

EUROPEAN TREND CHART ON INNOVATION

Country Report:

LITHUANIA

Covering period:
July 2000 – December 2000

**EUROPEAN COMMISSION, DIRECTORATE GENERAL
ENTERPRISES
“INNOVATION AND SME” PROGRAMME**

The European Trend Chart on Innovation

Innovation is a priority of all Member States and of the European Commission. Throughout Europe, hundreds of policy measures and support schemes aiming at innovation have been implemented or are under preparation. The diversity of these measures and schemes reflects the diversity of the framework conditions, cultural preferences and political priorities in the Member States. The "First Action Plan for Innovation in Europe", launched by the European Commission in 1996, provided for the first time a common analytical and political framework for innovation policy in Europe.

Building upon the Action Plan, the "*Trend Chart on Innovation in Europe*" is a practical tool for innovation policy-makers and scheme managers in Europe. Run by the "Innovation" directorate of DG Enterprise, it pursues the collection, regular updating and analysis of information on innovation policies at national and Community level, with a focus on innovation finance; setting up and development of innovative businesses; the protection of intellectual property rights and the transfer of technology between research and industry.

The Trend Chart serves the "open policy co-ordination approach" laid down by the Lisbon Council in March 2000. It supports policy-makers and scheme managers in Europe with summarised information and statistics on innovation policies, performances and trends in the European Union. It is also a European forum for benchmarking and the exchange of "good practices" in the area of innovation policy.

The "Trend Chart" products

The Trend Chart on Innovation has been running since January 2000. It tracks innovation policy developments in all EU Member States, plus Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Liechtenstein, Lithuania, Norway, Poland, Romania, Slovak Republic and Slovenia. The Trend Chart web site (www.cordis.lu/trendchart) will provide access to the following services and publications, as they become available:

- a database of policy measures across Europe;
- a "who is who?" of agencies and government departments involved in innovation;
- a series of six-monthly country reports for all countries covered;
- a series of six-monthly trend reports covered on each of the four main themes;
- a number of benchmarking reports;
- the European Innovation Scoreboard and other statistical reports;
- a news service and thematic papers;
- the annual reports of the Trend Chart;

The present report was prepared by the Economist Intelligence Unit (Vienna office). The information contained in this report has not been validated in detail by the Member States or by the European Commission.

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Executive Summary

During the last six months Lithuanian policy-makers either prepared, or just waited for, the Parliamentary (Seimas) elections that took place on October 8. The former ruling party (the conservatives) lost the election and a new cabinet of ministers is to be formed by a coalition of liberal and social-liberal parties. Although the Parliament has been functioning for three weeks already, the constitutional procedures for appointing a new cabinet have not yet been completed.

Due to the anticipated political changes, the government made few strategic decisions prior to the election, including in the field of innovation, although two innovation-related documents were adopted.

On May 9, 2000 the Government of the Republic of Lithuania approved the *programme on innovations in business*. The programme is a very general document, which is intended to be one of the first and the main elements in the national innovation system. The long-term goal of the programme is to increase international competitiveness of national businesses by encouraging implementation of new developments in science and technology. Being a general policy document, the *programme on innovations in business*, does not provide for specific innovation measures, but provides for other more specific innovation-related documents to be adopted.

On October 3, 2000 the Government adopted the decree “*On participation of Republic of Lithuania in EU training and education programmes ‘Leonardo da Vinci II’ and ‘Socrates II’*“. This document ensures further participation of Lithuania in EU programmes ‘*Leonardo da Vinci II*’ and ‘*Socrates II*’, which is anticipated to have a big impact on national research and education institutions.

0. Innovation Policy in Lithuania

0.1. Overview

Lithuania is the biggest of the three Baltic States, with a population of 3.7 million. The Lithuanian economy is quite closely linked to Russia in the context of trade. Due to the Russian economic crisis, Lithuania's GDP decreased by 4.1% in 1999 (compared to 1998), equalling LTL 42.597bn (€10bn). LTL 21.045bn (€4.94bn) of that amount was generated by industry.

The Lithuanian labour force equals 1,796,200 people. The unemployment rate has increased from 8.4% (in 1999) to 11.1% (in first quarter of 2000).

Unfortunately, no statistics are currently available on indicators such as GERD, BERD or Government agency contributions to R&D.

0.2. Recent policy events

On October 8, 2000, elections to the Lithuanian Seimas (the Parliament) took place. A coalition of Liberal and Social-liberal parties hold the majority of seats in new Seimas, with the former ruling party – the conservative party - now holding only a minority of seats. The new cabinet (of ministers) is to be formed in early November.

Due to the upcoming elections, the previous Conservative Party Government refrained from making strategic decisions during the last 6 months. Therefore, only few innovation measures have been approved.

0.3. Innovation policy developments

On May 9, 2000 the Government approved the *programme on innovations in business*. The programme is intended to be one of the first and main elements in the national innovation system. The ultimate goal of the programme is set to increase international competitiveness of national businesses by encouraging implementation of new developments in science and technology.

Innovation Policies Priorities Table

Priority areas and sub-areas	Lithuania
I. Fostering an Innovation Culture	
I.1. Education and initial and further training	4
I.2. Mobility of students, research workers and teachers	5
I.3. Raising public awareness and involving those concerned	1
I.4. Innovation and management of enterprises	3
I.5. Public authorities	0
I.6. Promotion of clustering and co-operation for innovation	4
II. Establishing a Framework conducive to Innovation	
II.1. Competition	2
II.2. Protection of intellectual and industrial property	1
II.3. Administrative simplification	2
II.4. Legal and regulatory environment	3
II.5. Financing of innovation	3
II.6. Taxation	1
III. Gearing Research to Innovation	
III.1. Strategic vision of research and development	4
III.2. Strengthening research carried out by companies	0
III.3. Start-up of technology-based companies	1
III.4. Intensified co-operation between research, universities and companies	3
III.5. Strengthening the ability of SMEs to absorb technologies and know-how	3
Total points	40

0.4. Policy debate

Lobby-activities are not legal in Lithuania. Thus, inputs from lobby groups are not officially recorded.

0.5. Regional policy

Lithuania is a unitary state and the Central authorities hold all the main functions/competences. Being a rather small country, Lithuania does not have a need for regional innovation institutions as all such institutions function at national level. Thus, local authorities have no competence in innovation policy.

1. Fostering an innovation culture

During the last six months, two innovation related documents, addressing the objectives of this action line, have been adopted.

One of the aims of the *Programme on innovations in business*, a policy document approved by the Government on May 9, 2000, is to foster implementation of new organisational initiatives in business, in order to improve the international competitiveness of national enterprises.

The decree “*On participation of Republic of Lithuania in EU training and education programmes ‘Leonardo da Vinci II’ and ‘Socrates II’*“, adopted by the Government on October 3, 2000, ensures Lithuanian participation in the EU programmes ‘Leonardo da Vinci II’ and ‘Socrates II’, and also enhances the mobility of students, research workers and teachers.

1.1. Education and initial and further training

The *Programme for modernisation of general education*, which was approved by the Government in 1999, is still in the implementation phase. The measure aims to provide social and pedagogical conditions for education and training of all Lithuanian children and therefore to achieve a higher education level in the country as a whole. The measure is enhancing the innovative capabilities of a broader section of society.

1.2. Mobility of students, research workers and teachers

On October 3, 2000 the Government adopted the decree “*On participation of Republic of Lithuania in EU training and education programmes ‘Leonardo da Vinci II’ and ‘Socrates II’*“.

Lithuanian participation in programmes ‘Leonardo da Vinci II’ and ‘Socrates II’ enhances the mobility of students, research workers and teachers. These issues are also regulated by agreements between universities.

1.3. Raising the awareness of the larger public and involving those concerned

No measures address this objective.

1.4. Fostering innovative organisational and management practices in enterprises

The *Programme on innovations in business*, which was approved by the Government on May 9, 2000, among other subjects, aims to foster implementation of new organisational initiatives in business, in order to improve international competitiveness of national enterprises.

Being a very general document, the *Programme on innovations in business* does not provide any specific measures for the implementation of new organisational initiatives in businesses. A more specific document dealing with this issue is to be adopted later.

1.5. Public authorities and support to innovation policy makers

No measures address this objective.

1.6. Promotion of clustering and co-operation for innovation

The *Programme for development of co-operation in agriculture*, which was approved by the Government in 1999, is still being implemented. It aims to support the establishment of agriculture trade, services and other co-operative societies (co-operatives). The programme is expected to stimulate the establishment of co-operatives and associations of co-operatives of one type for co-ordination of their activity.

2. Establishing a framework conducive to innovation

The Government adopted only one document during the last six months. The *programme on innovations in business*, which was approved on May 9, 2000, addresses the objectives of this Action line.

The *Programme on innovations in business* aims to improve competitiveness of national businesses. This aim is to be achieved by a number of innovation measures to be adopted following the programme. The measures to be adopted and implemented in the future are:

1. Measures for development of an innovation system (establishment of innovation development council; preparation and support to regional innovation development programmes; drafting legislation amendments stimulating innovation).
2. Measures for acceleration of innovation processes in business (support to innovation projects; regulations on scientists' work in businesses; regulations on business employee's training at state research institutions).
3. Development of innovation-friendly infrastructure (creating database of innovation projects; preparing studies of innovation activities; preparing methods for evaluation of innovation needs in enterprise; preparing business training programmes in fields of innovation management and marketing, intellectual property management; partially support training of business employees in specialised innovation training courses; partially support participation of businesses in innovation fairs; publishing of innovation results and innovative enterprises catalogues).

The programme also provides for financing of innovation measures, which will be adopted following the programme.

2.1. Competition

The *Programme on innovations in business*, approved by government on May 9, 2000, establishes that the long-term goal of the programme is improvement of international competitiveness of national businesses.

For that purpose the programme provides for a number of specific measures to be adopted and implemented later. (Please refer to item 2. Establishing a framework conducive to innovation)

2.2. Protection of intellectual and industrial property

No specific measures address this objective. Copyright and patent laws ensure the protection of intellectual and industrial property.

2.3. Administrative simplification

In 1999, the Government approved the *Programme of second stage of reform of territorial administration units*, which aims to reorganise the second-level local administration authorities by changing the number as well as the size of local territorial units (regions). The measure aims to create a two-level system of local authorities, based upon the same principles as the system of local authorities in the European Union countries. Therefore, the number of lower level territorial and administrative units will be increased in order to improve the efficiency of the local authorities to enhance the convenience of the local population.

This measure is still being implemented.

2.4. Amelioration of legal and regulatory environments

The *National ACQUIS implementation programme, action plan for 2000* provides for actions, which should be implemented in order to harmonise Lithuanian law with EU law. Implementation of ACQUIS in the Lithuanian legislation is the key step in the process of Lithuania's accession to the European Union.

The measure is being implemented.

2.5. Innovation financing

The *Programme on innovations in business*, which the Government improved on May 9, 2000 provides for general financing of innovation related measures.

The programme provides for specific financing for innovation projects – LTL 1m (€251,256) during year 2001 and LTL 2m (€476,190) during year 2002.

2.6. Taxation

In 1998 the Government approved the *Programme of reorganisation of tax legislation*, which encourages economic growth and was to ensure stable tax revenues. In addition, the measure aims to harmonise national tax legislation with EU Law.

Reforms of tax legislation are still being implemented.

3. Gearing research to innovation

The objectives of this chapter are addressed only by one document approved during the last six months - *Programme on innovations in business*, approved by the government on May 9, 2000.

The programme aims to speed-up innovation processes in enterprises, providing for specific measures on 1. scientists' work in enterprises and 2. training of enterprises' employees in state research institutions. These specific measures will be adopted and implemented in the near future.

The programme also aims to integrate research workers into businesses and to improve implementation of research achievements in enterprises. It provides for specific measures on implementation of these goals to be adopted and implemented in near future.

3.1. Strategic vision of research and development

In 1998, the Government approved the decree on *Main fields of activity of state research institutes*. This measure obligates state research institutes to participate more actively in research and development programmes of the European Union, NATO as well as Western European Union. The decree establishes main research fields for 29 state research institutes, including institutes of biochemistry, biotechnology, ecology, physics, energy, and agriculture.

3.2. Strengthening research carried out by companies

No new measures address this objective.

3.3. Start-up of technology-based companies

No new measures address this objective.

3.4. Intensified co-operation between research, universities and companies

The *Programme on innovations in business*, approved by the government on May 9, 2000, aims to speed-up innovation processes in enterprises. For that purpose, specific measures on 1. work of scientists in enterprises, 2. training of enterprises' employees in research institutions will be adopted and implemented in near future.

The *Programme on innovations in business* itself is a general document on innovation policy, and does not provide for any specific measures.

3.5. Strengthening of the ability of companies, particularly SMEs, to absorb technologies and know-how

The *Programme on innovations in business*, approved by the Government of the Republic of Lithuania on May 9, 2000, aims to integrate research workers into businesses and to improve the implementation of research achievements in enterprises. Specific measures for implementing these goals are to be adopted and implemented in the near future.

4. List of TREND CHART measures

Code	Title	Start/end dates	Action plan area(s)	Old/new/modified/extended etc.
LT_01	National ACQUIS implementation programme, action plan for 2000	2000	II.4	Extended
LT_02	Programme for modernisation of general education	1999-	I.1	New
LT_03	Programme of second stage of reform of territorial administration units	1999-	II.3	New
LT_04	Programme for development of co-operation in agriculture	1999-	I.6	New
LT_05	Main fields of activity of state research institutes	1998-	III.1	New
LT_06	Programme of reorganisation of tax legislation	1998-	II.6	New
LT_07	Governmental decree " <i>On participation of Republic of Lithuania in EU training and education programmes 'Leonardo da Vinci II' and 'Socrates II' "</i> ."	2000-	I.2	New/extended
LT_08	<i>Programme on innovations in business</i>	2000-	I.4 II.1 II.5 III.4 III.5	New

5. Bibliography and sources

National ACQUIS implementation programme, action plan for 2000, Governmental decree No. 409, April 10, 2000, State news (official journal) issue No. 31, 2000.

Programme for modernisation of general education, Governmental decree No. 764, June 9, 1999, State news (official journal) issue No. 52, 1999.

Programme of second stage of reform of territorial administration units, Governmental decree No. 515, May 3, 1999, State news (official journal) issue No. 40, 1999.

Programme for development of co-operation in agriculture, Governmental decree No. 394, April 12, 1999, State news (official journal) issue No. 34, 1999.

Main fields of activity of state research institutes, Governmental decree No. 825, July 2, 1998, State news (official journal) issue No. 61, 1998.

Programme of reorganisation of tax legislation, Governmental decree No. 1016, August 11, 1998, State news (official journal) issue No. 72, 1998.

“On participation of Republic of Lithuania in EU training and education programmes ‘Leonardo da Vinci II’ and ‘Socrates II’ “, Governmental decree No. 1183, October 3, 2000, published in electronic form only: <http://www3.lrs.lt/cgi-bin/preps2?Condition1=110957&Condition2=>

Programme on innovations in business, Governmental decree No. 528, May 9, 2000, published in electronic form only: <http://www3.lrs.lt/cgi-bin/preps2?Condition1=100661&Condition2=>

6. New Policy documents

Policy Documents Summary Structure

Name:

Programme on innovations in business

Published:

May 9, 2000

Produced by/primary agency responsible:

Approved by the Government.

Prepared and administered by the Ministry of Economy.

Presentation of Analysis – main national strengths/weaknesses, problems addressed

The programme is intended to be one of the main elements in the national innovation system. The long-term goal of the programme is to increase international competitiveness of national businesses, by encouraging the implementation of new research and technology developments. The medium-term goals are to remove obstacles limiting the development of innovations as well as to promote strategic partnerships of Lithuanian research and business entities for implementing innovations, as well as to increase businesses' abilities to accept, form and implement innovations.

Indicators – figures used, sources and benchmarks

The programme on *innovations in business* is a rather general document although providing for the future adoption of more specific innovation measures. As the programme was approved only recently, no further documents relating to innovation have been adopted yet. Therefore, no indicators of the effectiveness of the programme are currently available.

Objectives, time horizon, relationship to EU Action Plan (if any)

The rather general measure establishes policy priorities, which relate to many action plan objectives, although no specific measures for any of the objectives have been established. The *Programme on innovations in business* addresses the following action plan objectives: I.4 Innovation and management of enterprises; II.1 Competition; II.5 Financing of innovation; III.4. Intensified co-operation between research, universities and companies; III.5. Strengthening the ability of SMEs to absorb technologies and know-how.

The programme covers the time-period 2000-2002.

Implementation approach

The *Programme on innovations in business* is a rather general policy document. It does however, provide for other more specific innovation measures which are to be adopted in the future. Thus, the programme will be implemented through the adoption of other specific innovation measures, which in turn address specific action plan objectives.

Reference/location

Governmental decree No. 528, May 9, 2000, published in electronic form only:
<http://www3.lrs.lt/cgi-bin/preps2?Condition1=100661&Condition2=>