



The Latvian R&I System and the opportunities arising from synergies

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Latvian R&I system

2

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- ▶ **Small country**, economy and market
 - ▶ Less than 2 million with GNI 22.510 \$/capita at PPP Y2012
 - ▶ being small in size and high income economy we can not effectively compete in scale-intensive production
- ▶ Still dominated by medium-low, low tech industries – 82%
- ▶ **R&D jobs**. 5,396 R&D FTE (2013), PRO's& HE's - 3,237, Government - 1,178, Industry – 981
 - ▶ limited possibilities for diversification in innovation and productive capabilities
 - ▶ *Difficult* to cover all necessary cutting-edge science and technology needed for new generic technologies

Synergies SF\ESIF - FP\H2020

- ▶ Synergy is not just sum of money
- ▶ Framework programmes on research, technology and development are open, competitive market for best R&D performers and ideas. Getting there gives:
 - ▶ Confidence and recognition
 - ▶ Opportunity to catch up:
 - ▶ access to best knowledge and competence in the field
 - ▶ Opportunity for business
 - ▶ Networking with the best
- ▶ ESIF can:
 - ▶ Pave the road to FP\Horizon2020
 - ▶ Amplify the effect from opportunities and results given by FP\H2020
 - ▶ Fund local challenges not fitting into FP\H2020

Observations – getting to FP7\H2020

- ▶ **NETWORK AND REPUTATION**
- ▶ **Networking is main source of opportunities**
 - ▶ Direct and indirect. Some observations suggests that even local networks could lead to international and to FP
- ▶ **Vision, strategic plan and ability to **execute of organization or individual is required to successfully use opportunity****
 - ▶ personal and organizational level responsibility is important
- ▶ **Ambition helps!**
- ▶ Invitations and participation comes through the network
 - ▶ Personal
 - ▶ Business
 - ▶ Conferences
 - ▶ Through FP5 regional coverage(!)

Policy recommendations – paving the road

- ▶ **Enabling instead of directing.** Opportunities are not created locally and local planning does not have agility necessary to match Horizon 2020 calls
- ▶ **Facilitate networking.** Funding for networking events, research and publication Requirement to participate at international level, publication at international level
- ▶ **Information.** Information on H2020 for business sector. Business is still rarely invited to events and informed
- ▶ **Prepare for H2020.** ESIF programs should be built and projects should be evaluated as Horizon 2020.
- ▶ **Funds for project preparation.** Some funding for project preparation will increase number and quality of projects. 3-party agreements with specialized consultants could work.
- ▶ **Entry ticket.** Some Horizon 2020 calls should have regional coverage requirement to provide opportunity for R&D performers from Latvia to prove themselves

Policy recommendations – amplification

- ▶ **Infrastructure.** Commitment to prioritize infrastructure used and required by Horizon 2020 projects. Permanently open funding for such projects to not miss needs of Horizon 2020 project, when needed
- ▶ **Take-up activities, pilot projects and prototypes.** Priority for funding of commercialization for projects which are result of research under Horizon 2020. It's a quality seal.
- ▶ **Defragment R&I and education system.** Provide more funding for consolidation of researchers in bigger, better institutions rather than expect all institutions to consolidate.
- ▶ Fund professors and students for research projects at companies. Does not directly amplifies existing projects but increases the capacity for future.
- ▶ **Increase scale.** Coordination and coordinated ESIF projects at regional level (Baltics, Scandinavia) will increase effective scale of R&I

Smart Specialization Strategy and observations from FP7 participants

- ▶ FP7 participation pattern from Latvia shows benefits of complementarity rather than risks of competition
 - ▶ FP/Horizon2020 participants have complementary competences to their partner's competences.
- ▶ Naming specialization areas has different meaning for small and big economies.
 - ▶ Sectorial names of smart specialization does not exactly match the areas of successful FP projects

Challenge to 1.5% level of R&D spending

- ▶ Strong correlation between R&D workers per thousand employed and R&D intensity of industry (Tiits et.al 2015).
 - ▶ Sustainable increase of R&D spending follows increased share of R&D intensive industries
- ▶ Increased share of medium-high tech industry and R&D related jobs should lead to increase in R&D spending in sustainable way. It could be financing high tech spinoffs of existing capital intensive industries. Alternative is inflation of price of current R&D jobs
- ▶ Policy should increase number of permanent R&D jobs –by converting existing, changing fields of business and by increasing supply of talents and competencies

Innovation challenge for small economy

- ▶ Getting exact match in time and space between knowledge, live competence, market opportunity, productive capacity and money is huge challenge
- ▶ Can we afford luxury to request all components to be local or stay local?
- ▶ Can we afford luxury to reject good ideas, competencies or opportunities if they do not match our Smart Specialization Strategy field names?

Thank you!