



JRC SCIENCE FOR POLICY REPORT

RIO Country Report 2017: Lithuania

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Executive Summary

Main RDI challenges and policy responses

(i) Addressing skills and talent shortage for R&D and Innovation

Lithuania is lagging behind in innovative and entrepreneurial talent. The issue is twofold: rapid decrease of the young population as a result of the demographic trends and migration. In the technology field, the mismatch between supply and demand of human capital is increasing, e.g. one third of companies in manufacturing industries agree that they lack engineers, technology designers, etc. for their RDI activities.

Policy response: The Lithuanian government initiated a higher education policy reform with the law approved in June 2016. Additional changes were introduced in July 2017 that aimed at regulating and improving the remuneration of researchers, particularly in the early stages of their careers. The liberalisation of the labour code approved in June 2017 aims at more flexible labour relations that should support new types of employment, including virtual workspaces. The February 2017 decision approving the list of professions, which required high professional qualification and which lack workers in Lithuania, includes 27 occupations and makes it easier to employ workers from non-EU countries with the required qualifications.

(ii) Facilitation of R&D commercialisation and technology transfer

Most R&D activities in Lithuania take place within public universities and R&D institutions, dependant on public funding flows. In addition, R&D demand in business is limited to a few companies within few sectors and little attention was given to the development of innovation ecosystems and development of knowledge and technology transfer capabilities in the public and business sectors. As a result, the established R&D infrastructures are not creating the expected impact on the economy.

Policy response: A set of policies to support technology transfer and facilitate R&D investment in business was implemented in 2016. In 2017, the focus has been put on the optimisation of public universities' network plan. The implementation of the smart specialisation strategy using EU structural funds has led to measures to support business R&D and research capability building through collaborative projects, the development of technology transfer centres, innovation vouchers and stimulating university spin-offs with a seed capital fund.

(iii) Improving co-ordination of R&D and innovation policies

Lithuania's RDI system is highly fragmented, both in the private and the public sector. Fragmentation is also high at the policy and governance level. Lack of synergies and overlaps in competence areas of ministries responsible for RDI policy, as well as a high number of lower-level agencies, leads to missed opportunities and wasted efforts. Coordination is also a critical issue for implementing the smart specialisation priorities which are funded from multiple sources.

Policy response: Development and implementation of the smart specialisation programme has increased the levels of co-ordination across public policy bodies and implementing agencies. The level of duplication has been significantly reduced. In 2017 a civil service reform programme has been launched with the aim of introducing lean and efficient public administration processes and significantly cut numbers of duplicating functions. It is expected to improve policy making and co-ordination practices.

(iv) Promoting the growth of innovative companies

Lithuania has established a favourable start-up environment and is constantly improving its efforts to support new venture creation, facilitation and mentoring programmes. However, the rate of surviving start-ups after 3 years is less than 50% and companies in the growth stage face challenges regarding IPR management, funding, including venture capital, rapid market development and human capital acquisition.

Policy response: The policy mix has been strengthened with the launch in August 2017 of the Open Circle Capital (risk capital fund) to support new technology venture creation and scaling up. In addition, internationalisation of SMEs is promoted with a set of measures implemented via Enterprise Lithuania that support market development, product modification, business network development and export activities. FDI measures have been successful in attracting a number of companies to the cities of Vilnius and Kaunas.

Smart Specialisation

On the whole, Lithuania's smart specialisation policy did not undergo significant changes in 2017. Developments only included modification of planned instruments or minor changes to priority action plans. Thus, progress links mainly to the implementation phase. By August 2017, the majority of instruments are being implemented for the first priority "Strengthening R&D and innovation" and the ninth priority "Educating the society and strengthening the potential of human resources" of the Operational Programme 2014-2020. However, the number of contracts signed is relatively low, due to late start and continuing evaluation of proposals. The 2017 progress report indicates that only four¹ out of 20 RDI priorities show the critical mass needed² (MOSTA, MoE, 2017). This is very useful and should guide future policy actions. Progress on the implementation of top down instruments (e.g. development of R&D&I infrastructure) is slow.

It is too early to point to any evidence on the impact of the national smart specialisation strategy. However, Lithuania has carried out an interim evaluation of the impact of R&D measures included in the operational programme 2014-2020, which may lead to a revision of the smart specialisation strategy in 2018. It showed that currently the likelihood to reach intended targets is low-medium, notably:

a) it is unlikely that the target of the indicator "business research and development (R&D) expenditure" will be achieved,

¹ These are: Molecular technologies for medicine and biopharmaceutics; Advanced applied technologies for individual and public health; Functional materials and coatings; Photonic and laser technologies.

² Critical mass in this report is measured by No of publications, patents, international publications with foreign co-authors and secured high investments from ESIF.

b) the sufficiency and appropriateness of the policy mix for facilitation of knowledge commercialisation, knowledge transfer and use of research infrastructure is considered to be low-medium and

c) measures aimed at strengthening skills and capacities of researchers are on average relevant but they do not ensure preconditions for attracting high level foreign researchers or Lithuanian researchers working abroad. Furthermore, the allocation of funds for measures aimed at strengthening researchers' skills and capacities is not sufficient.



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