



Gate 2 Growth

INNOVATION POLICY FOR SMEs in LATVIA

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BASAN FINAL CONFERENCE

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LATVIA

General Overview (size and population)

Size 64.589 km²
Population 2.370.000

Main industrial cities

- RIGA 815.800
- Ventspils 48.800
- Liepaja 97.000
- Daugavpils 117.000
- Valmiera 28.500
- Rezekne 40.500



LATVIA

General Overview (SMEs)

Number of registered SMEs	34.000
Total SMEs from all registered companies	98%
SMEs (manufacturing)	14,7%
SMEs (exporting)	52%
SMEs (investing in R&D)	< 4%
SMEs (potential to innovate)	< 1000
Export / Import balance	1/1.75
Share of high-tech products in export	6 %

LATVIA

General Overview (Human and Financial resources)

State budget 2003	~3.0x10 ⁹ EUR
GERD	0.23 %
BERD	0.12 %
GDP growth (2002)	7.50 %
GDP per capita (2001)	3314 EUR
Number of Universities,	34
incl. LU (number of students)	33.942
RTU (number of students)	13.878

Latvia: crisis, stabilization, reforms and development (but what kind of?)

GDP/per capita

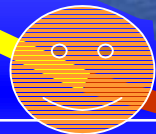


1st phase - degradation
(till 1991)



2nd phase - riddance
(1991-1993)

6th phase -
endogenous
innovative
economics
(2005 - ...)



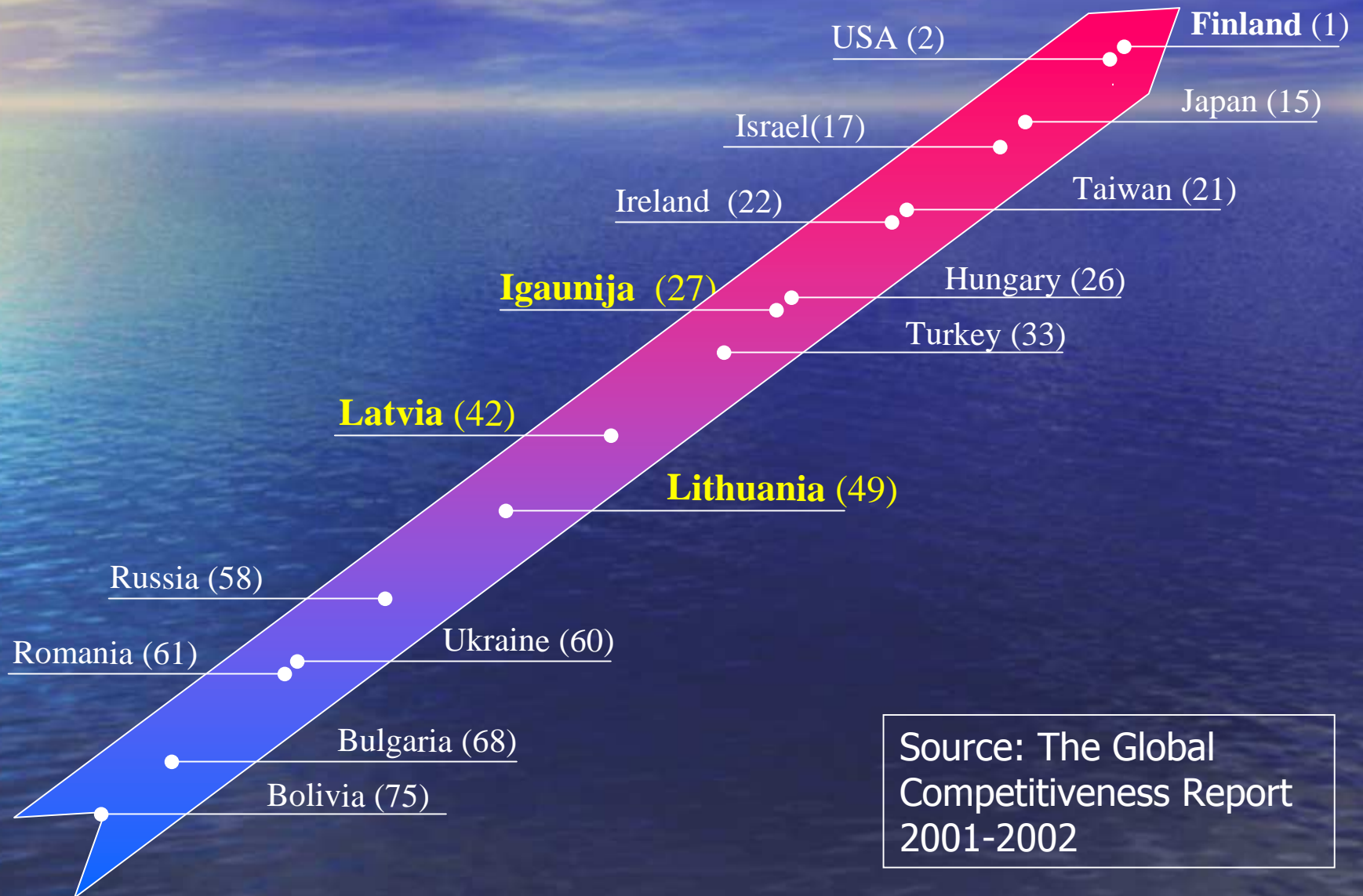
Inflation

5th phase -
exogenous
innovative
economics
(2000 -2005)

4th phase -
recovery
(institutional
reforms:
1994-2000)

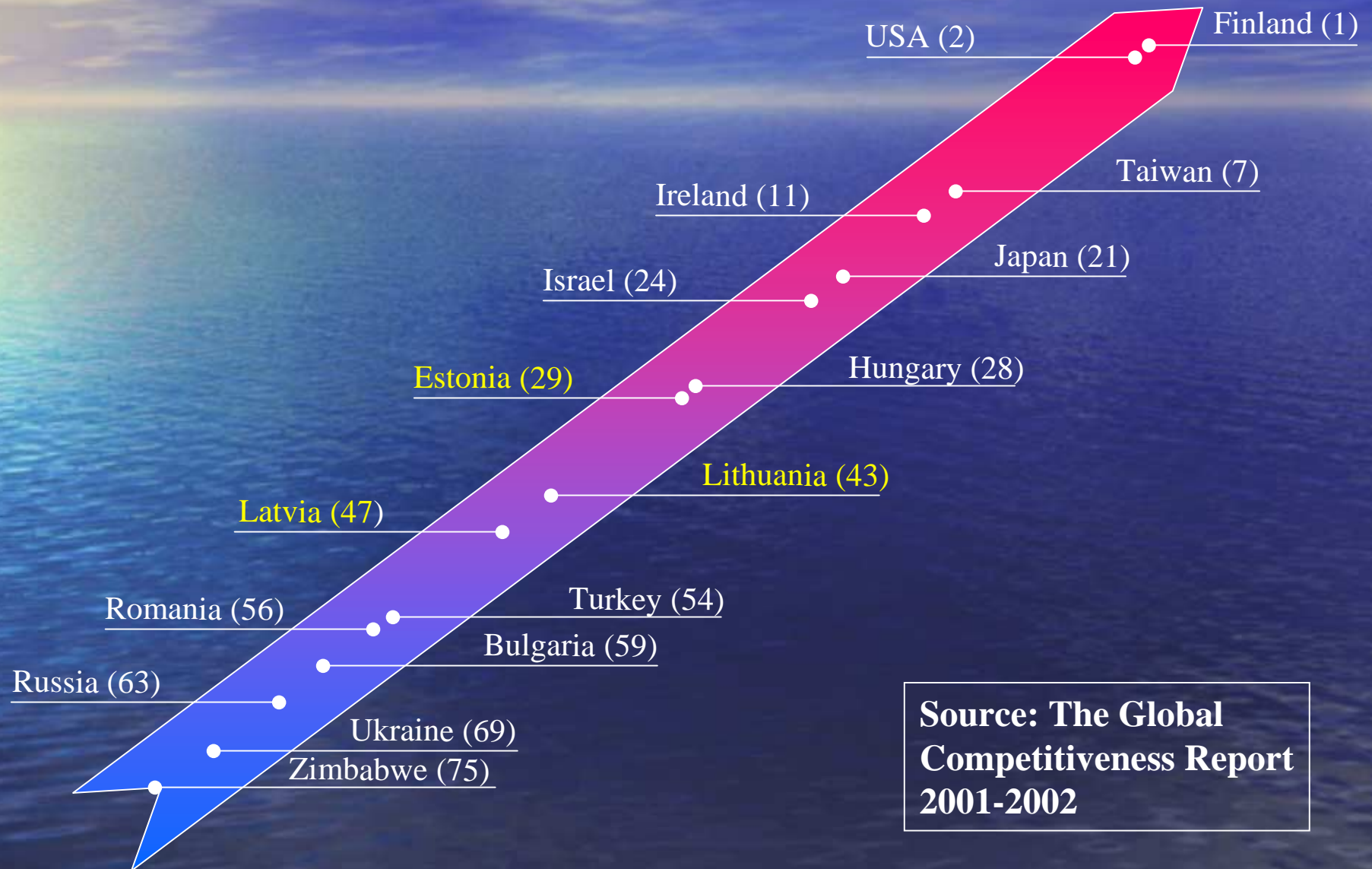
3rd phase -
stabilization
(1993-1994)

Growth Competitiveness 2002 Top 75 Countries



Source: The Global
Competitiveness Report
2001-2002

Growth Competitiveness for the Next Five Years – Top 75 Countries



Source: The Global Competitiveness Report 2001-2002

NATIONAL PROGRAMME ON INNOVATION (2003 - 2006)

Programme includes:

General long term strategic tasks
corresponding to the main objectives of the
Programme

Main positions for planning of the strategic
tasks and elaboration of the yearly action
plan on innovation

Long term strategic goals of the *Programme* are the following :

- to increase an exploitation of results of applied research and innovation activities;
- to create a favourable for innovation information , legislation and financial environment
- to support and promote start-ups of new innovative companies
- to develop innovation support infrastructure, industrial networks and clusters

Strategic sub-goals to be achieved but not planned in the framework of the *Programme* are the following :

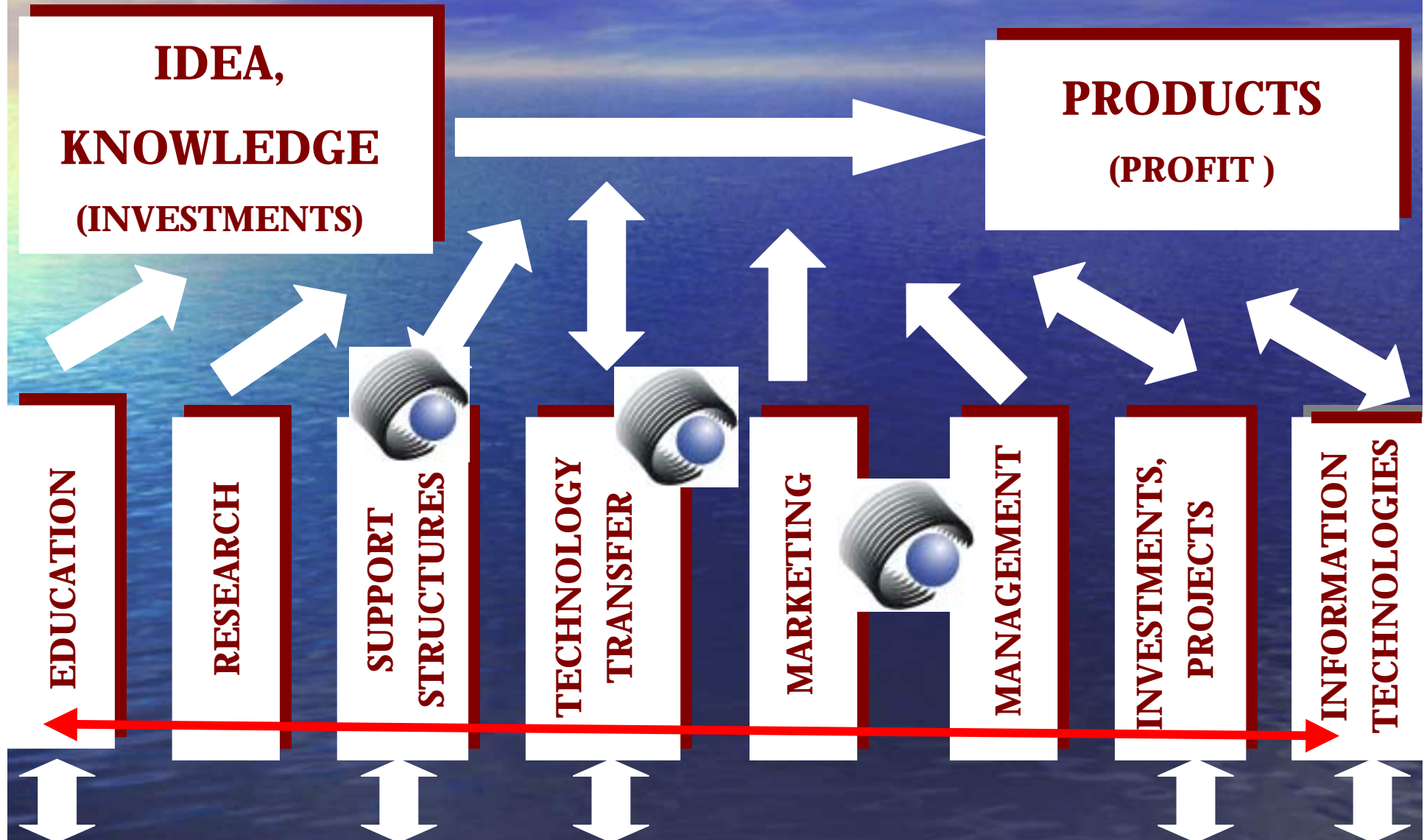
- Well educated society
- Common education and R&D strategy
- Structural reform of education system
- Increased investments (% from GDP) for R&D
- Balanced relationships between public and private organizations
- Advanced business infrastructure
- Diversified economy in rural regions, etc.

The *main task* for implementation of the *Programme* in the first period (2003-2006) is to start coordinate development of the National Innovation system and to facilitate the increase of the National Innovation Capacity

THE PROGRAMME STATES THE
FOLLOWING THREE TASKS

1. Creation of harmonized and coordinated system to promote and support innovative activities
2. Favourable environment and legal and financial basis for start-up of innovative companies
3. Development of competitive economic structures

INNOVATION (process)



1. Creation of harmonized and coordinated system to promote and support innovative activities

- Coordination of the Programme (Minister of Economy, Innovation Council, Innovation Department in Ministry of Economy)
- Interaction with other National Programmes (Education, R&D, Regional Development, Informatics, etc,)
- Systematic estimation of National Innovation System (methodology, Innovation Scoreboard, Foresight Exercises, Introduction of Best Practice)

General environment

COMPETENCE AND TECHNOLOGY

ECONOMIC DEVELOPMENT

NATIONAL INNOVATION SYSTEM

Financing

Education

INNOVATION

Business

Science

Legislation

GLOBALIZATION

POLITICAL ASPECTS

Generations of Innovation Policy:
1.linear; 2.NIS; 3. part of knowledge economy

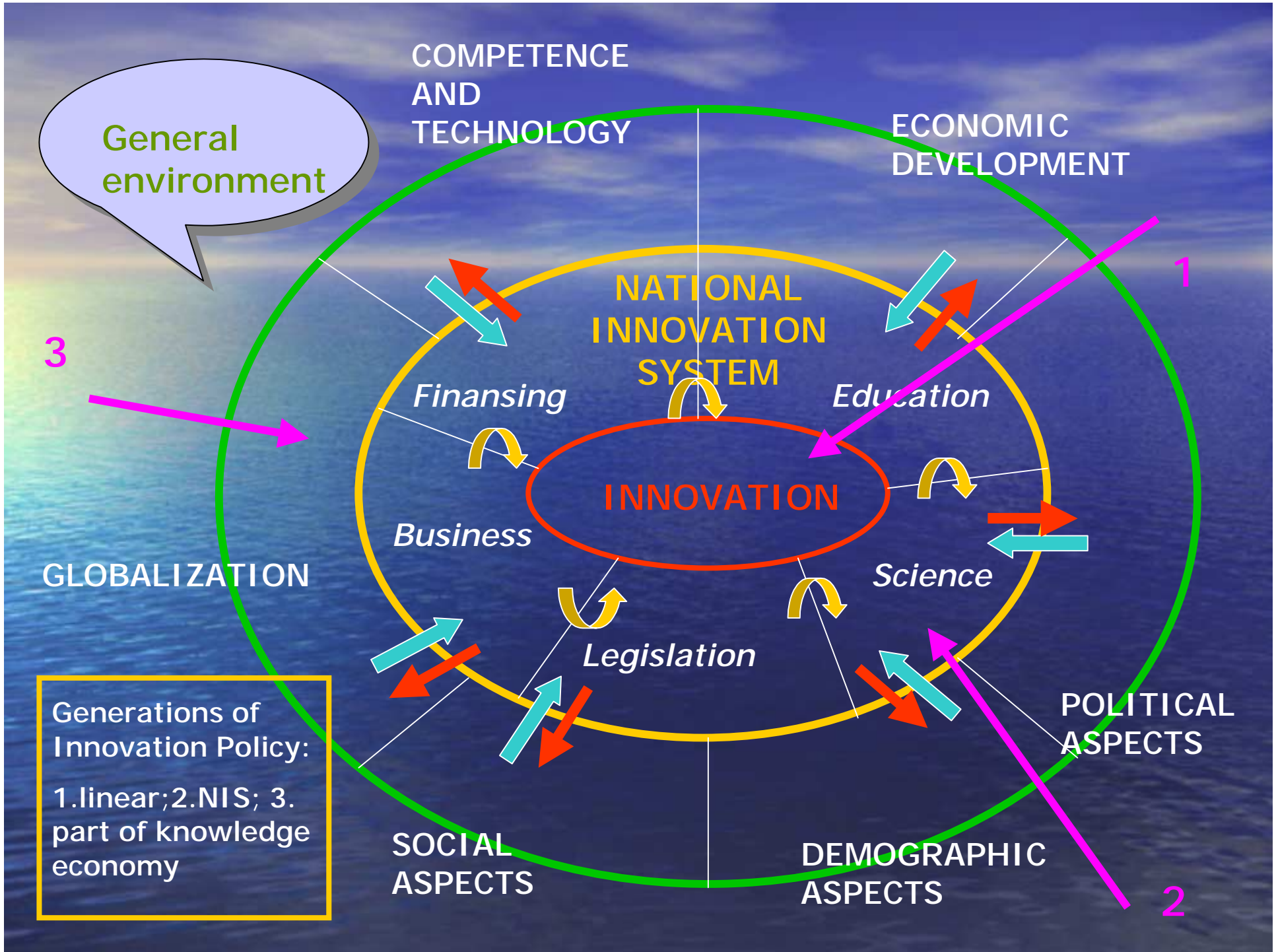
SOCIAL ASPECTS

DEMOGRAPHIC ASPECTS

3

1

2



2. Favourable environment and legal and financial basis for start-up of innovative companies

- promotion of innovative activities (National Prize for innovative companies, Best Practice activities, BALTIC DYNAMICS)
- support to the implementation of innovative ideas (co-financing of EU innovation and SME projects, promotion of **cooperation between local enterprises and research institutions**, support of technology transfer activities, start-up and spin-off programmes, etc.)
- **orientation of educational programmes to the entrepreneurship**
- support for a participation on international exhibitions, etc.

3. Development of competitive economic structures

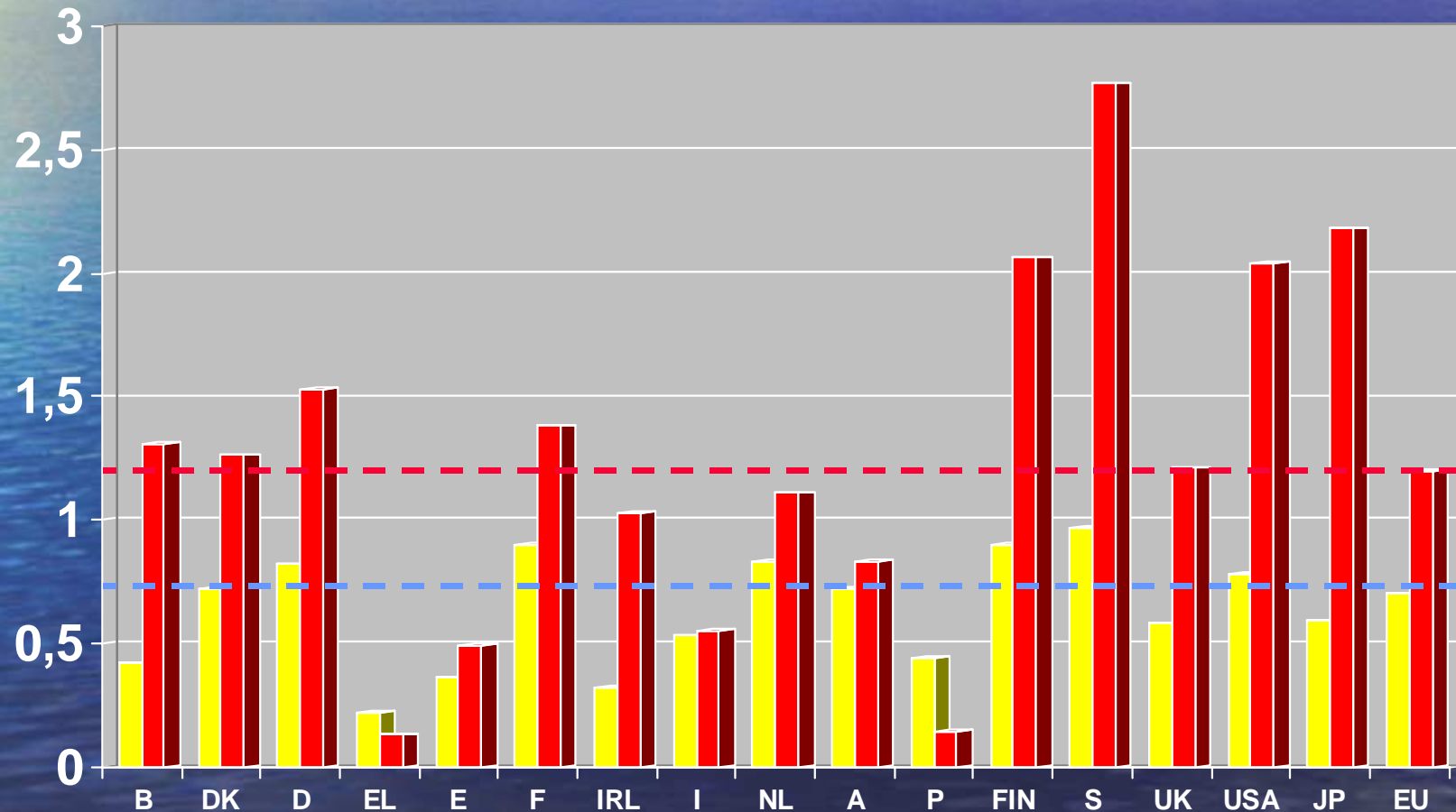
- development of industrial clusters (technology diffusion, quality ensuring, cluster development projects)
- creation of centres of excellence, science and technology parks, business incubators
- effective ties between industrial clusters and innovation infrastructure
- Latvian Guarantee Agency
- Venture capital fund (?)

INNOVATION INDICATORS - 1998

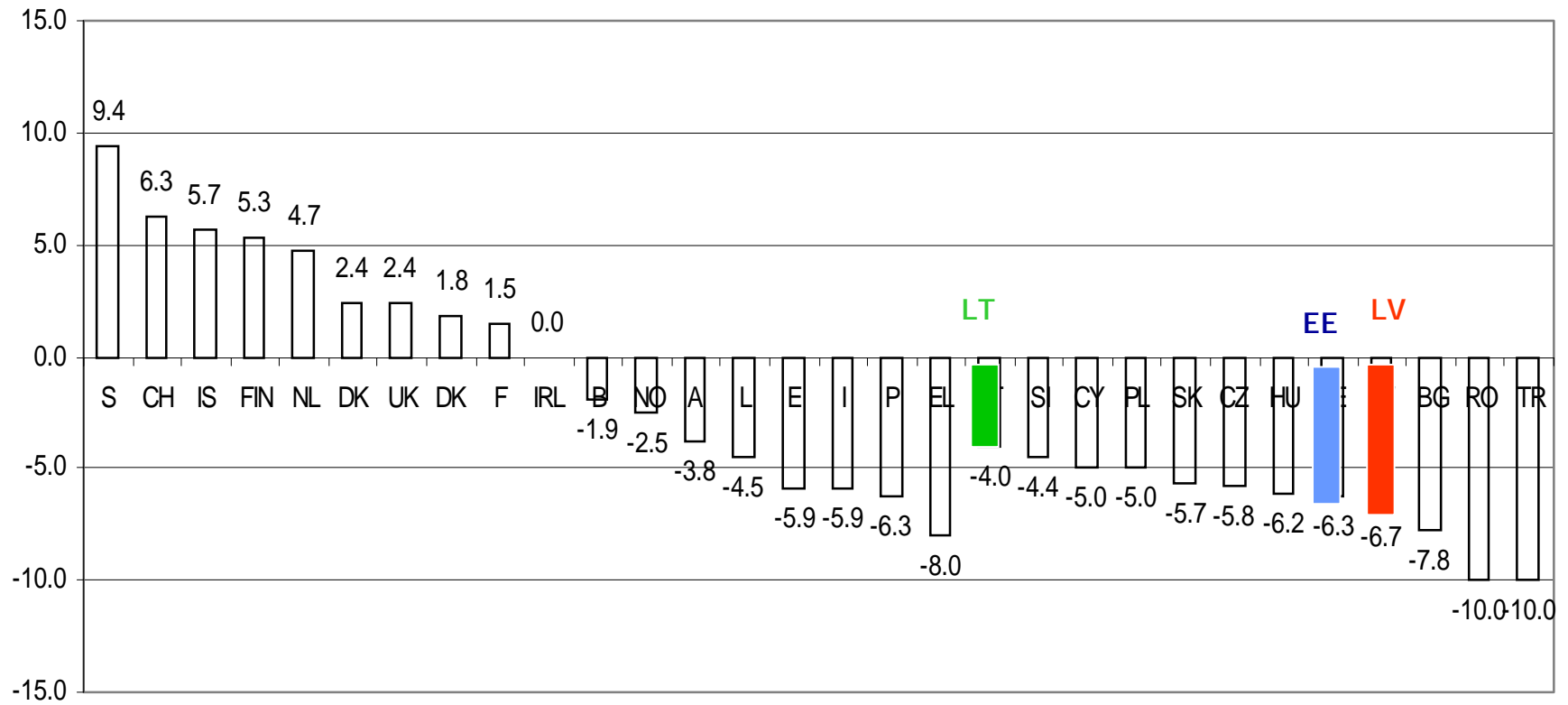
1 – GOVERD (Government expenditure - % GDP)



2 – BERD (Business expenditure - % GDP)

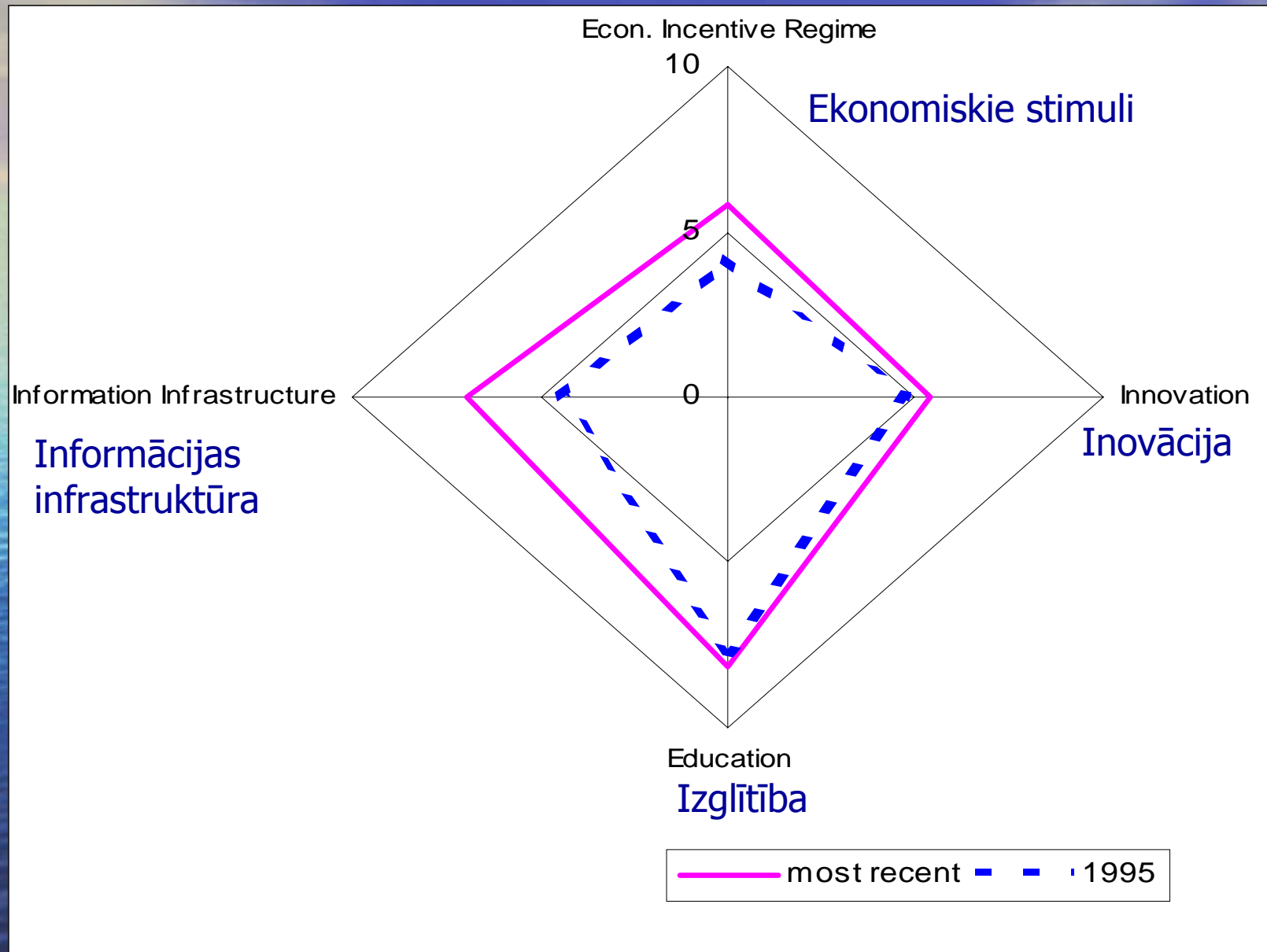


Summary Innovation Index



Innovation Policy in Candidate Countries, 2002

LATVIA : Knowledge Economy Index (WB)



SOME PROBLEMS

1. Low number of students in technical faculties (<16%)
2. "Lack of entrepreneurial spirit"
3. Weak ties between Universities and Industry
4. Lack of technology transfer office (ILO, etc)
5. Lack of operating support system (subsidies, grants, loans, consultancies, etc)

Development of the State innovation policy

- National Development Plan (Single Programming Document, 2003)
- National Concept on Innovation (2001)
- National Innovation Programme and Action Plan (2003)
- National Programme on SME Development (1998; 2002)

Participation in FP5 (Innovation & SMEs)

1999-2002 – submitted 93 projects, retained for funding 33 projects (35,5%), incl. 20 CRAFT and ExAw; EC funding – 2.679.430 EUR

NEW INITIATIVE (Ministry of Economy)

Project competition to apply for European Regional Development Fund:

1. Support measures for applied research, technology transfer and innovation in enterprises (min.75.000 €)
2. Development of business infrastructure (min.750.000€)
3. Promotion of competitiveness (min.300.000 €)
4. Improvement of access to financing (min.750.000 €)

Currently Running EU PROJECTS

- RIS LATVIA (RIS for NAC)
 - IRC LATVIA (IRC Network)
 - PROMOTOR (PAXIS)
 - Gate2Growth (TN, PAXIS)
 - BASAN (TN)
- LINK (ETI)
- SMEsGoLifeSciences (ETI)



OTHER ACTIVITIES

Competition "Innovative Projects for Latvian Economy"

Initiative : students from Riga Bank High-School

- Organizers :
- Mortgage and Land Bank (10.000 LVL)
 - Consulting company "Konsorts"
 - LTC

Submitted 21 projects; 10 were selected for presentation on the final Conference (25.04.2003)

CONCLUSIONS



1. WE BELIEVE IN SUCCESSFUL IMPLEMENTATION OF THE NATIONAL INNOVATION PROGRAMME

2. THE SPECIAL MEASURES ARE NECESSARY TO PROMOTE DEVELOPMENT OF HIGH-TECH COMPANIES COMING FROM UNIVERSITIES:

- reorganization of higher education system
- introduction of support measures for spin-offs

3. GOOD INTERNATIONAL PARTNERSHIP AND REGIONAL NETWORKING IS A GREAT STIMULUS FOR SUCCESSFUL HIGH-TECH BUSINESS DEVELOPMENT IN LATVIA