



Lithuania: experts recommend a package of reforms to upgrade Lithuania's research and innovation ecosystem

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A team of independent experts, set up under the European Commission's Horizon 2020 Policy Support Facility, has presented policy recommendations to the Lithuanian government, aimed at upgrading Lithuania's research and innovation (R&I) ecosystem. The recommendations focus on strengthening research and innovation partnerships, boosting business-science co-operation and attracting innovative Foreign Direct Investment.

Lithuania's research and innovation system has undergone a decade of restructuring and investment. This has boosted the country's capacity and performance, while at the same time "overall output and quality remain low from an international perspective", according to the expert panel.

The Baltic state has a vibrant and young economy and the Lithuanian government is convinced that a robust and well performing research and innovation system will stimulate structural change in Lithuania. The report published today provides the government with guidelines as to how to design and implement policy reforms that enhance the role of R&I as drivers of Lithuania's growth and prosperity.

This report is the latest from the Horizon 2020 Policy Support Facility (PSF), an instrument set up by the European Commission that provides expertise and operational support to those governments willing to improve the quality of their research and innovation systems.

Wolfgang Burtscher, Deputy Director-General of the European Commission's Directorate-General for Research and Innovation, said: *"By seeking external advice through the Horizon 2020 Policy Support Facility, the Lithuanian government is giving a very clear signal on the importance it attaches to research and innovation and on its ambition to implement ambitious policy reforms which will boost its innovation performance over the coming years."*

The PSF activity for Lithuania was carried out at the request of the government and took place from February 2017 to September 2017. It included fact-finding visits and consultations with key stakeholders. It was carried out by a group of high-level independent experts from Germany, Belgium, Sweden and the UK, assisted by the European Commission. The PSF panel was chaired by Professor Hans- Jörg Bullinger, Member of the Senate and former president of the Fraunhofer-Gesellschaft.

Professor Bullinger said, *"The Lithuanian government has already made considerable efforts to develop a well-functioning innovation, but clear bottlenecks remain regarding the cooperation between government, research and business and the attraction of innovative Foreign Direct Investment. If the country manages to use its highly skilled population to boost its innovation capacity, this will automatically lead to higher economic growth and prosperity for all."*

The final report was presented in Vilnius in the presence of Milda Dargužaitė, Chancellor in the Government of the Republic of Lithuania, Wolfgang Burtscher and the PSF panel members. The 13 recommendations listed in the report provide actionable steps with accompanying milestones and timelines, organised around three themes:

1. Reinforce public support to R&I by rationalising existing support agencies and overhauling financial incentives, such as R&D tax credits, to make it easier for firms to innovate.
2. Boosting science-business links through an Innovation Voucher, industrial fellowship schemes and performance- and partnership-based funding for applied research centres.
3. Attracting innovation-focused FDI by improving the performance of Lithuania's R&I system performance and through better targeting of potential FDI sources.

The experts identified three key policy messages underpinning the more detailed recommendations:

1. **Consolidate and professionalise business innovation support:** *Lithuania's innovation policy system remains fragmented at various levels from the multiple agencies tasked with*

supporting enterprises to the plethora of sub-critical-scale cluster organisations. This undermines the potential to deliver high-quality services and to retain and build capacities of staff. The dispersion of resources and multiplication of organisations is also expensive and ineffective from a budgetary point of view. We outline in our recommendations how this process of consolidation can be achieved over the period to 2020 to ensure that Lithuania has a fit-for-purpose business innovation support system in place at the start of the next programming period. Related to this consolidation process, there is a need for an overhaul of the policy instruments for encouraging business investment in innovation and for stimulating knowledge exchange, mobility and cooperation in the system.

2. **Segment and accompany companies with potential to scale and add value:** A key barrier to increasing innovation activity and outputs in the business sector is the limited absorptive capacity. We advocate a wholesale change in the way business support agencies and related organisations (such as clusters, technology transfer services, etc.) work with the business sector. This will involve a process of segmenting businesses, not by sector, but by their 'ambition to change'. R&I policy should be focused on those companies, whether domestically or foreign owned, that have potential to innovate or grow (in both manufacturing and traded services). We similarly make recommendations for broadening the scope of what is considered to be 'innovation-oriented' foreign investment. Our recommendations address the need for tailored advice at different stages in the business development, [and] a need to adopt a 'company-centric' approach through account management [...] and a rebalancing of effort towards after-care for foreign investors.
3. **Incentivise new forms of R&I partnerships:** There is scope for a 'paradigm shift' away from the current policy that essentially promotes 'individual innovation events' (by providing grant funding to specific businesses), to one where R&I policy 'sets the framework conditions' in which innovation systems 'self-organise' and, thereby, enhance innovation opportunities and capabilities [...]. A number of recommendations are aimed at strengthening and stimulating the foundation for new forms of partnerships in the Lithuanian R&I system: a new funding model for applied research centres based on partnerships with business [and] innovation platforms that pilot innovative products or services (in partnership with foreign investors), reinforcing the role of clusters in developing innovation ecosystems, etc.

About the Horizon 2020 Policy Support Facility

The Horizon 2020 Policy Support Facility provides expertise and operational support to Member States in the design, implementation and evaluation of national research and innovation policies. The PSF provides a broad range of services, organised in three streams: country Peer Reviews, Specific Support to policy reforms, and Mutual Learning Exercises to improve policy-making practice. It is funded through Horizon 2020, the EU's research and innovation programme, with a budget of up to €20 million.

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