2021 January - January 2023 (if there will be savings from other OP for the European Union Funds' Investments in 2014-2020 Priority axis 1. Measures).

Date: 23 April 2020

Signature:

Stamp of the organization (if required):



*Adviser for the Minister
Ministry of the Economy
and Innovation of the
Republic of Lithuania
Kęstutis Šeškus
30 April 2020*