

STANDARD SUMMARY PROJECT FICHE

PROJECT NUMBER LT 01.11.01

TWINNING NUMBER LT 2001/IB/OT/01

1. Basic Information

1.1 Désirée Number:

1.2 Title: Innovation Capacity

1.3 Sector: Economic and Social Cohesion

1.4 Location: Lithuania

2. Objectives

2.1 Overall Objective

The overall objective of this **0.85** MEURO project with a Lithuanian co-financing contribution of 50,000 Euro is the economic and social cohesion of Lithuania based on increased innovation capacity.

2.2 Project Purposes:

To develop a concrete national framework for supporting innovation activity in all areas of Lithuania as part of national innovation system. In particular, to strengthen the institutional capacity across Lithuania for innovation development, and to establish under the control of the Ministry of Economy a national framework to support the technical co-ordination and facilitation of regional innovation support activities to ensure improved competitiveness and business development.

The project is seen as the last building block in the preparation made by the Ministry of Economy for the establishment of a business support grant scheme which Lithuania aims to operate from 2003 as part of its Phare 2002 Social and Economic Cohesion programme.

The three main components are:

- Strengthening the Lithuanian Innovation Centre in its phase of regionalisation and localisation throughout Lithuania;
- Strengthening Institutional Capacity for Innovation across Lithuania, through the establishment of a network of regional innovation support services units.
- Developing a Project Pipeline for concrete innovation projects.

2.3 Accession Partnership and NPAA priority

The project is in line with the 1999 Accession Partnership, which defines economic and social cohesion as a medium-term priority and which in this respect highlights the need to prepare for implementation of a regional development. It also reflects the priorities set in the chapter on economic and social cohesion of the National Programme for the Adoption of the Acquis of May 2000.

In particular it addresses:

- The priority for Innovation (3.2), including the Short- and Medium-Term priority to promote innovation and technological development (3.2.3). Of specific relevance here is the medium-term priority to:

“Promote modern technologies and development; the use of research for the development of the country’s economy to promote the international competitiveness of industry; to prepare and to implement the programme of the innovations and technology promotion.”

In order to achieve results in line of mentioned priorities, its necessary to create the national innovation system, which will meet to requirements of the EU and national needs on innovation development. The process of the creation of national innovation system can be divided into two stages:

- The creation of legal-programming basis, including the preparation of necessary programming documents as concepts, implementation strategies, model of support on innovation, defining of procedures, preparation of various guidelines and manuals etc.
- The implementation of innovation programs, strategies, the creation of infrastructure on national innovation system, which will be grounded on prepared legal-programming basis. The development of concrete project pipeline including options for financing.

This project relates to the second stage, the first one being addressed through the Phare 2000 project on competitiveness (see point 3.2 below).

2.4 Contribution to National Development Plan

The project addresses the first priority of the National Development Plan (NDP), which concerns the development of the productive and service sectors. In particular the project is focused mainly on:

- Measure 1.2: Research and Development, Innovation.

Although the project will clearly focus on activities related to measure 1.2, it should also be noted that at a secondary level the project activities will also contribute to the following three measures:

- Measure 1.1: Business Information, Training, Advisory Services, Promotion of Entrepreneurship, Development of Business Service.
- Measure 1.3: Promotion of Foreign Direct Investment and Export;
- Measure 1.4: Promotion of Information Technologies;

2.5 Cross-Border Impact: n/a

3. Description

3.1 Background and justification:

The project is soundly based on existing strategy priorities.

- The “Medium-Term Industrial Development Policy” clearly sets out that the development of new technologies and innovations is a key factor influencing the future international competitiveness of the Lithuanian economy.
- The approved “Business Innovation Programme” highlights a key aim of improving the readiness of companies to accept, create and implement innovation. In this regard, attention must be given to the development of innovation support services, the improved information supply in the field of innovation, and the well-developed innovation marketing and active formation of innovation understanding.
- The project involves the development of support structures across Lithuania that are consistent with the proposed arrangements for future implementation and operation of innovation support measures within Phare Economic and Social Cohesion Grant Schemes to be implemented by the Ministry of Economy under the proposed arrangements for the future management of Structural Funds in Lithuania. A Government Resolution establishing future responsibilities of all relevant ministries for the management of Structural Funds upon accession clearly indicates that the Ministry of Economy will be in charge of the day-to-day administration of measures for business development under the SPD-objective 1 programme.
- The project goes along with a broad sense of innovation that reflects its nature and impact to business development. Innovation is understood as the commercially successful exploitation of new technologies, ideas or methods through the introduction of new products or processes, or through the improvement of existing ones. Such developments can only be produced by an interactive learning process that often involves several people acting from inside and outside the companies. This broader approach is at the heart of Innovation Promotion and Enterprise policy of the European Community, and in particular, in ERDF-supported innovation measures as well as Community Innovation Surveys. It was also the underlying concept for the agreed “Business Innovation Programme” in Lithuania. In line with the broader definition, the innovation goes beyond efforts of companies only and presumes innovation support policies developed and agreed among key regional actors. The EU practice in RIS/RITTS (Regional Innovation Strategy/Regional Innovation and Technology Transfer Strategy)-type projects in more than 40 European regions, now collaborating in Innovation Regions in Europe (IRE) network, clearly show the viability of the approach. The project will also draw upon the approach set out in the Communication from the Commission to Member States on “The Regions and the New Economy – Guidelines for Innovative Actions under ERDF”; in particular a number of the specific and concrete actions to be undertaken will be in line with those outlined under the strategic theme of “Regional economies based on knowledge and technological innovation”.

- The project will therefore involve action in both spheres (regional policy and innovation development at enterprises' level), through the innovation multipliers established at the regional level, i.e.
- innovation units, being involved in direct company activity based on local assessments of needs/requirements. What is also essential to the development of innovation capacity, however, is that the “multipliers” are not only focused on promotion of technological solutions in companies but are key players in the support & development of various local innovation agencies. The innovation support services within the regions – regional Innovation units –will be developed on the basis of enterprise support agencies within existing institutions (regional/local authorities, business associations/chambers of commerce, R&D & HE institutions, other business support structures).
- Concerning the project pipeline, the project will deliver specific and focused support to targeted groups (companies, research centres, universities, regional support structures) in the development of specific project ideas to a position where they would be ready for financing by either public grant schemes and/or commercial sources of funding. The Ministry of Economy and the Business Development Council is committed to the creation of an Innovation Grant Scheme as part of the Phare 2002 Economic & Social Cohesion Programme, and is ready to commit between 1m-1.5m Euros per year over the next four years to co-finance this area of activity as part of the ESC Grant Scheme. By prioritised State budgeting in accordance with the Governmental Resolution of 22 February 2001 No. 192, it is ensured that finance is available for measures necessary for the implementation of *acquis*. In addition to this, there are already in place financial support mechanisms for the funding of innovation projects; the most important of these being the Fifth Framework Programme (and the forthcoming 6th Framework Programme). In order for Lithuania to be ready to take advantage of these funds, the project will ensure that the absorption capacity and capability is raised via the support structures and concrete project development assistance.
- The Ministry of Economy has decided that with regard to clearly defined technical implementation tasks and training/capacity-building for regional innovation services, the co-ordination of national innovation measures will be located within the Lithuanian Innovation Centre (LIC) acting under the control of the Ministry of Economy. LIC is a public body jointly established by the Ministry of Economy, the Ministry of Education & Science and UNDP (with UNDP now in the last stages of an agreed exit strategy). Whilst LIC has developed strong capacity in its initial mission of ensuring closer links between research institutions and industry, including transnational activities (e.g. Innovation Relay Centre – Lithuania project supported by FP5 Innovation&SME Programme), further promotion of innovation across Lithuania will require a strong regional network. The object of this project is to establish this network and to support a coordinating unit based within LIC that will support a number of concrete actions in the whole country. The Lithuanian Innovation Centre has over the years established contact with a number of key actors in business development across Lithuania. It is LIC's intention to build on these existing links to develop the regional network for innovation and the concrete project pipeline. No new institutions will be created but regional

innovation units will be based within existing and recognised regional business support structures.

- The project will achieve a high level of interest and motivation amongst the various stakeholders at the regional level. Firstly, as a result of the project the regional units will receive investment in office equipment, payment of salaries for staff working on the project activities, and also access to high level advice and assistance to enable them to improve and develop their support services and also to prepare regional projects for future financing. With regard to the companies, the emphasis on the specific support within the concrete Project Pipeline will increase their chances of benefiting from existing and future financing for innovation activity.

3.2 Linked activities:

The project is complementary to the existing initiatives underway in Lithuania, with the Ministry of Economy providing close co-ordination of the related activities:

- Within the Phare 2000 project on competitiveness there is a small component (130 man days) relating to innovation. This component will focus on working with the Ministry of Economy to further develop specific concepts for innovation support. Due to its limited size, the component will principally consist in the provision of a Strategy Paper as well as other conceptual documents (concept and draft Law on Science and technology parks, models of financing, evaluation and monitoring of innovation projects). The project proposed here, on the other hand, will directly enhance the capability of existing institutions/agencies for innovation support within a co-ordinated national framework and will support the development of concrete innovation projects. It will therefore complement and re-enforce the future implementation of the models being developed in the Phare 2000 project and intends making full use of the Strategy Paper to be provided under the 2000 project. It is foreseen that establishment of regional innovation units (component 2 of this project) will follow this Strategy.
- The concrete deliverables of Phare 2000 project on competitiveness will be promoted at a “ground level” within regions. These findings, and in particular the Science and RTD strategy, will be a driving force for the activities of the innovation network – as part of the national innovation system. The Science and RTD strategy and program for implementation as well as evaluation and monitoring procedures for innovation projects will be exposed to targeted groups in regions for a full awareness and capacity to initiate/animate innovation projects of cooperative nature (enterprises, research institutions, regional support structures, etc.). In addition, the Manual for Introducing Innovation (when available) will be promoted during workshops to serve as a methodological – innovation management – tool for innovating enterprises and will be a basis for flexible approaches in designing operational strategy and activities of the innovation network, in particular in shaping innovation support system.
- As part of the Phare 2000 ESC component there is provision for business support within 3 target regions (Utena, Marijampole, and Klaipeda/Taurage). Within each region, grant funds for support to companies in innovation development are being established, and in Utena in particular there is a considerable level of funding (1 MEURO) available specifically for innovation activity. The project now proposed

for Phare 2001 ESC will be complementary to these ongoing activities. Firstly, the new project will provide targeted assistance for *permanent support services*, and thus even within the 3 target regions the assistance will be complementary with lessons being learned from the practical project work with companies. Secondly, the new project is operating on a national scale and will thus promote innovation in all regions of Lithuania and provide a national framework for co-ordination and support. Thirdly, at the level of concrete support to project development the project will develop a very close complementarity with the Phare 2000 projects. As stated above, the support structures will ensure that there is no overlap, whilst at the project level the projects in the three target regions will be used as one source of ideas for inclusion in the project pipeline (where appropriate giving advice to projects that may benefit from further development beyond the life of the Phare 2000 funding). Finally, it is envisaged that this project will hold a special workshop to explore experiences and best practices of the grant schemes for innovation development.

- In order to ensure a systematic approach and to encourage collaboration and complementarity of innovation policy activities in 2002-2003, the co-ordinator of this project – Ministry of Economy – will support and facilitate collaboration among teams of above-mentioned projects.
- Within Lithuania there are already in place national arrangements for the promotion of Innovation activity within the 5th Framework programme. Whilst this project will seek to support specific project ideas that could be financed within the 5th (or 6th) Framework Programme, there will be no overlap in the actual promotion or representation of the Programme as a whole. On the basis of very strong existing links held by the LIC, there will close liaison with the Lithuanian National Contact Point to maximise synergy. In addition, there are also sectoral projects currently underway in Lithuania (e.g. benchmarking technologies in textiles, wood, etc). Using the close institutional links already in place this project will avoid any overlap, whilst also seeking to draw on the lessons being learned within this related work and/or to include any specific project ideas that may emerge within the Project Pipeline.

3.3 Results:

The results to be obtained from the project are:

- The innovation network acting in coherence with programming documents on national innovation system.
- Proposal produced on options for securing national co-financing for innovation measures in the framework of the future Single Programming Document.
- Establishment of a Network of regional Innovation units (4 to 5) providing the institutional capacity to promote and support innovation across Lithuania. These “innovation multipliers” will be based in existing support institutions and will not involve the creation of new institutions.
- The existing institutions will be upgraded by the provision of effectively trained personnel and appropriate equipment. 20 candidates will be regionally selected and trained, in partnership with a Twinning Team. On completion of the training

period, candidates will be examined, ultimately leading to certification by the Twinning Team partnership. 4-5 individuals will be selected from the successful trainees to operate the regional Innovation units.

- A National Co-ordination Unit based within the Lithuanian Innovation Centre supporting the regional network and providing information and assistance services
- Structure(s) in place to enhance future implementation of innovation measures with pre-accession (Phare ESC) and Structural Funds. In particular an improved absorption capacity in Lithuania for innovation-related activity and promotional capacity for innovation project pipeline. This capacity will not include increased awareness, but will include a concrete project pipeline involving approximately 100 innovation projects of varied sizes ranging from small single-SME measures to major national programmes over the 5 years period with annual operational target of 20 projects. Each of these projects would align strongly with the strategic themes: “*Regional economies based on knowledge and technological innovation*”, “*e-EuropeRegio: the information society at the service of regional development*” and “*Regional identity and sustainable development*”. These projects would be ready for financing via the proposed ESC Grant Scheme, RTD Programmes (Framework Programme), national financing and, where appropriate, commercial funding. In order to achieve this target of 100 “fundable” projects it is forecast that around 500 initial project “concepts” would have been assessed, with around 200 projects receiving some support in initial development. During this project the initial pipeline of 20 projects assisted to be “ready for financing” will be achieved. Correspondingly, about 100 projects ideas will be evaluated and 40 projects will be given assistance in initial development.
- Developed capacity of strategic support for innovation within all regions. Key decision-makers in the regions more aware of the issues related to innovation development, and a consensus within regions on appropriate measures.
- Greater understanding within Lithuania of the international context of innovation activity, and specific understanding of innovation support structures and funding in other European countries (EU and Candidate Countries).

3.4 Activities:

The project will be implemented through a Twinning Contract complemented by a small Supply contract.

3.4.1. Twinning

Guaranteed Results/Expected Outputs

Scope of Twinning

The Twinning activities will be organised in three distinct components:

- Creation of a new unit within the Lithuanian Innovation Centre which will provide technical co-ordination and facilitation of regional innovation support services (Innovation Network Co-ordination)
- Establishing the network of regional Innovation units across Lithuania
- Supporting the development of the concrete Project Pipeline

Component 1: Strengthening of LIC through the establishment of an Innovation Network Coordination Unit for technical co-ordination and facilitation of regional innovation support services.

The Twinning team will provide the following:

- Support for the preparation of recommendations on options to secure national co-financing for innovation measures in the framework of the future Single Programming Document.
- training of staff in the Unit on various aspects of innovation network co-ordination
- training of staff in the Unit and in the regional units on methods to promote innovation (e.g. “Innovation Clubs”)
- capacity-building activities for the Unit in understanding and applying Innovation best practice
- Support in the organisation of workshops and seminars in Member States and Candidate countries aimed at familiarisation with innovation promotion practices and at establishing international contacts.
- Support in the development of those concrete innovation activities that are most appropriately undertaken as national initiatives (reflecting the fact that the whole of Lithuania will qualify for regional support within ERDF after accession). The approach will draw on the aspects outlined in the strategic themes “*Regional economies based on knowledge and technological innovation*”, “*e-EuropeRegion: the information society at the service of regional development*” and “*Regional identity and sustainable development*” in alignment with the guidelines for innovative actions under ERDF. Support will be given in choosing the specific initiatives, but this could include creation/reinforcement of co-operation networks or clusters, staff exchanges between institutions, better dissemination of research results, and various specific national technology/innovation projects (to be included within the Project Pipeline).
- Support for active co-ordination of the measures outlined in component two and three. This will include managing/delivering the innovation awareness programme, lead team-building activities, provide capacity-building support to identified regional innovation units, assist the proposed national working group on innovation, and assistance to the development of the Project Pipeline.
- Conduct a full needs/supply analysis in relation to concrete innovation support services
- Help establish and maintain a national information service relating to innovation activity. This will include an innovation “help-desk” and public information service. (See also component 3).
- Support the operational co-ordination with other innovation-related projects ongoing in Lithuania.

The Pre-Accession Adviser leading the project will work with the new unit in LIC, which will be established in early 2002 and will be staffed with 3-4 full-time employees. Funds to cover salary-related costs of the Unit in LIC have been established within the Ministry of Economy’s budget.

Component 2: Strengthening Institutional Capacity Across Lithuania through the establishment of regional innovation units.

The target groups for the activity will be the main stakeholders within existing institutions that are interested in the smooth functioning of innovation-based business development on the regional level. The activities under Component 2 are foreseen to take into account the strategic themes outlined in the “Guidelines for Innovative Actions under the ERDF in 2000-2006 –The Regions and the New Economy”, namely “*Regional economies based on knowledge and technological innovation*”, “*e-EuropeRegion: the information society at the service of regional development*” and “*Regional identity and sustainable development*”. The activities are focused on 3 inter-linked elements: awareness, consensus and institutional enhancement. In particular these will lay a basis for the concrete work covered in the Project Pipeline (component 3), including laying the basis for innovation projects in the planned 2003 Business Development Grant Scheme (to be programmed under Phare ESC 2002).

The Innovation network to be established is in accordance with the approved “Business Innovation Programme”, and all aspects of its implementation (as outlined below) will closely follow the Strategy Paper on Innovation that is to be developed under the Phare 2000 project.

The Twinning team will support LIC in implementing the following activities:

- On the basis of a “long-list” of existing stakeholders (supplied in advance) in business development, establish a short-list of the best-suited institutions to fulfil the role of regional innovation units. The long list includes regional authorities, business associations/chambers of commerce, R&D and Higher Education Institutions. The Twinning team will provide assistance in establishing selection criteria and in carrying out the final selection. The development of selection criteria will be based on the Strategy Paper to be provided under the 2000 project.
- 4-5 existing institutions will be identified as regional innovation units in the innovation network and will act as the principal focus for innovation support in the regions. This will avoid any unnecessary institution building. There will be in-depth support to these (advice, mentoring, training, small technical equipment ensuring PCs with full links via intranet to national Innovation Network Co-ordination Unit). The support will satisfy an urgent need, often expressed at various meetings in the Ministry of Economy and elsewhere, in exploiting new approaches in business development in favour of modern, knowledge driven economy in Lithuania. It is intended that the ‘innovation units’ will evolve in the future into focal points able to grow and to foster innovation in SMEs and region locally. This is intended to ensure that there is innovation diffusion and support infrastructure of national innovation system functioning on the regional/local level, capable of offering primary level consulting services. It is envisaged that the infrastructure will also benefit from a long-term support by the Ministry of Economy, that will go beyond the terms of the project to ensure both downstream and upstream (support) activities in promoting Innovation Measure under the 2003 Business Development Grant Scheme and other innovation-related business development actions. By prioritised State budgeting in accordance with the Governmental Resolution of 22 February 2001 No. 192, it is ensured that finance is available for measures necessary for the implementation of *acquis*.

- Support the regional innovation units and LIC in fostering an innovation culture via an “Innovation awareness” programme targeted on those involved in the strategic planning of support initiatives. The aim will be to raise understanding about the concepts of Innovation, and to use concrete content-based dialogues and working groups to examine the potentials/perspective actions in this area. Specific activities will include promotional materials, workshops, seminars, limited and focused short study visits to “best available practice” examples in the EU, for example RIS/RITTS regions, and/or in other candidate countries. It is expected that around 200 people will be involved in the programme.
- Support in the development of those concrete innovation activities, which are most appropriately undertaken as regional initiatives. As with similar activities under component 1, the approach will draw on the aspects outlined in the strategic theme “Regional economies based on knowledge and technological innovation”. (See component 1 for list of activities).
- Support for the development of consensus and co-operation between the major actors on innovation development issues. This will focus on a variety of team-building initiatives, and will also include assistance in the areas of innovation management. As a specific activity in this process, a major conference will be held in each of the two years of the project as part of the creation of a national “partnership” within the innovation community. This will also create a platform for discussion of present and future innovation actions/projects.
- Under the overall direction of the Ministry of Economy the regional institutions, together with the Lithuanian Innovation Centre, will establish a national Innovation Support Working Group to ensure greater co-ordination between actions. The Twinning team will provide support to the Working Group in understanding the key issues and developing relevant strategies.

Funds to cover activities of the innovation network within the regional units, including salary-related costs, have been established within the Ministry of Economy’s budget. This financial support will be also provided beyond the terms of the project.

Component 3: Supporting the development of the concrete Project Pipeline

The Twinning team will provide:

- Support in the development of an innovation project pipeline in preparation for the implementation of the Innovation Measure under the 2003 Business Development Grant Scheme (Phare 2002 Social and Economical Cohesion Programme) and also for other sources of relevant financing. This will include advice & support on the development of support structures, and the operation of a “Helpdesk” function to respond to demand-led pressure for advice/assistance.
- Training for staff in the evaluation of project ideas and the development of project proposals. Training will give particular focus to skills in business consultation, project management, information systems, Transnational Technology Transfer, the procedures of Structural Funds and other funds. It is foreseen supported innovation project proposals will align with the strategic themes identified in the ERDF guidelines, namely “*Regional economies based on knowledge and*

technological innovation”, “e-EuropeRegio: the information society at the service of regional development” and “Regional identity and sustainable development”.

- Support in developing training & information programmes to ensure that there is full awareness of sources of finance, and advice on creating strong links between the work of the project pipeline and the financing institutions (national, EU, IFIs, public/private, etc).
- Support in the provision of concrete and specific advice in the preparation of innovation projects for funding.

Required Inputs

The Twinning Covenant will include the presence of a Pre-Accession Adviser for 18 months. The PAA will have extensive experience of business support services in general and of innovation support in particular. (S)he will have worked in an EU institution in charge of promoting innovation at the national and/or regional levels, in particular, with an experience of RIS/RITTS-type of activities.

The PAA will provide the necessary expertise in innovation support development during the project implementation period. The PAA will monitor and guide the work of Medium- and Short-Term experts. The MTEs will take responsibility for particular regional units, and as such should have extensive experience at the regional level of business support services in general and innovation support in particular.

The Twinning team will provide specific input in the development and delivery of strategy planning for the innovation network, conducting needs/supply analysis in relation with innovation support services, training programmes, the setting up of a national information centre on innovation, and with the organisation of the awareness (innovation awareness programme), and consensus-building activities across Lithuania. In addition, the team will provide specific input into ensuring an effective and sustainable Project Pipeline is created.

Other Services

Other services, primarily for the purposes of interpretation, provision of documentation, preparations of workshops & training seminars, local costs for Twinning team, organisation of study visits, etc. will be necessary.

Operating environment of the Twinning

The PAA will be based within the Lithuanian Innovation Centre and will work directly with LIC's Director. The MTEs will be based from LIC, but will spend considerable time within the regional institutions. Office equipment and accommodation will be provided by LIC as part of Twinning component.

3.4.2. Investment Component

A Supply contract will be organised for the purchase of equipment and furniture for the establishment of the new Unit in LIC and of the regional innovation units. The supply contract will cover:

- central server with full database for the organisation of information services on innovation
- computers and related equipment for LIC and the regional units
- office furniture for the new unit within LIC
- small works element for the refurbishment of premises for the new unit within LIC

4. Institutional Framework

The Ministry of Economy will be responsible for the general co-ordination and monitoring of the project, and will ensure that its implementation is complementary with other related activities. The Lithuanian Innovation Centre will take on a delegated task for operational management of activities.

The contact within the Ministry of Economy is Mr K. Masalskis, Industry and Business Department, Ministry of Economy of Republic of Lithuania, Gedimino av. 38/2, LT-2600, Vilnius, Lithuania, phone. (3702) 62 89 04, fax. (3702) 62 98 15. E-mail: pvd@po.ekm.lt.

The contact within the Lithuanian Innovation Centre is Dr. Kastytis Gecas, Director Lithuanian Innovation Centre, T. Sevcenkos 13, 2006 Vilnius, Lithuania. Tel: +370 2 232780. Fax: +370 2 232781. E-mail: kgecas@ktl.mii.lt.

A horizontal Steering Committee (SC) for all Phare 2001 ESC projects, chaired by the Ministry of Finance, will be set up. The SC will be linked to the SC for Phare 2000 ESC and will ensure close coordination between the measures and activities implemented under both programmes.

5. Detailed Budget (€Million)

Contract	Phare Support			National Co-financing*	IFI	TOTAL
	Investment Support	Institution Building	Total Phare (I+IB)			
Twinning		0.75	0.75			0.75
Supplies	0.05		0.05	0.05		0.10
Total	0.05	0.75	0.8	0.05		0.85

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

6. Implementation Arrangements

6.1 Implementing Agency

The CFCU will be the Implementing Agency and will be responsible for contracting and overall financial management of the project. Specific tasks to be delegated to the Ministry of Economy and the Lithuanian Innovation Centre are set out in annex.

The PAO will be Mr Z Pajarskas, Director of the CFCU, Ministry of Finance, J. Tumo-Vaizganto 8a, LT-2600 Vilnius; telephone: 370 2 61 19 32, fax: 370 2 22 53 35 and e-mail: cfcu@takas.lt.

The contact within the Ministry of Economy is Mr K. Masalskis, Industry and Business Department, Ministry of Economy of Republic of Lithuania, Gedimino av. 38/2, LT-2600, Vilnius, Lithuania, phone. (3702) 6289 04, fax. (3702) 62 98 15. E-mail pvd@po.ekm.lt.

6.2 Twinning:

The SPO will be Dr. Kastytis Gecas, Director Lithuanian Innovation Centre, T. Sevcenkos 13, LT-2006 Vilnius, Lithuania. Tel: 370 2 232780. Fax: 370 2 232781. E-mail: kgecas@ktl.mii.lt.

6.3 Non-standard aspects

The Twinning Manual will be applied in full to the Twinning project.

The Supply contract will be fully in line with the “Practical Guide for Phare, SAPARD and ISPA”.

6.4 Contracts

There will be two contracts:

- A Twinning Covenant with a total value of 750,000 Euro.
- A Supply Contract with a total value of 100,000 Euro.

7. Implementation Schedule

Contract	Start of Tendering	Start of Project Activity	Project Completion
Twinning	4Q/01	2Q/02	4Q/03
Supply	1Q/02	2Q/02	4Q/02

8. Equal Opportunity

Equal Opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed.

9. Environment

N/A

10. Rates of return

N/A

11. Investment criteria

The Investment component is limited to a small supply contract. Co-financing is in place in the budget of the Ministry of Economy and covers 50% of the required supplies costs.

12. Conditionality and sequencing

Co-financing from the central government endorsed by the Government and verified by the EC Delegation. For the rest, sequencing will follow the implementation schedule presented in section 7 above.

A decision by the Government on the definition of responsibilities for Structural Funds within the whole implementation structure from the managing and paying authorities through line ministries and other intermediate bodies down to final recipients for business development and innovation.

Commitment by the government to long-term support for the aims of the project, to ensure its sustainability.

Annexes to Project Fiche

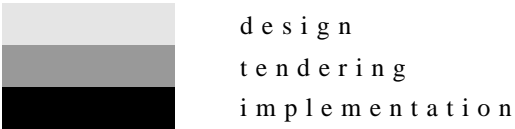
- 1. Logical framework matrix in standard format**
- 2. Detailed implementation chart**
- 3. Contracting and disbursement schedule**
- 4. Reference to feasibility/pre-feasibility studies**
- 5. Structure and functions of the Implementation Framework for the project**
- 6. Detailed Information about Lithuanian Innovation Centre**
- 7. Existing innovation support infrastructure in Lithuania**

LOGFRAME PLANNING MATRIX FOR Innovation Capacity		Programme Name and Number National PHARE Programme 2001 Economic and Social Cohesion LT01.11.01	Innovation Capacity
		Contracting Period Expires 3Q/2003	Disbursement Period Expires 3Q/2004
		Total Budget: 0.85 MEUR	Phare Budget: 0.8 MEUR
<u>Overall Objective:</u> Economic and social cohesion based on increased innovation capacity.	<u>Objectively Verifiable Indicators:</u> Regional differences in income and employment decrease as a result of increased competitiveness on the basis of innovation	<u>Source of Verification:</u> ➤ Commission's Regular Reports ➤ National statistics	
<u>Project Purpose:</u> To develop a concrete national arrangement for supporting innovation activity in all areas of Lithuania. In particular, to strengthen the institutional capacity across Lithuania for innovation development, and to establish a national framework to support the technical co-ordination and facilitation of regional innovation activities.	<u>Objectively Verifiable Indicators:</u> ➤ Number of participants of innovation support awareness programmes at regional level increased by 10% per year. ➤ Institutions involved in innovation activities collaborate effectively, the number of consortiums increased by 20%. ➤ Number of participants of innovation activities in other countries programmes increased by 20% per year. ➤ Increased number of good quality of innovation projects ready for financing.	<u>Source of Verification:</u> ➤ National statistics and appraisals ➤ Commission's Regular Reports ➤ Monitoring reports	<u>Assumptions:</u> ➤ Innovation strategy framework developed effectively under leadership of Ministry of Economy ➤ Accession policies continue ➤ Linked projects produce results as planned ➤ Commitment to collaboration between institutions
<u>Results:</u> ➤ Proposal for national co-financing for innovation in the framework of the future SPD. ➤ National framework and operational basis for technical co-ordination and facilitation of regional innovation support ➤ Structure in place to enhance future implementation of innovation measures and improved absorption capacity ➤ Developed capacity of strategic support for innovation within all regions ➤ 4-5 key institutions established as "innovation multipliers". ➤ Project pipeline and concrete innovation projects for financing	<u>Objectively Verifiable Indicators:</u> ➤ Proposal on national co-financing produced. ➤ National Centre for Innovation support established. ➤ Staff employed within the centre trained. ➤ Innovation information promotion system operational. ➤ Awareness programme having taken place (200 persons involved) ➤ Team-building exercises completed. ➤ 4-5 key institutions selected and training/support programmes completed. ➤ National innovation support Working Group established and operational. ➤ Project Pipeline established. ➤ 100 project ideas evaluated, 40 projects given assistance in development, 20 projects assisted to be "ready for financing".	<u>Source of Verification:</u> ➤ Project reports ➤ Reports of sectoral studies ➤ National statistics and appraisals	<u>Assumptions</u> ➤ Commitment of Lithuanian support institutions ➤ Close co-operation between LIC and Ministry of Economy ➤ Effective liaison with existing innovation activity (incl Phare 2000 ESC at regional level).

<p><u>Activities:</u></p> <p>Component 1: Strengthening of National Centre for technical co-ordination and facilitation of regional innovation support services.</p> <ul style="list-style-type: none"> ➤ Establishment of Innovation Network Co-ordination unit within the Lithuanian Innovation Centre ➤ TA & training for the unit on various aspects of innovation network co-ordination and promotion ➤ Development of national information centre for innovation <p>Component 2: Strengthening Institutional Capacity Across Lithuania</p> <ul style="list-style-type: none"> ➤ Innovation awareness programme ➤ Team-building & consensus building ➤ Training/TA/capacity-building for 4-5 key institutions for innovation support <p>Component 3: Project pipeline for innovation</p> <ul style="list-style-type: none"> ➤ Establish Pipeline for innovation ➤ Support concrete project development for financing 	<p><u>Means:</u></p> <ul style="list-style-type: none"> ➤ Twinning contract ➤ Limited Supply contract. 	<p><u>Source of Verification:</u></p> <ul style="list-style-type: none"> ➤ Reports of the Project Monitoring Committee ➤ Reports of the management structure 	<p><u>Assumptions:</u></p> <ul style="list-style-type: none"> ➤ All participating institutions co-operate successfully. ➤ Adequate implementation and monitoring capacity assured
			<p><u>Preconditions:</u></p> <ul style="list-style-type: none"> • National co-finance available when required • High-quality project management assured

Detailed Implementation Chart for the project

Year	2001						2002												2003												2004					
Month	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6
Twinning																																				
Supply																																				



Cumulative Contracting and Disbursement Schedule for the Project (Phare amounts only)

	Date													
	2001			2002				2003				2004		
	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09
Contracting														
Twinning					0.75									
Supplies					0.05									
Total contracting (cumulative)					0.80									
Disbursement														
Twinning					0.18	0.27	0.36	0.45	0.54	0.63	0.72	0.75		
Supplies					0.03	0.03	0.03	0.03	0.05	0.05	0.05	0.05		
Total disbursement (cumulative)					0.21	0.3	0.39	0.48	0.59	0.68	0.77	0.8		

Reference to feasibility / pre-feasibility study for the project

1. Business Innovation Programme, May 2000
2. Small and Medium-Size Business Development Strategy, September 2000
3. Medium-Term Industrial Development Policy and its Implementation Strategy. July 2000.

Structure and functions of the Implementation Framework for the project

Innovation Capacity for Economic and Social Cohesion

Steering Committee:

A horizontal Steering Committee (SC) for all Phare 2001 ESC projects, chaired by the Ministry of Finance, will be set up. The SC will be linked to the SC for Phare 2000 ESC and will ensure close coordination between the measures and activities implemented under both programmes.

Management of the Project

For project implementation it is proposed that the Implementing Agency (CFCU) will delegate tasks as appropriate to the Ministry of Economy. This will be done in accordance with the Practical Guide to Phare, Ispa and Sapard. The CFCU, as the Implementing Agency (IA), will retain overall responsibility for the sound management of the Project

Under the overall responsibility of the Steering Committee and the Implementing Agency the actual management of the project will be actively co-ordinated by the Ministry of Economy, with the operational implementation being managed by the Lithuanian Innovation Centre – LIC.

LITHUANIAN INNOVATION CENTRE

INTRODUCTION

The Public Institution Lithuanian Innovation Centre is a non-profit organisation founded in 1996. The Lithuanian Innovation Centre was established as result of joint efforts by Lithuanian organisations and United Nations Development Programme.

The main goal of Lithuanian Innovation Centre is to provide competent guidance and support to Lithuanian research organisations, industry and small and medium-sized enterprises in innovation and technology transfer. Lithuanian innovation Centre's services are oriented towards long-term commercial viability of the Lithuanian R&D system and increased competitiveness of the Lithuanian industry, through:

- ◆ Increased market orientation and ability for transnational technological cooperation among research institutes and companies;
- ◆ Promotion of innovative and high-tech entrepreneurship and industrial exploitation of research products and services by Lithuanian firms;
- ◆ Support for technology transfer of short-term commercial outputs of scientific institutes and innovative companies in Lithuania.

Lithuanian Innovation Centre seeks establish partnership with scientific institutions, innovative enterprises and all organisations that are trying to excel in the field of innovations. This is achieved by rendering services, such as the management of innovation, aimed preparing technologies for the market and helping their transfer to Lithuanian and foreign clients for industrial use.

IN BRIEF

Status: Non-profit organisation

Shareholders: The Ministry of Economy of the Republic of Lithuania, the Department of science and Higher Education under the Ministry of Education and Science of the Republic of Lithuania, and United Nations Development Programme

Staff: 8

Lithuanian Innovation Centre's major clients are:

- ◆ Public bodies and international institutions
- ◆ Companies (enterprises of the Association of Machines and Appliances Industry, enterprises of the Lithuanian Light Industry Association, ICT companies in INFOBALT association, etc.)
- ◆ Universities (Vilnius University, Kaunas University of Technology, Vytautas Magnus University, Vilnius Gediminas Technical University, Klaipeda University, Lithuanian University of Agriculture).
- ◆ Institutes (Institute of Physics, Institute of Biochemistry, Institute of Biotechnology, Institute of Textile, Institute of Thermal Insulation, Semiconductor Physics Institute, etc.).

Lithuanian Innovation Centre is a Member of Innovation Relay Centres Network and a Member of the European Association for the Transfer of Technologies, Innovation and Industrial Information (TII). It also cooperates with the European Business and Innovation Centre Network (EBN) and the International Association of Science Parks (IASP).

The Lithuanian Innovation Centre is an organisation forming up National Contact Point (NCP) system in Lithuania under the European Communities' Fifth Framework Programme. The representatives of the LIC act also as Lithuanian representatives – members of specific Programme Committees.

In creating innovation environment in Lithuania, the Lithuanian Innovation Centre develops innovation-support projects in a network of international organisations, political authorities, business associative structures, business leaders, and researchers. The LIC has an extensive experience of project involvement in various

international and national programmes: EU Framework Programme (specific INCO-Copernicus, ESPRIT, Innovation&SME, IST, Quality of Life, and Human Potential programmes), Ecos-Ouverture, RECITE II, PHARE Partnership and PHARE Lithuania, Leonardo da Vinci, NATO Science Programme, UNDP, UNIDO, British Know-How Fund, Canadian International Development Agency as well as the Ministry of Economy and the Ministry Education and Science of Lithuania.

The Lithuanian Innovation Centre has a team of professionals with extensive background on innovation management. Today, the LIC employs a core team – permanent staff of 8 persons (three doctors of science), cooperating with part-time or full-time consultants on project-by-project basis. The LIC has managed to ensure yearly operations with an average annual budget of 200,000Euro. The personnel are constantly trained abroad and in-country training courses in key issues of innovation management techniques to offer specialised services and efficient solutions.

In addition to direct rendering of services, the Lithuanian Innovation Centre acts also as a publisher: printed and on-line quarterly bulletins “Innovation Review” and electronic news bulletins of specific projects with approx. 200 of subscribers, Lithuanian translation of “The First Action Plan for Innovation in Europe”, a textbook “Innovation management”, video materials, Internet website www.lic.lt (www.innovation.lt) as well as articles in Lithuanian mass media.

The Lithuanian Innovation Centre is active in awareness raising activities: organisation of workshops, contributions to international and national conferences. LIC also collaborates with universities in providing lecturing for students.

Services

Primary areas of activity are: support for technology transfer, raise of awareness and innovation promotion, provision of information services, and promotion of high-tech entrepreneurship.

Technology transfer

Market and domestic/inward/outward transfer for industrial exploitation inventions and technologies

- ◆ Search and selection of projects with technical and commercial potential;
- ◆ Project screening and development of action plans;
- ◆ Search for financial sources for technology development and transfer;
- ◆ Technology marketing and search for industrial exploitation partners;
- ◆ Drafting agreements for technology transfer, research, licensing, etc.;
- ◆ Product protection management;
- ◆ Negotiating contracts.

Innovation promotion

Promote innovation

- ◆ Consulting on technology transfer and innovation;
- ◆ Advising and assisting in patenting and licensing issues;
- ◆ Promotion of international experience in intellectual property protection and technology transfer;
- ◆ Organisation of training, seminars, conferences on innovation management;
- ◆ Participation in fairs.

Information services

Compile technology supply and demand portfolios, provide information on possibilities to materialise innovation projects

- ◆ EU programmes
- ◆ Provision of information on Lithuanian intellectual products;
- ◆ Development of information system on prospective Lithuanian inventions and know-how;
- ◆ Provision of information on international and domestic innovation market;
- ◆ Promotion of Lithuanian intellectual production.

High-tech entrepreneurship promotion

Promote technology business in Lithuania and support it wherever possible. Expand the innovation demand and supply

- ◆ Support of incubation for technology-based enterprises;
- ◆ Assistance in development of co-operation links and strategic partnership alliances.

EXISTING INNOVATION SUPPORT INFRASTRUCTURE IN LITHUANIA

INTRODUCTION

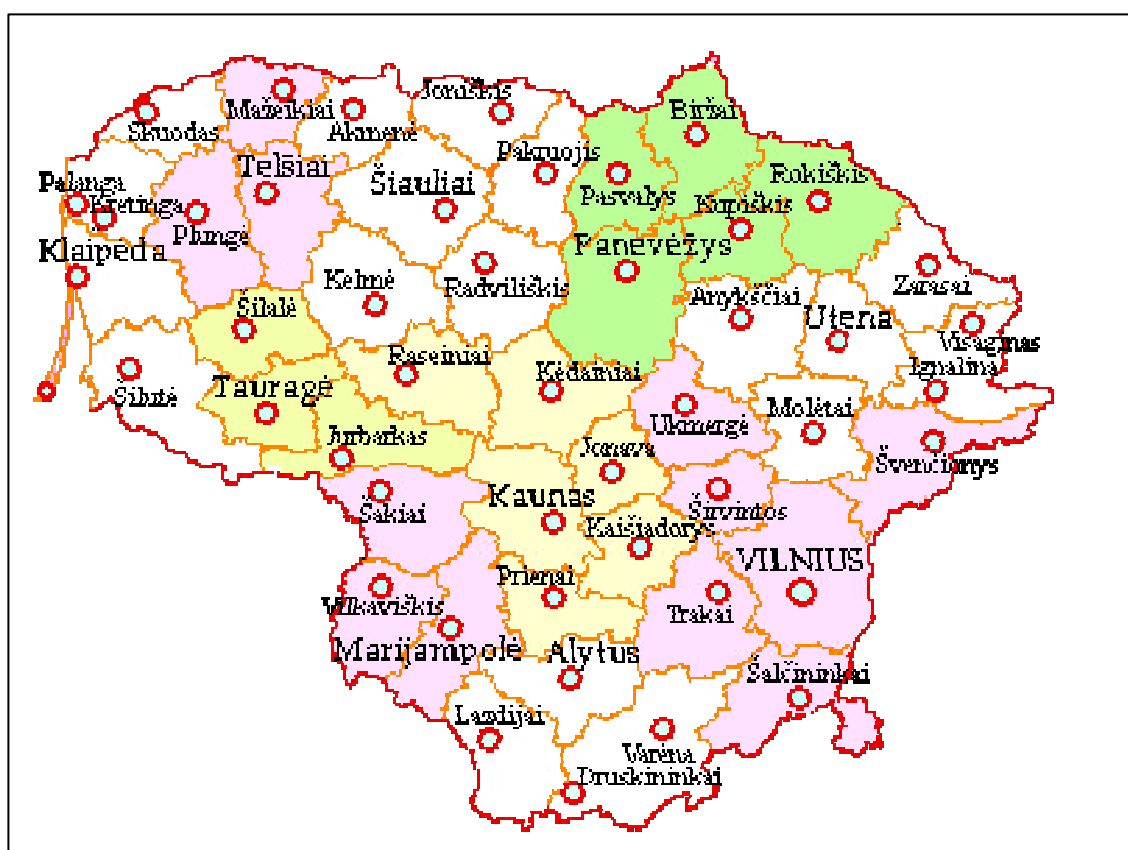
Innovation support infrastructure is considered as an integral part of Business support infrastructure in Lithuania. Because of the common structural nature of Innovation and Business services this survey provides information on:

- institutions which could be treated as key elements of the innovation support infrastructure
- institutions which are elements of the business support infrastructure and in certain conditions could act as elements of the innovation support infrastructure;

In order to develop innovations within the regions of Lithuania it is very important to have the innovation support services regionally available. In this respect the survey provides brief information about the administrative structure of Lithuania and key indicators of economy development within the regions.

ADMINISTRATIVE STRUCTURE OF LITHUANIA

The map beneath shows the administrative structure of Lithuania. There are 10 counties, each containing a number of regions. The total number of regions is 44, and the national population is 3.7 million. Average population per county is about 370,000. Vilnius is the capital of Lithuania, the city has a population of 580,000, and the region about 900,000.



INNOVATION SUPPORT INFRASTRUCTURE

Key elements of Innovation support infrastructure are:

- Innovation centres;
- Science and technology parks;
- Higher education centres;

Innovation Centres

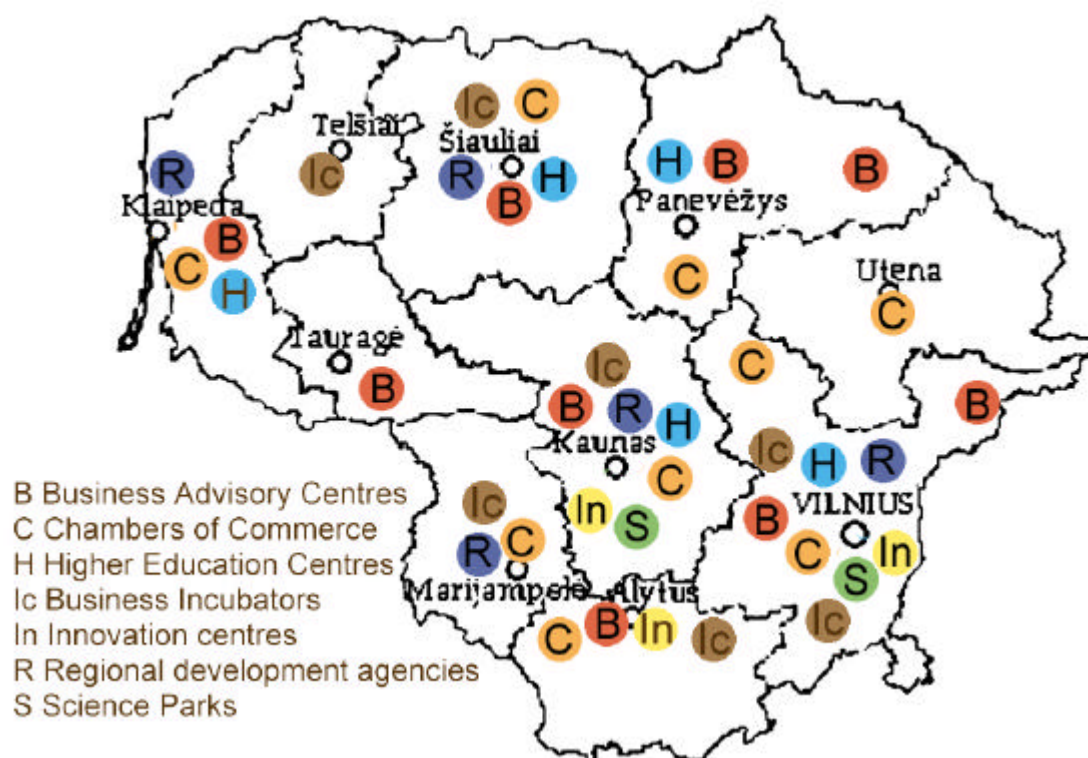
The map beneath shows that there are 4 Innovation centres in Lithuania presently concentrated in the counties of Vilnius (*Lithuanian Innovation Centre*) Kaunas (*Innovation Centre of Kaunas University of Technology* and *Innovation Centre of Lithuanian University of Agriculture*), and Alytus (*Alytus Business Innovation Centre*). These centres are not linked into a network of innovation support service providers.

Lithuanian Innovation Centre was established in the 1996. It is of the most active Innovation Centre in Lithuania with 8 full time staff. It offers a whole range of innovation support services, in particular transnational technology transfer services to Lithuanian SMEs and R&D laboratories. These services are backed up by the European network of Innovation Relay Centres. Lithuanian Innovation Centre plays very active role in Innovation policy development.

Innovation Centre of Kaunas University of Technology (established in 1994) and *Innovation Centre of Lithuanian University of Agriculture (established in 1992)* are University based innovation centres. These Innovation centres focus their activities on commercialization of technologies developed by researchers at Universities. KUT Innovation Centre initiated establishment of KUT Technology Centre that acts as a science and technology park (see below).

Alytus Business Innovation Centre is a newly established institution (in 1998). The mission of the centre is to promote innovation in its implementation in science and industry. The activity of this centre is focused on Alytus county.

Business support infrastructure in Lithuania



Science and Technology Parks

Two technology parks operate in Lithuania. They promote technology transfer and co-operation between research institutions and enterprises, serve as incubators for knowledge-based firms, and organise participation in international co-operation projects. The STP in Vilnius is focused on material science and IT and aim, amongst other things, to support the formation of spin-offs. The park currently hosts 24 companies. The Kaunas Technology Centre is set around the Kaunas Technological University. The Centre has expertise in the areas of energy development and transport, laser technologies, new materials, biotechnology, environment and IT. Technology Centre acts as a business incubator for spin-off companies and currently hosts 18 companies.

Higher education centres;

Universities as sites of study and research, are a vital part of the innovation support network. This research often represents the first step for development of innovations in companies. There are 10 Universities, 5 academies and 29 research institutes conducting research in the fields of humanities, natural science as well as in applied science fields such as geology, biotechnology, construction, materials and engineering. Higher Education Centres are currently concentrated in Vilnius (4 Universities, 3 academies and 19 research institutes) and Kaunas (4 Universities, 2 academies and 9 research institutes). One University operates in Klaipėda and one in Šiauliai. Branch office of KTU operates in Panevėžys

OTHER BUSINESS SUPPORT INSTITUTIONS

Several networks of business support services exist in Lithuania which provides business support services but currently do not focus their activities on innovation support services. In certain conditions these institutions could act as elements of innovation support infrastructure. The main players are:

- the Lithuanian Development Agency for Small and Medium Sized Enterprises – SMEDA – and its Taurage branch;
- the Lithuanian Development Agency – LDA (has its main focus on export and foreign investments promotion);
- the National Regional Development Agency (together with the network of Regional development agencies prepares for the implementation of EU pre-structural funds instruments);
- the Business Information and Advisory Centres (established in their start-up phase with the assistance of the Phare programme, 9 are functioning and 2 more will be operational soon.
- the Chambers of Commerce, Industry and Crafts (1 national and 5 regional chambers. These are present in Vilnius, Kaunas, Klaipeda, Siauliai, Panevezys with the branch offices in Alytus, Marijampole, Utena, Ukmerge);
- the Euro Info Centres (act as ‘first stop shop’ for enterprises seeking Community information, 1 run by the LDA and 1 hosted by Kaunas Chamber of Commerce).
- *Business incubators* (. The first business incubators were established in 1999. There are now seven incubators operating across Lithuania (in Kaunas, Vilnius, Šiauliai, Alytus, Telšiai, Naujoji Vilnia and Kazlu Ruda). These incubators work especially with start up companies. By the end of 2000, they hosted 81 enterprises with 420 employees; 197 new jobs were created. Enterprises renting business space are mainly start-ups (up to 3 years of age) and are micro-enterprises.

These services to SMEs are mainly provided through non-profit organisations, some of which are financed by the Government, and some of which are funded by membership fees and income from services.

ECONOMY DEVELOPMENT WITHIN THE REGIONS

Table comparing aspects of each county in Lithuania (1999)

	<i>Population (in thousands)</i>	<i>Population (%) from total population)</i>	<i>Proportion of national GDP (%)</i>	<i>Capital Investment (% from total investments)</i>	<i>Distribution of SMEs (%)</i>
Vilnius county	894	24,2	33,1	40,7	30,1
Kaunas county	754	20,4	19,6	17,1	21,6
Klaipeda county	416	11,2	12,2	11,2	12,3
Šiauliai county	401	10,8	8,4	4,8	8,7
Panevezys county	322	8,7	7,4	6,4	8,1
Alytus county	202	5,5	4,4	4,2	3,9
Utena county	201	5,4	4,8	4,4	3,9
Marijampole county	198	5,4	3,6	2,4	3,9

Telšiai county	183	4,9	4,3	8,2	4,4
Taurage county	130	3,5	2,1	0,6	3,0
Total Lithuania 1999	3701	100	100	100	100

(Source: Lithuanian Department of Statistics)

From the map, it is evident that Vilnius holds the majority of support organizations and the institutions for technical innovation.

The dominance of Vilnius is also reflected in its possession of the highest proportion of SMEs, and its proportion of the national GDP. The table below indicates that capital investment in Vilnius county is much higher than average in Lithuania. 40,7 % of total capital investment goes to Vilnius county with 24.2 % of total population. It indicates there are large disparities in economic development within the counties of Lithuania. It is clear that Vilnius is most suitable for central co-ordination of innovation projects.

Despite the superiority of Vilnius in terms of its institutions, it is apparent that many others exist in other counties. Other counties (not included Vilnius county) play very important roles in the economy of Lithuania. Figures above indicates that more than 66 % of GDP is produced in the regional counties. About 70 % of SMEs are in the regional counties as well. Enhancement of 4-5 of these institutions, producing Regional Innovation Units would allow greater ability to work on a local scale.

Therefore, the most advantageous system would be one in which the LIC in Vilnius acts as the central information and support co-ordinator, with 4-5 Regional Innovation Units each being responsible for approximately 2 administrative counties. This network would allow specific local actions to be taken, but also permit flexible action on a national and international levels.

Overall, this will enhance geographical coverage of innovation projects. Enhancement of regional action will be coupled with the continuing role of directing national innovation and technology transfer.