Lithuania

Assessing the potential impact of Smart Specialisation by analysing the macro-linkages between the enhanced quality of policy governance resulting from the adoption of the strategies, induced changes in innovation ecosystems and the effects in terms of growth and jobs

Enhanced quality of policy governance resulting from the implementation of the Smart Specialisation Strategies

It's not really possible to say that introduction of Smart Specialisation concept changed the quality of policy governance in somewhat fundamental way, although there have been some important and positive upgrades. The main changes produced better documentation, more transparent decision-making process and accountability. Before S3, there were numerous R&I related priorities listed in documents by most of the line ministries. Ministries had their R&I preferences and dedicated funding for that, while major part being concentrated at the Ministry of Education and Science. The decision-making process of including a certain activity to R&I related priorities was not clear or not documented at all. With the instalment of S3 concept, the priorities in connection with R&I were concentrated into one list and the process to add or remove a priority was designed together with stakeholders, distributing some of the governance function among them. A new coordination mechanism was introduced – a group, to ensure the collaborative decision making within S3, especially between main implementing ministries – Ministry of Finance, Economy and Innovation and Education, Science and Sport. The Smart specialisation coordination group consists of abovementioned ministries, center of the Government, together with implementing agencies, representatives from business, academia, research institutes and other institutions. This body is chaired by deputy minister. Another element of improvement is accountability, as S3 comes with high involvement of stakeholders. Co-creation and bottom-up approach does increase the interest in the results. As Lithuania has an interactive tool for some of S3 indicators and a yearly progress monitoring report – the stakeholders are kept informed. EDP process was used for setting the priorities and evaluating them – there is no formal "everyday" continuous process. On the other hand, Smart specialisation coordination group consists of stakeholders and is meeting various non-member stakeholders on regular basis, so the discussion regarding bottlenecks or new initiatives can be started in this format. S3 came with a monitoring system, that surpassed the previous R&I monitoring attempts in the level of detail and intensity of communication.

There are plans to upgrade the governance system in the next programming period with some ideas that weren't realized because of various reasons, but it is perceived as crucial. Such elements as facilitators of S3 priorities, more evident continuous EDP with the connection to the decision makers, single responsible institution, and possibly other upgrades.

Lithuanian innovation ecosystem did not experience a breakthrough, but rather a continuous and shy development, with some exceptions, especially in business investments into R&I, which has been slightly declining. Industrial transition or environmental driven innovation is partially stimulated with S3 measures, together with other sectorial initiatives (f. e. Ministry of Environment) and is happening in incremental way. The awareness is present, but success stories or good local practice cases are still scarce. Unfortunately, the least achievement has been made with breaking down silos, especially in policy formulation level and research. As S3 solved how prioritization is being made, funded and upgraded, still there is a substantial competition among main funding ministries – Ministry of Economy and Innovation and Ministry of Education, Science and Sport. Both bodies hold slightly different opinions about research – business collaboration and possible S3 results, each emphasizing results for its own policy sector. Another silo that is still strong is in division among the physical, technological sciences and social sciences and humanities. The narrative for measures or other intervention is often constructed with its either technological topic or social topic, but not both (combination of both) at the same time, limiting the interdisciplinary projects. It's much more common for medical fields of research to work with technological field then social sciences or humanities. Although there are efforts to change this situation, especially within physical and technological sciences.

Potential impact of Smart Specialisation in terms of growth and jobs

The official S3 document has legally embedded monitoring, that is performed continuously and report is released at the end of each year, as well as interim evaluation, that was foreseen to happen at the end of 2018. Monitoring and evaluation function tries to understand the share of S3 within the economy and the impact of it, which is still early to prove. The hardest part is to map the priorities with economic sectors (NACE) for a direct attribution of funding and connection with result indicators. The Lithuanian S3 priorities in most cases are constructed as combination of sectors and research fields, so to make a logical attribution of activities within S3 priorities to economic indicators is not accurate. Nevertheless, the monitoring reports do provide such information and indicators as the share of GDP or value added of sectors, that can be attributed to the S3 are monitored. Besides the quantitative monitoring and evaluation, a constant feedback from S3 participants is being gathered and discussed, in order to understand the perception of stakeholders and their expectations. For example, in some cases the standard economic indicators do not allow to notice a relatively small part of the sector, that is ten times more productive than

the rest of the sector. Only qualitative data can become a lead to notice such pockets of excellence and then specifically work with them to grow. As an example, with the help of S3 measures, Lithuania has been growing its biotechnology sector, shifting from brain drain to brain gain, creating new high payed jobs and new ventures. Similar conclusion can be provided to photonics, engineering, functional materials and other parts of S3. An interesting case is financial technologies (Fintech, that is considered a disruptive and innovative part of ICT sector). Fintech sector has been growing without being a part of Lithuanian S3, but presumably benefiting from other parts of ICT that is a part of S3. From midterm evaluation at the end of 2018, stakeholders decided to include it into the S3. Currently it would be hard to say, that S3 had an evident impact on economy and therefore from now on, the economy has been transformed. It seems that S3 is stimulating the sectors and fields of research that are able to grow, but the whole economy as such – in a rather limited way.

S3 related activities to face the emergency situation

During the emergency situation, several new Covid-19 specific measures been introduced already with substantial plans for the future.

Lithuanian Research council introduced a temporary measure „Projects for the consequences of COVID-19". It's a short-term applied research for new solutions to mitigate the consequences of COVID-19 and funded from the state budget. The budget of one project is up to 100.000 euros. The first batch of 50 projects already has been selected for funding and more calls are planned in the near future.

Lithuanian Agency for Science, Innovation and Technology introduced a new measure "Lifesaving innovations: stop COVID-19". Various innovative ideas can be submitted as new technologies, testing, prototyping, innovative protective equipment (respirators, masks, gloves, etc.), information and communication technologies, artificial intelligence solutions, development of surveillance or teleworking systems and etc. The budget is rather small as only 2 million euros has been allocated until the end of 2020.

Lithuania had launched an ambitious "Future economy DNA plan" with is a 2-billion-euro part of 6 billion economy stimulation plan. The plan introduced several new measures for the Covid-19 situation mitigation among multiple measures for R&I system upgrade. For example, around 40 million euros is planned to be spend to upgrade the digital and online teaching capacities of school network, around 80 million euros for additional reskilling and upskilling. Various digitization measures accounts for more than 500 euros, including digitization of public and private sector services, increase of online marketing capacities. 30 million euros will be spent to upgrade Lithuanian manufacturing capacities of masks, disinfectants, protective gear and similar products. Another 30 million is planned to be spent for Covid-19 related research. Around 100 million euros will be invested in biotechnology sector to upgrade its capacities and further stimulate growth.