

MINISTRY OF ECONOMY OF THE REPUBLIC OF LITHUANIA

To the Committee on Education, Science and Culture of Seimas of the Republic of Lithuania

To the Ministry of Education and Science of the Republic of Lithuania

To V.P.Andriukaitis, Member of Seimas of the Republic of Lithuania

ON THE RESOLUTION OF *INNOVATIVE BUSINESS LABORATORIES* DISCUSSION

The Ministry of Economy, having considered Note No S-2009-7706 of the Committee on Education, Science and Culture of the Seimas of the Republic of Lithuania of July 13, 2009, provides information within its remit.

As an institution responsible for the industry and business development policy and the part of it related to the development of innovations and technologies, the Ministry of Economy realizes the importance of innovative business to the competitiveness of the country's economy and supports the proposal to pay more attention to innovative business stimulation through involvement of business representatives and other stakeholders in innovation policy formation, as it has been put forward in the resolution of the *Innovative Business Laboratory* discussion.

Pursuing a consistent national policy of innovation and coordination of its implementation at different levels, the Innovation Strategy of Lithuania is being prepared. To deal with the issues of preparation and implementation of the Innovation Strategy of Lithuania, there was a work group set up by Order No 4-360 of July 14, 2009, of the minister of Economy. The group consists of representatives of ministries, the Forum of Knowledge Economy, science and business. The work group is currently preparing the draft of the Innovation Strategy of Lithuania for 2009-2020 which is expected to identify long-term perspectives, innovation priorities and directions for advanced research and technologies. The draft of the strategy is to be submitted for approval to the Government of the Republic of Lithuania.

The Programme for Innovations in Business for 2009-2013 was approved by Resolution No 577 (Zin., 2009, No73-2971) of June 3, 2009 of the Government of the Republic of Lithuania and it aims to promote innovative business and increase the share of enterprises introducing innovations as well as enterprises of high and medium-high technologies in industry and service sectors as well as stimulate increase in export of products of Lithuanian enterprises (including export to the EU member states). The programme identifies the objectives and means to increase effectiveness of the activity of the network of innovation support institutions and human

resources competences and ensure availability and diversity of financial incentives to innovations in business.

Pursuing the goal of encouragement of private investment in introduction of innovations and SRED (scientific research and experimental development), some changes to the Law on Income Tax were made in 2008, encouraging enterprises to invest in renewal of equipment and machinery. On April 10, 2008, the Seimas of the Republic of Lithuania adopted Amendments to the Law on the Profit Tax (Law No X-1484), which allows enterprises to subtract from the enterprise's total income the costs incurred and associated with scientific research and experimental development three times when calculating the taxable profit for the tax period which started in 2008 and the following tax periods. It is also allowed to put the long-term assets used for scientific research and experimental development activities under costs within a shorter period. On December 18, 2008 there was adopted the Profit Tax Relief for enterprises investing in essential technological renewal: the enterprise implementing an investment project will be able to reduce the calculated amount of profit tax for a certain tax period up to 50 per cent of the profit tax amount starting from the tax period of 2009, which essentially means deduction of the profit tax rate up to 10 per cent for the investing enterprise.

The Ministry of Economy has allocated the amount of 857 billion Litas for implementation of Priority 1 of the Economy Development Action Programme for 2007-2013 – *Scientific research and technological development for competitiveness and growth of the Economy* and the amount of 93.27 million Litas for Priority 2 of *Scientific research and technological development for competitiveness and growth of the economy* (without financial engineering measures) as well as 1.158 billion Litas for implementation of financial engineering measures. Enterprises can apply for financial support under the following measures: for carrying out technical feasibility studies of SRED projects; for implementation of SRED projects, including business-science joint projects; for investment in the enterprise's SRED infrastructure (laboratories, research centres); for investment in modern production equipment and advanced technologies; for planning and coordination of activities of business clusters and development of common infrastructure (SRED and training centres); for investment in introduction of e-business systems; for introduction of modern management methods and management systems; for preparation and implementation of export development and activity internationalization strategies.

Aiming at promotion of commercialization of scientific results, implementation of new ideas and protection of inventor rights of intellectual property, the Ministry of Economy provides an opportunity for those inventors who seek to obtain a patent for their invention abroad by receiving a

European patent or a patent under the Patent Cooperation Agreement to claim reimbursement of up to 100 per cent of the expenses incurred.

The world practice shows that besides financial incentives to the development of innovations in business, it is also important to have a well-functioning network of innovation support establishments which would analyze establishment of new innovative companies and innovative development of existing companies and enhance business and science partnership in the area of innovations. A new momentum for development of many innovation support establishments should be gained by implementation of five programmes of Integrated Science, Studies and Business Centres (Valleys) approved by the Government of the Republic of Lithuania in 2008.

Aiming to considerably stimulate development of knowledge society, The Ministry of Economy took an active part in the process of establishment of integrated science, studies and business centres (valleys) (hereinafter referred to as valleys). It should be pointed out that it was tried to involve a large number of stakeholders of both state and regional authorities as well as the private sector in the establishment of valleys, all major decisions being based on proposals of experienced and competent experts. Valleys will provide conditions for setting up research divisions of business enterprises and for forming primary elements of knowledge intensive business enterprises on the commercial basis of scientific research results. Successful cooperation of business and science brings closer business and scientific research, helps to more effectively utilize the resources available and to apply the knowledge to development of new products and services and their launching in the market. The valleys should become centres not only for new technologies and products but also for designing and introducing inventions.

Vice-minister of Economy

Mindaugas Petrauskas