



**New methods and models  
for innovation support for SMEs  
in tourism,  
cultural  
and creative industries**



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industries**

Minsk 2016

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**Imprint**

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## Presentation of the project

This handbook is a result of the project ICE – Innovation, Creativity and Equality. The project started in October 2013 and will end in November 2016. The project is financed by the Swedish Institute and is a part of the thematic partnership for the Baltic Sea Region.

The overall aim of the project is to:

- Foster economic growth and competitiveness of the Baltic Sea Region through increasing SME's innovation capacity and equality, especially in the sector of tourism, and cultural and creative businesses.
- Utilize the knowledge, best practices, from various organizations – social non-profit organizations, public sector and private companies – in terms of increasing SME innovation capacity in female-dominated sectors such as tourism, and cultural and creative businesses.
- Develop and disseminate methods around common challenges based on innovation-development in SMEs linked to TCCI.

The partnership consists of organizations from five countries:

- The County Administrative Board of Östergötland (Sweden)
- Linköping University (Sweden)
- Latvian Academy of Agricultural and Forestry Sciences (Latvia)
- The Republican Centre for Technology Transfer (Belarus)
- 4C Social Economy Center Krzysztof Musiatowicz (Poland)
- Kaunas Science and Technology Park (Lithuania)

The handbook is divided into three parts: *The Innovation Process*, *Financing facilities available for innovative SMES* and *(New)Tools for Innovation Promotion in TCCI*. In the first part the concept of innovation is discussed and presented through different models and theories in order to demonstrate how difficult it is to define innovation but also to show how important innovation is for companies and society in general. In the second part the available financial facilities and innovation support systems in each partner country is presented. In the third and last part of the handbook different types of innovation promotion within tourism, cultural and creative industries are presented to share methods and tools for promotion of innovations.

With this handbook we hope to inform and inspire both stakeholders and entrepreneurs within tourism and the cultural and creative industries and to exchange experiences and knowledge between the partner countries.

# 1. Basics of innovation

In this new economic context in which we find ourselves; a period in which economy is already global, the practice of innovation has become critical in achieving success in any endeavor. In this new stage of the world economy, the evolution of society is impacted by great advances in ownership and distribution of information and knowledge, as well as by continuous need for the management of change.

## 1.1 The need of innovation

Innovation has an important role because it can restructure, refocus and harmonize companies and countries with the new requirements of the economy, by enabling them to achieve durable competitive advantages. Innovation represents the means through which creativity is valorized on the market. The development and deployment of innovative products and services has to constitute the main objective of any company, because through them the company will increase its level of competitiveness.

It can be asserted that in a globalized market, innovation is the engine of economic growth and development of kind of entity. By harnessing creativity and development and incorporating these two into existing products and services, consumer demands are satisfied, and new market segments are created.

In terms of tools of innovation and economic cycles, characterized by technical-scientific developments, (Christensen 2003) makes a differentiation between the adoptions of innovations related to customer requirements: "disruptive innovation" and "support innovation". Support innovation is correlated with consumer demands, having as objective the improvement of existing products and services. Disruptive innovation generates improvements far above expectations, thus creating new markets instead of seizing existing ones.

A series of management models were created in the course of time, oriented towards innovation, which attempted to develop principles, stages and processes by which ideas become innovation within an organization. Also, a series of authors have proposed models for catalyzing and monitoring this type of activity so that its yield can become more impactful. A careful management process involves identifying innovational preceding stages, as well as factors influencing the planning stages; implementation, monitoring and analysis (see Figure 1. for such an example).

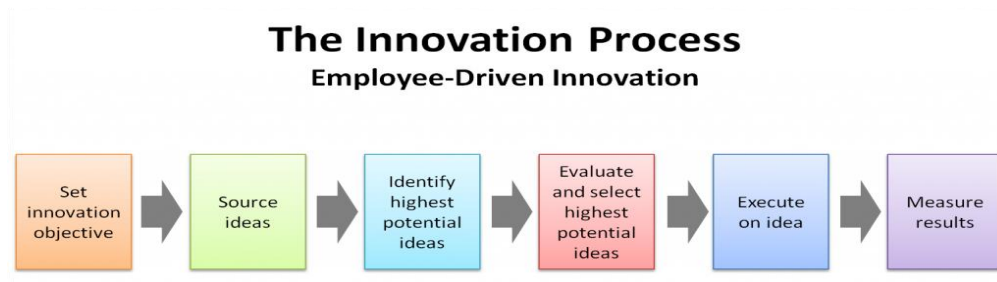


FIGURE 1. Innovation process  
(Carpenter, Model for Employee Innovation: Amazon Prime Case Study 2010)

New economic and social realities require the development of products and services to fully satisfy consumer demands, which have become more complex and more numerous over time. Innovation is one of the possibilities to redefine everything that currently exists both as a principle or concept, or

model, form and structure. The innovation process constitutes a method to harness and put to use human creativity. As such, it can veer of target sometimes and uncertainty about its results should be considered intrinsic.

Creative ideas have to be put into practice, as this type of resource is inexhaustible and it is inside any organization, but it must be harnessed in order to obtain beneficial results on the long term. Each economic actor, company, institution, organization or state has the ability to innovate, however to enjoy the benefits of innovation a series of investments have to be made. The importance of the proper working environment must not be overlooked, which is conducive and stimulative to employee creativity.

Innovation has become a key for survival and development at the same time for institutions, companies and states since the rules of the market are changing according to the customer's needs. The new markets, with a strong tendency towards globalization, change the rules at an accelerating rate, so for obtaining the ownership of competitive advantage serious investments into research must be made just to be able to supply innovation results towards the market.

Another important aspect is the fact that the process of innovation, regardless if it is a physical product or service, must become a continuous, iterative one. No company will be able to resist over time without continuously innovating its market offer. As for any innovator in any market sector, it will not take long before competitors figure out how to integrate innovation themselves into their own products and the innovative company in question loses its competitive advantage.

The substitution of resources, whether human, financial, material or informational can contribute for maintaining the organizations success in the economic markets as an important actor. This highlights once again the need for innovation.

## 1.2 Concepts and definition, characteristics

In a broad sense, innovation is seen as the process by which value is achieved through creativity. In this sense, the specialized literature presents several definitions, all of which can be summarized to a central idea, that innovation is something "new", that does not have a history or a previous version. Defining the theoretical knowledge and the information, products, services and processes, which can be used practically, constitute the essence of innovation.

According to the Austrian scientist J. Schumpeter, in his work "Theory of economic development" innovation is:

***"The totality of changes aimed at implementation and use of new types of products, means of production and transport, markets and forms of organization of production process".***

Another definition which accentuates the importance of innovation in the framework of economic activities, is given by Peter Drucker; he relates to innovation as "a tool of an enterprising manager, he explores the means by which the change as an opportunity for the various different services or businesses" (Brad 2006).

***"Successful innovation is the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes, efficiency, effectiveness or quality" (Eveleens 2010).***

Relative to the above definitions, we can say that innovation is how a company can achieve growth, adjust and increase the level of competitiveness through specific mechanisms and processes. Innovation is the transformation of an idea into a concept, which serves as a tool to achieve the company's goals, making it more effective and efficient.



Out of the previous definitions according to the above cited authors we can extract a number of issues and concerns relating to innovation:

- the innovation is knowledge transformation into end products and services designed to meet consumer demands;
- innovation has the ability to create new markets;
- innovation is the result of a creative process;
- research and development activities may result in innovation.

The creational process represents one of the fundamental processes of innovation, because creativity is the trigger factor of an idea. Through this process, ideas are generated and can be implemented in various forms or strategies in a range of activities and areas. With the help of creativity most, if not all, of the problems which the organizations face can be solved. For this reason, the use of creative techniques as well as the maintenance of a favorable environment must constitute one of the basic priorities of organizations.

There are a multitude of definitions relating to creativity, but in essence it can be defined as follows: ***"creativity is a par human mental excellence process, which consists of combining an original form of knowledge gained through study, observation, experience (perceiving existing elements) leading to a product, useful for society, in a certain amount of time"*** (Răbonțu 2010).

The verb "to create" means the capacity of each of us has to think about new things, that nobody has ever thought of before. In this sense, creativity is the engine of progress, improvement and innovation in all aspect of society and economy.

Essentially, in order to distill creativity into innovation, one must go through a sequence of cascading steps, increasingly taking into account the balance between potential benefits and existing constraints.

Creativity can be utilized to obtain a new product for a company, if the proper environment is set. The creative act can take place spontaneously, however only a part of the creative ideas come to be matured and put into practice, which can truly be used for taking advantage of new opportunities for growth and development.

### **1.3 Innovation type and trends**

Specialized literature provides a number of classifications for innovation types; they vary depending on criteria such as purpose, achievement, impact on society/economy and the measurable progress. In the following, these types of innovations are presented, which are considered at as being the most important ones:

- product innovation;
- process innovation;
- system innovation.

Product innovation is one of the most widely used forms of innovation. It is preferred by most companies because it can be achieved based on either an idea, a product already on the market, or it is based on a radically new idea, a revolutionary concept, that changes the existing products on the market.

In terms of process innovation, this type of innovation refers to the internal components of an organization. Innovation on processes increases the yield and improves the efficiency of the organization by changes made to the production processes and the used management models. In this

type of innovation, the processes undergo a number of changes, which can be total or partial, but the product remains the same or is subject only to some small changes, related to price, reliability, quality or presentation on the market.

Product innovation is preferred because it brings visible changes, immediately felt by businesses on the market. In contrast, process innovation is felt in time, and it brings a number of advantages in terms of market share, price and increased efficiency for the organization in question.

A system innovation includes activities that require significant resources (including information) from different fields and it also requires the involvement of governmental entities, academic environment, and other businesses and can stretch over long periods of time. In such a demarche, the entire business model can undergo major changes, leading to a different behavior towards many or all of the internal and external stakeholders (customers, employees, suppliers, etc.). This type of innovation has the obligation to comply with a number of regulations coming from governmental institutions, either cultural or social, because it faces considerable interface problems.

#### **1.4 Challenges of innovation**

There are several challenges to be overcome when dealing with the innovation process. As presented in (Berkun 2010) they are:

- Finding an idea – ideas are ubiquitous. They occur to anyone and in any field imaginable. Some sources of ideas might be: problems, coincidences, human interactions, observation or studying. Good ideas are hard to come by; that is why a pool of ideas is always better than striving for that one perfect idea;
- Developing a solution – an idea is just that: an idea. It has no form or structure, it only exists in the mind and understanding of its developer. For it to gain momentum and increase in value it needs to be developed into a solution. This requires an increasingly more amount of effort and concentration. It requires skill and competency in the specific field of application. Here is where the winners are separated from the others: many ideas don't get past the point of solution generation from a number of reasons: no market, unfitting technologies, not enough know-how in the field, not feasible etc.;
- Sponsorship and funding – solutions, as good as they may be, need testing validation and possibly even more research. A solution is generally not mature enough for the market and needs constant financial infusions for survival and evolution. Depending on the position that the solution generator has in the economic environment (established company, start-up, individual innovator etc.), funding and sponsorship solutions need to be found for the innovation to reach its next level of maturity. These may take the form of internal company funding, venture capital or angel investment, banking system support, country or regional innovation funds or many others depending on the industrial sector and the regional specificities. Sponsorship must also be understood in the form of political or managerial support, lobbying, decisional influence and other non-financial but essential inputs;
- Reproduction – it is not enough to just create a prototype and to validate it. Mass production is necessary to get the innovative idea to the market in order for it to start generating economic, social or environmental benefits. This involves adapting the innovative idea to fit current mass production technologies in order to be cost effective and feasible on the market. Reproduction involves a different type of design that was utilized to develop the prototype and utilizes a different set of paradigms. As an example, hybrid cars may be a reality in today's society, but the constraints generated by high manufacturing cost,

difficulties with hybrid fuels infrastructure and the low maturity of technologies in the field keep this kind of product in the low end market penetration level;

- Reaching potential customers – the innovation status is truly achieved by an idea when it reaches its final beneficiaries or customers. Many innovations lose their value in today's economy simply by not being able to reach their customers and to prove their value in use. Thus, marketing and communication are an absolute must;
- Beating competitors – the opportunity of a valuable innovative idea is easily understood by competitors. Even if we are not taking into account imitators, whose presence is increasing in probability as the value on the market is greater (see the iPhone case in US and China) , there are still competitors on the same market niche with similar products or services. Therefore, an innovation needs to be presented and sold in a right way as to demonstrate unique characteristics and benefits. Differentiation on the market is an absolute must in today's fast paced economy;
- Timing – an innovative idea might be an excellent one but unless it is planted in the right "soil" it will be useless. The time factor is essential in bringing an innovation to the market. It has to be complementary with the culture, the concerns, the interests and the understanding potential of the targeted society or population. A revolutionary idea, as valuable as it may seem, takes a lot of explaining and of consumer education to achieve market penetration;
- Keeping the lights on – of course, innovation is a big effort. It involves a greater risk than day-to-day business. This is why we need to be paying an extra amount of attention to the operational part of the business: bills have to be paid, processes and teams need to be managed and, at the end of the day, the company needs to have tomorrow assured.

## **1.6 Innovation and continuous improvement**

As we previously highlighted, innovation in today's economy is a prerequisite for the organizations existence and long term success. You need to be one step ahead of the competition with both internal and external processes and outputs. But, as we previously stated, innovation doesn't always mean to be disruptive. Inventions may be a significant part of the innovation practices but they are not the whole story. Incremental improvements are sometimes more successful and most often more accessible.

As such, the continuous improvement methodology is as important to the innovation management process as other successful models driving innovation.

### **Continuous improvement**

The continuous improvement framework constitutes a baseline for most standardized management systems. It postulates that the organizations needs to create an internal culture where all processes and employees are directed towards constant improvement of processes, products, services and systems. The basis of this approach is that none of the established processes or products present at a given time in an organizations structure or portfolio is at their best; they can always be improved and taken to a higher level.

At the center of the continuous improvement framework lays the now ubiquitous feedback loop. In simple terms, it means that an existing process or product must benefit from a feedback process which allows the beneficiaries to present their inputs. It further needs to implement those elements which result from the gathered feedback, with the condition that they make sense inside the philosophy of the product or process or within the organizational strategy. It is a constant process centered on the beneficiaries or clients which enable the organization to achieve higher customer satisfaction.

The continuous improvement process is specific to the entire organization and can be put into practice by all of the employees, regardless of their know-how or position inside the organizational structure. It enables all employees to have an input and to improve their work which, in turn, can have a significant effect on the organizational overall performance. An involved and motivated employee, which is aware of his significance inside the organization may be sometimes more valuable than a very well structured and supported RDI process.

There are a number of principles and philosophies which are of value to understand the continuous improvement process.

The Deming cycle, also known as the Deming – Shewhart cycle or PDCA is a well-known management approach for continuous improvement. It is widely recognized, especially through its usage in underlying international standards structure such as ISO 9001, ISO 14001 and others. As the figure below shows, it is an iterating process that consists of four stages:

- Plan: as its name reflects, this step establishes the definition of the action or project, the objectives, the success criteria, the planning itself (what to do, where to do it, who is going to do it, how, with what means, when) and a data collection plan;
- Do: involves the actual depletion of the planned steps, as described in the plan stage. It involves documenting the events (problems, unexpected events) and collecting data;
- Check: represents the stage of the process where the evolution of the project or activity is evaluated. This highlights the importance of constantly checking the evolution of the project. Many times, the success or failure is determined at the end stage. This can be extremely costly and time consuming. By integrating a feedback loop of constant results monitoring, these high expenses can be significantly diminished. The check activity evaluates the current stage of implementation and allows for corrective measures to be taken;
- Act: this is the stage where the corrective actions are put into place, after being analyzed and planned in the check stage. The iterative character of the cycle comes from closing the loop between act and plan. This involves constantly adjusting the plan according to the corrective measures that were taken.

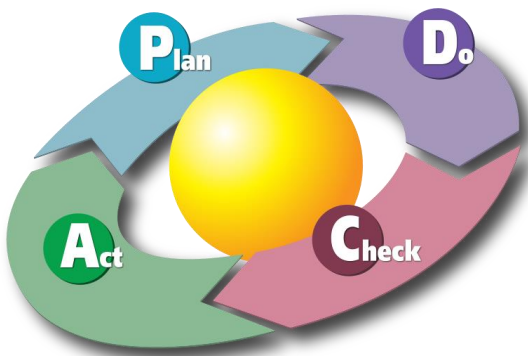


FIGURE 2. Deming cycle (PDCA cycle)  
(Wikipedia 2006)

The cycle is adaptable to any kind of activity or project and is very successful because it has built in itself an improvement cycle.

Kaizen is a well-established terminology which comes from the Japanese language. It promotes the continuous improvement processes inside an organization while at the same time keeping the organizational equilibrium.

## Implementation of continuous improvement

The ISO 9001:2008 international standard for quality management promotes a series of principles which constitute the fundamentals for quality management. The 6th principle deals with Continuous improvement and requires that organizations commit to continuous improvement of their global performances. This is a part of the internal view of the quality management principles. The standard clarifies that:

- The continuous improvement of products, processes and systems must be viewed as an individual objective for each member of the organization;
- Periodic evaluations and results need to be compared against excellence criteria previously established in order to identify gaps and consequently improvement opportunities;
- The organization needs to formulate its objectives and measures in such a way as to encourage and promote improvement.

For the purpose of this handbook, the authors consider necessary taking into consideration improvement as an innovative factor for the following reasons:

- Improvement (be it of system, process or product) is not only a way of doing business: it must place itself inside the company culture as an operational philosophy. Continuous improvement is the basis of a successful organization and the continuous improvement process approach consists the minimum baseline for a competitive innovation management system;
- Continuous improvement sets the base for a company culture where problems are discussed and not avoided. As we previously mentioned, one of the most important sources of ideas, thus innovation, are problems and malfunctions. It is absolutely necessary for an organization to set in place the mechanisms for detecting, analyzing and correcting them and the continuous improvement approach is the best and simplest way to do so;
- Many of the innovations constantly appearing on the market are not the disruptive kind. They may just be seen as improvements of established models. An iterative approach as presented in the figure above can be used as a model in approaching this type of innovation. With incremental improvements on a certain flawed or not good enough characteristic, improvements can be achieved.

### 1.7 Benchmarking

[Benchmarking'](#) is the process of comparing one's business processes and [performance metrics](#) to industry bests and [best practices](#) from other companies. Dimensions typically measured are quality, time and cost. In the process of best practice benchmarking, management identifies the best firms in their industry, or in another industry where similar processes exist, and compares the results and processes of those studied (the "targets") to one's own results and processes. In this way, they learn how well the targets perform and, more importantly, the business processes that explain why these firms are successful.

Benchmarking is used to measure performance using a specific [indicator](#) (cost per unit of measure, productivity per unit of measure, cycle time of x per unit of measure or defects per unit of measure) resulting in a metric of performance that is then compared to others.[\[1\]](#)

Also referred to as "best practice benchmarking" or "process benchmarking", this process is used in management and particularly [strategic management](#), in which organizations evaluate various aspects of their processes in relation to best practice companies' processes, usually within a peer group

defined for the purposes of comparison. This then allows organizations to develop plans on how to make improvements or adapt specific best practices, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organizations continually seek to improve their practices.

There is no single benchmarking process that has been universally adopted. The wide appeal and acceptance of benchmarking has led to the emergence of benchmarking methodologies. Robert Camp (who wrote one of the earliest books on benchmarking in 1989) (Camp, R. (1989). The search for industry best practices that lead to superior performance. Productivity Press. developed a 12-stage approach to benchmarking.

The 12 stage methodology consists of:

Select subject

Define the process

Identify potential partners

Identify data sources

Collect data and select partners

Determine the gap

Establish process differences

Target future performance

Communicate

Adjust goal

Implement

Review and recalibrate

More information see on Boxwell Jr, Robert J (1994). Benchmarking for Competitive Advantage. Robert J Boxwell Jr, New York: McGraw-Hill. p. 225. [ISBN 0-07-006899-2](#) , practical guide published by [Kaiser Associates](#) and other sources.

## 2 Financing facilities available for innovation SMEs

### 2.1 Belarus

This chapter discusses the sources of finance for innovative activities in Belarus. It provides a description of the financial sector in Belarus, paying attention to the development of various financial intermediaries and the capital markets. It considers various sources of finance linked to state programmes and a number of specific support structures. Finally, it presents some policy conclusions and recommendations for further development of the financing of innovation in Belarus.

#### 2.1.1 Access to finance and financial sector development in Belarus

The financing of innovation is an important focus in the design of innovation and technology policies in all countries. At a general level, the financial system is a key driver of economic growth. Innovation and export activity – major drivers of development in catching-up economies like Belarus – are both affected by the quality of the financial system and the corresponding capacity to sufficiently finance these activities.

More specifically, the financing of innovation presents particular challenges and the need for public support is well understood. Innovation has some attributes that reduce the willingness of external investors to provide financial resources (information asymmetry, moral hazard, high risk), and may therefore create a tendency to invest in innovation by the private sector below what would be socially desirable.

Independent of the level of development of the financial system, most countries have established innovation financing support instruments that seek to compensate for the shortcomings of both bank- and equity-based financial systems when financing innovation. Different forms of public financial support (e.g. soft loans, grants and guarantee schemes, encouragement to business angels and venture capital activity) have been devised to mitigate the tendency to under invest in innovation. In Belarus, the strong presence of the State in the economy, the extensive use of administrative and coordinating mechanisms and the underdevelopment of the private sector create a particular context for the financing of innovation.

The level of development of the financial system is of great importance for economic growth and innovation. Financial systems and production structures co-evolve and thus interact in many different ways. International experience indicates that countries with better functioning financial systems do grow faster as the financial system eases external financing constraints that impede firm and industrial expansion. This is particularly important in the innovation context. Sectors that need more R&D investment do grow faster in countries with well-developed financial systems.

Insufficient access to external finance as a result of the underdevelopment of the financial system not only hampers innovation but also creates difficulties for export activities. This is particularly important for countries in the catching up phase, like Belarus, as the most important issue is supporting investment into up-to-date production equipment that allows full use to be made of labour cost advantages.

The level of financial intermediation has increased rapidly in recent years in Belarus, with strong growth in credit to both enterprises and households, albeit starting from a low level. The credit to GDP ratio rose from around 25% in 2006 to 45% in 2009. However, this is still rather low compared with other Central and Eastern European countries.<sup>84</sup> Despite the crisis, total loans rose by 46.5% in

2009, as a result of lending under state programmes. The reported level of non-performing loans remains low, at around 4%.

The Belarusian banking sector is highly concentrated and dominated by state-owned institutions, which hold around three quarters of total banking assets. Out of the 32 banks active on the Belarusian market, the largest five banks account for 85% of total banking assets. Three out of the five largest banks are state owned.

The high level of lending related to some form of administrative regulation has played an important role in promoting macroeconomic stability,<sup>85</sup> notably during the 2008-2009 financial crisis, but has also crowded out market-based lending.<sup>86</sup> The total amount of such loans was 31.7 trillion Belarusian roubles and amounted to 49.8% of total loans in the Belarus banking sector at the end of 2009.<sup>87</sup> The creation of a special financial agency (SFA) was discussed as part of the 2009 IMF stand-by programme. This agency would take the existing stock of loans under government programmes and provide future financing under these schemes. This initiative would relieve banks from the burden of financing government programmes, thus increasing their commercial orientation and facilitating privatization (see also chapter 1).

While there has been marked progress in other areas of the business environment as surveyed in the World Bank Doing Business Report, access to credit remains problematic. In the 2010 report, the country was ranked 113, well below most other countries in the CIS. However, this is a partial indicator that covers only a limited number of issues, including the strength of legal rights and the availability of information on creditors. The indicator on legal rights considers the extent to which assets can be used as collateral and the rights of creditors. There are strong limitations regarding the use of collateral in Belarus. This may be of less relevance to small innovative companies that have little collateral to offer, but it is nevertheless indicative of the difficulties in obtaining credit. The Annual Report of the National Intellectual Property Centre shows that intellectual property, which appears more relevant for this type of company, is not used as collateral.

At the same time, there is evidence suggesting that access to finance is not a critical constraint in comparison to other factors. According to the World Bank/EBRD 2008 Environment and Enterprise Performance Survey, access to finance was considered a major obstacle to development by around 10% of firms, below taxes and the level of human capital. However, this survey does not reflect the position of small or new innovative firms that are likely to find themselves at a financial disadvantage.

Other segments of the financial market are less developed and therefore provide limited alternatives to banking financing. The Belarusian Stock Exchange trades mostly government bonds in Belarusian or foreign currency which can be held by legal entities and individuals, by residents and non-residents. The nominal outstanding amount of long-term government bonds was \$714.3 million at the end of 2009. The number of equity or debt issuances by Belarusian companies remains relatively small. The market capitalization of companies listed on the Belarusian Stock Exchange was 3.2% of GDP at the end of 2009. The total outstanding nominal amount of corporate bonds represented 6% of GDP. The European average market capitalization stood at around 60% of GDP in 2008.

Despite the progress observed in recent years, it is clear that there remains significant scope for the development of the financial system in Belarus, including further growth of the banking sector and capital market-based instruments. Expanding the options for financing would contribute to the dynamism of the economy and facilitate innovation, as new arrangements by companies to take on and diversify risks would be possible.



## ***SME financing***

SMEs are essential to ensure economic dynamism. They are nimbler than large established companies, and readier to explore commercial opportunities in a flexible way. However, SMEs are prone to having insufficient access to external financial resources in all countries due to the risk aversion of banks and a lack of collateral. Thus, financial frictions are particularly detrimental for small or young firms and firms in the service sector. Non-banking forms of finance, such as business angel or venture capital are often limited. These are very important for the most innovative and promising projects, but cannot substitute for other financing instruments and mechanisms of support, whose absence affects all innovative companies.

Access to finance by SMEs remains problematic in Belarus, in particular outside Minsk and the large regional centres. This partly reflects not only the relatively low level of development of the financial system in Belarus, but also deficiencies in the capacity of enterprises to deal with banks. Some estimates suggest that around two thirds of SMEs in Belarus have no access to bank credits. Individual entrepreneurs, in particular, face a very high cost of finance. By the end of 2009, interest rates on loans in roubles for individual entrepreneurs were twice those charged on average by commercial banks.

There have been a number of programmes for micro-lending and lending to SMEs, sometimes with the support of international organizations. The Belarusian Bank for Small Business was founded in 2007 by the EBRD and some other international public and private financial organizations. The Bank has a capital of \$9.6 million and focuses on small loans. While the bank has been operating mainly in Minsk and its region, there are plans for expansion to other parts of the country.

The Belarusian Fund for Support of Entrepreneurship provides guarantees for soft loans extended by banks to small business. Typically, guarantees do not exceed 70% of the value of the loan and are provided for up to three years. Investment projects are selected on a competitive basis. Priority is given to enterprises that seek to develop and expand the production of export-oriented, import-substituting or energy saving products or such seeking to implement new technologies. Resources for the activities of the fund are provided directly through the budget, in line with the Programme for State Support of Small Enterprises (Presidential Decree No. 255 of 21 May 2009). In 2010, the amount earmarked for this purpose was 327.6 million Belarusian roubles (see also chapter 2).

### **2.1.2 Financing innovation in the context of state programmes**

Most decisions on financing innovation in Belarus are taken in the context of a significant state presence in the economy. Many enterprises, especially the large ones, are part of the state-driven system of programming, implementation and evaluation. By contrast, the private sector plays an increasing but still modest part in Belarusian innovation activities. Thus, the State can significantly influence the decisions of the most important actors in the national innovation system.

The programming activities (see box 2 in chapter 2) are similar to those of a large diversified conglomerate that has to balance horizontal (between different topics and institutions), sectoral and regional demands while at the same time pursuing top-down priorities and remaining responsive to bottom-up proposals.

#### **Box 1. Financing the State Programme for Innovative Development of Belarus, 2007-2010**

Only a fraction of the overall costs of the envisaged innovation activities (40.9%) is financed out of the state budget. The remaining resources come from local budgets (0.3%), bank credits and loans (34.0%) and the resources of the participating institutions (24.9%). The financing structure of the concerns (conglomerates of enterprises) deviates somewhat from the overall average figures: the

share of state budget financing (51.9%) is 11 points higher than the average, while the contribution of loans (23.9%) and the concerns' own resources (19.4%) are correspondingly lower (see table 22).

The largest share of resources in the 2007-2010 State Programme for Innovative Development is allocated to the Bellesbumprom concern (33%), aiming to modernize lumber processing. The Belneftekhim concern, which organizes the chemical and petrochemical branches, accounts for 12% of these funds. The Ministry of Industry, which oversees mechanical engineering, optical and electronic instrument engineering, microelectronics, radio electronics, metallurgy and welding, production of communication facilities, and software development, receives 10.7% of these innovation resources. This share is roughly similar to that of the Ministry of Construction and Architecture, which is involved in construction, reduction of material and energy consumption, and recycling.

Table 1. Organizations in the State Programme for Innovative Development, 2007-2010

	Funding, Belarusian rouble billions (BYR bn.)						
	by funding source						
State organization	Total	National budget	Local budget	Bank credits	Loans	Internal funds	% of total
Ministry of Industry	651.5	0.4	1.0	496.6	-	153.6	10.7
Ministry of Construction & Architecture	653.0	3.0	-	-	-	650.0	10.7
Ministry of Health	72.9	72.9	-	-	-	-	1.2
Ministry of Education	1.0	1.0	-	-	-	-	0.0
Ministry of Agriculture & Foodstuffs	484.8	372.4	6.5	96.2	9.0	0.7	7.9
Ministry of Sport	137.2	72.4	-	64.8	-	-	2.2
Ministry of Energy	212.0	212.0	-	-	-	-	3.5
National Academy of Sciences of Belarus	116.6	105.1	-	10.0	-	1.4	1.9
State Committee for Science & Technology	5.2	5.2	-	-	-	-	0.1
State Military Industrial Committee	411.1	-	-	395.1	-	16.0	6.7
Belbiopharm concern	328.0	310.0	-	-	-	18.0	5.4
Belgospischeprom concern	19.7	19.1	-	-	-	0.6	0.3
Bellegprom concern	13.8	10.0	-	-	-	3.8	0.2
Bellesbumprom concern	2021.9	1278.1	-	743.8	-	-	33.1
Belneftekhim concern	735.2	0.9	-	-	151.8	582.5	12.0
Brest regional executive committee	59.2	0.5	1.5	19.3	1.4	36.5	1.0
Vitebsk regional executive committee	50.3	16.5	-	33.8	-	-	0.8

Gomel regional executive committee	32.3	13.0	5.8	7.8	-	5.6	0.5
Grodno regional executive committee	52.2	-	0.0	37.0	4.9	10.3	0.9
Mogilev regional executive committee	28.6	-	0.8	-	1.6	26.3	0.5
Minsk City Council	0.8	-	-	-	-	0.8	0.0
Belkoopsoyuz	25.9	6.1	0.2	2.5	-	17.1	0.4
Total	6113.2	2498.7	15.8	1906.8	168.6	1523.2	100.0
% of total		40.9	0.3	31.2	2.8	24.9	100

i Includes Belarusian Innovation Fund.

Source: [http://www.government.by/public/shared/rus/innovations\\_p/en/03.html](http://www.government.by/public/shared/rus/innovations_p/en/03.html), own calculations and modifications.

The outcome of this process is the State Programme for Innovative Development, which specifies detailed target figures in the form of indicators such as the number of (domestic and foreign) technologies to be introduced and the share of turnover that is based on innovative products. It also contains the budgetary funding allocated to the financing of innovative activities.

### ***Budget financing of innovation expenditures***

The allocation of annual state budget expenditures for the State Programme for Innovative Development of the Republic of Belarus for 2007-2010 illustrates the implementation of innovation policy in Belarus in terms of public spending. The budget for 2010 contains 44 budget categories under this heading and expenditures of about 690 billion Belarusian roubles in 2010. This amounts to 7.4% of all budget expenses.

The funding for the "Activities of the State Programme for Innovative Development," account for roughly half of the total Programme budget (46.5%, budget item 3.1, see table 23). These include a large number of innovation initiatives that range from technology parks to the sectoral activities of the ministries (see chapter 3 and below for more details). More than half (54.6%) of these resources are allocated to activities at the national level. Support for economic activities account for one third of the funding (33.2%). All other topics receive substantially less funding: health (5.5%), education (5.2%), physical culture, sport, culture and media (1.0%), defence (0.1%), and environmental protection (0.1%). 32 institutions - mostly ministries or institutions with the rank of a ministry but also enterprises and "other ministries and institutions" – are involved in the implementation of this state programme. There is also a notable concentration of funds by beneficiaries: the National Academy of Sciences accounts for 23,7% of all funds, "other ministries and institutions" – 19.5%, the Belarusian Innovation Fund – 14.3%, the State Committee on Science and Technology - 6.9%, the Ministry of Energy – 6.9%, the Ministry of Education – 4.2%, the Ministry of Economy – 2.5%, and the Ministry of Industry – 1.8%.

The remainder of the innovation budget is allocated to a number of additional programmes. The most important are different "State Complex Target Scientific and Technical Programmes", that are used to implement the objectives of the State Programme for Innovative Development (see chapters 2 and 3 for further details on programming structure). Altogether, these programmes account for 43.1% of expenditure, of which 23.8 percentage points correspond to the "State Programmes for Fundamental and Applied Research". The execution of these programmes involves 14 institutions of which the Academy of Science (70.5%), the Ministry of Education (22.1%), and the Ministry of Health (4.7%) take the largest shares. The second building block of the "State Complex Target Scientific and Technical Programmes" are the "State Scientific and Technical Programmes" (budget

items 3.11 – 3.37, see table 23), which attract 19.3% of all innovation funds. Regional programmes account for 0.6% of the available resources.

Table 2. Budget financing of the State Programme for Innovative Development, 2007-2010

Budget item No.	State Budget 2010: Appropriations for the State Programme for Innovative Development of Belarus, 2007-2010	2010 funds, BYR bn.	% total
3.1	State Programme for Innovative Development of Belarus activities, 2007-2010	320.7	46.5
3.2-3.10	Other programmes	67.3	9.8
	State complex target scientific and technical programmes		
3.11-3.37	State scientific and technological programmes	132.8	19.3
3.44	State programmes of fundamental and applied research in the fields of natural, technical, human and social sciences	164.2	23.8
3.38-3.43	Regional programmes	4.2	0.6
	Total	689.2	100.0

Source: <http://www.pravo.by/webnpa/text.asp?RN=H10900073>, own calculations and modifications.

The remaining 10% are accounted for by the following programmes:

- State Programme of Informatization of the Republic of Belarus for 2003-2005 and until 2010, "Electronic Belarus";
- The National Programme for the production of new and high technologies, 2006-2010;
- The State Programme "Innovative Biotechnology for 2010-2012 and for the period up to 2015";
- The State Programme "Chemical plant protection, 2008-2013";
- State Programme "Establishment of a national genetic stock of economically useful plants in 2007-2010";
- State Programme on development of software and hardware complex for automation of the calculation to be paid to the budget of taxes, dues (duties) and reporting to the tax authorities of tax returns (payments) in electronic form for 2008-2010;
- The State Programme for the creation of a single information state statistical system of the Republic of Belarus for 2007-2011;
- State Programme "Scientific support nuclear energy development in the Republic of Belarus for 2009-2010 and for the period until 2020";
- State Programme on development of import-substituting production of pharmaceutical substances, ready-made medicines and diagnostic tools in the Republic of Belarus for 2010-2014 and for the period up to 2020.

### 2.1.3 Financing instruments

The major sources of funding for innovation in Belarus are the "State Complex Target Scientific and Technical Programmes", which are instruments for pursuing the overarching objectives laid out in the State Programme for Innovative Development of the Republic of Belarus for 2007-2010. Other sources of innovation finance are the so-called innovation funds which are managed by ministries and target sector specific objectives. A third channel is the Belarusian Innovation Fund, which is organized as a stand-alone institution outside the ministerial structures. Some small-scale private

initiatives for the provision of financing to start-up companies are also emerging, although their significance is still very limited.

### ***Innovation support through the state scientific and technical programmes***

Innovation projects in Belarus usually involve co-operation between the National Academy of Sciences or another research institute or university and an enterprise. This is a result of the specialization pattern of the parties involved and the lack of research facilities at the enterprise level (see chapter 4). The National Academy of Sciences is the R&D "powerhouse" of Belarus which does most of the applied research and development work for innovating enterprises. This ranges from early phases of the product and process development to prototype development. Enterprises traditionally - this is a legacy from Soviet times - focus on the transfer of the prototype into a working production line but do little internal R&D investment (see chapter 4 for an extended discussion of this issue).

The National Academy of Sciences (or any other involved research institute) and the enterprises may receive funding for the innovation project from state, regional or sectoral programmes. The standard financial arrangement foresees that 50% of the costs of the research institute are covered by programme funds and the remainder by the enterprise. Implementation costs are not eligible<sup>89</sup> (see chapter 4). There may be deviations from this funding pattern if the State has a special interest in specific innovation activities. Space related development projects, for example, currently receive a higher share of appropriations out of public funds (up to 100% of the cost of the project). Enterprises must finance their innovation costs out of cash flows or through bank loans. Borrowing may require collateral but participation in state programmes may facilitate receiving loans from state-owned banks.

#### **Box 2. Innovation expenditures in Belarus**

In 2008, innovation expenditures amounted to BYR 3 trillion, of which 19.1% was devoted to R&D (see table 24). Corresponding figures for European countries vary substantially and are beset with measurement issues. In the most advanced countries, internal R&D expenditures account for 40-70% of innovation expenditures while catching-up economies spend 15-30% of innovation expenditures on internal and external R&D. 8.5% of Belarusian innovation expenditures are used to acquire machines and equipment and 10.3% for product implementation. Expenditures in the remaining categories are negligible. Low spending on training may hamper productivity improvement, in particular if the innovation or the purchased equipment contains ICT components. A great number of studies have shown that the effect of new ICT technology can only materialize if employees are adequately trained and organizational changes are introduced.

Table 3. Innovation expenditures in Belarus, by category

Type of innovation expenditures	Funding, BYR bn.	Percentages
Research and development	562.3	19.1
Acquisition of machines and equipment	1569.7	53.3
Acquisition of new technologies	13.6	0.5
Acquisition of software	14.1	0.5
Training	3.9	0.1
Marketing research	9.0	0.3
Production implementation	250.2	8.5
Other expenditures	524.9	17.8
Total	2947.6	100.0

Source: State Committee on Science and Technology.

Private enterprises are allowed to apply for funding from state programmes if their innovation projects help to achieve the targets of the programme. Given the rather low number of private innovators this tends to be the exception rather than the rule. Applications for project funding are usually to be submitted in the autumn. The decision-making process takes around six months.

### ***Innovation Funds***

The innovation funds are accumulated by ministries, concerns and the National Academy of Sciences on the basis of levies imposed on affiliated institutions and enterprises to finance projects in their domain. As a rule, about 0.25% of turnover is levied; the most ambitious ministries may increase this percentage to as much as 10-15% of turnover.

The overall amount raised from these levies is complemented by budgetary financing provided under certain programmes which benefit some Ministries. For example, spending under the Innovation Fund of the Ministry of Energy was around 50% higher than the revenues raised as a result of this additional financing. A share of the revenues raised is transferred to the Belarusian Innovation Fund (see next section and table 25). For most Ministries and concerns, the percentage transferred is around 8% of revenues, although this is much lower for some of the larger Ministries. As a result, the resources accruing to the Belarusian Innovation Fund represented only 2.6% of the revenues raised by the sectoral innovation funds. Innovation Funds were incorporated into the budget in 2005. Information on these funds is routinely presented as part of the annual budget. Cash flows are monitored by the Ministry of Finance and they have been included in the Treasury system since that year.

Twenty six organizations have established their own innovation funds.<sup>90</sup> The Ministry of Energy (50%) and the Ministry of Architecture and Construction (23%) account for the bulk of expenditure. As suggested by their fields of responsibility, they spend a substantial share of the funds on investment in modernization rather than pure innovation projects. Overall, it is estimated that around 30% of resources are for scientific purposes and R&D. The remaining 70% go to projects that could be considered as investment projects.

Part of the resources accumulated in these innovation funds have been used to carry out initiatives contemplated in the State Programme for Innovative Development. In 2008, these projects accounted for 23.8% of the expenditures of the funds, up from 18.7% in 2007.

The ministries do not have to receive the approval of the State Committee on Science and Technology when allocating these resources. However, firms have to apply for these funds in a competitive process. Due to the cumbersome administrative procedures and reporting requirements, only 18% of R&D performing enterprises do apply for such funds.

Table 4. Innovation funds: revenues, contributions and expenditures, BYR billion

	Total revenues	Contributions to BIF	Contributions from budget	Total expenditures
Ministry of Energy	704.8	6.0	354.0	1052.8
Concern Belbiopharm	1.3	0.1	-	1.2
Belneftekhim Concern	54.1	4.3		49.8
Concern Bellegprom	5.6	0.4	24.0	29.2
Concern Bellesbumprom	4.2	0.3	28.0	31.8
Ministry of Education	1.0	0.1	-	0.9

State Committee on Standardization	0.3	0.0	-	0.3
Ministry of Communications and Informatization	54.0	-	-	54.0
Ministry of Agriculture and Food	5.9	0.5	-	5.4
The State Property Committee	3.4	0.3	-	3.1
Ministry of Trade	0.7	0.1	0.9	1.5
Ministry of Finance	0.2	0.0	-	0.2
Ministry of Transport and Communications	173.3	3.9	-	169.4
Ministry of Housing	1.5	0.1	-	1.4
Ministry of Industry	115.0	9.2	-	105.8
Ministry of Architecture and Construction	503.2	12.1	-	491.1
Ministry of Information	3.5	0.3	-	3.2
Ministry of Forestry	11.5	0.9	-	10.6
Ministry of Sports and Tourism	0.0	0.0	-	0.0
State Military Industrial Committee	14.7	1.0	-	13.7
Department of Corrections Department of Internal Affairs	0.3	0.0	-	0.3
The Ministry of Defence	0.4	0.0	-	0.4
Belkoopsoyuz	50.0	4.0	-	46.0
The Ministry for Emergency Situations	0.1	0.0	-	0.1
National Academy of Sciences	0.4	0.0	-	0.4
Belgospishcheprom	25.2	2.0	-	23.2
Total	1734.7	45.8	406.9	2095.7

Source: <http://www.pravo.by/webnpa/text.asp?RN=H10900073>, own calculations and modifications.

### ***The Belarusian Innovation Fund***

The Belarusian Innovation Fund (BIF) is an institution within the structure of SCST that offers financial support for innovators, including private enterprises operating outside state, sectoral and regional programmes. The BIF was established in 1999 and provides funding to about ten projects per year with an overall volume of about \$15 million (\$22 million in 2011) in various sectors. Loans range from \$50 thousand to \$3 million. The average credit is around \$600-700 thousand. The resources available to the BIF are a little below 3% of the resources raised by the institutional innovation funds described above.

The BIF thoroughly scrutinizes the projects to avoid losses in public funds invested, which is a top priority. The stringent screening of projects includes full auditing of the past performance of requesting enterprises. Funds are allocated only to innovative projects, with a clear priority given to projects related to national innovation programmes. Private companies also benefit from the financial support of the BIF (box 8). The maturity of the credit is usually five years with a two-year grace period. Credits are granted at an interest rate that is half the base refinancing rate of the National Bank. The final product resulting from the project may receive guarantees of public procurement, thus increasing the likelihood of the loan being returned. Funded enterprises may also enjoy other regulatory privileges. The credit contract is a tripartite one: between the requesting enterprise, the

Fund and a public body (branch Ministry, the Academy or a municipality), which pledges support to the project. Loans are not collateralized but the Fund has special rights to reclaim the outstanding money without going through the courts. There is widespread risk aversion which creates a bias toward low risk projects which are almost by definition incremental innovations or investment projects.

**Box 3. ADANI: A success story supported by the Belarusian Innovation Fund**

ADANI was founded in 1991 by former employees of the Research Laboratory for the Magnetic and Gamma-Resonance Spectroscopy of the Belarusian State University. It has become a leading company in the field of digital radiographic scanning for medical and security applications. Annual revenues are around \$15 million. The company, which is fully private, has subsidiaries in both the USA and UK and a joint venture in China.

In 1999-2000 the Belarusian Innovation Fund (BIF) lent ADANI 174 million Belarusian roubles (about \$150,000) at the rate of 63% payable in 2002 (the average commercial lending rate was over 100% at that time). This was to fund the development of mobile radiography technology for chest screening at a low level of radiation exposure. Such mobile technology can be deployed in rural areas and isolated communities, which would otherwise be difficult to reach.

The newly created mobile cabinet Pulmoexpress is certified in Belarus and the Russian Federation. The x-ray chest scanner installed in Pulmoexpress carries the CE mark and has the US FDA approval. The support of the BIF was crucial to develop a technology with considerable up front capital costs at a time of difficult credit conditions.

The BIF is helping ADANI to set up batch production of mammography systems in Belarus. A credit line was opened for ADANI for 11 billion Belarusian roubles (about \$3.7 million) in November 2009. The payment of principal and interest has been deferred for three years, and the loan is repayable over a two-year period. The interest rate on the loan is half the base rate of the National Bank of Belarus.

Financial support provided by the BIF would allow ADANI to establish full-scale manufacturing of mammography systems in the country, thus substantially lowering the cost of production and facilitating access to state-of-the-art technology for early breast-cancer detection.

***Risk capital***

Risk capital is an important ingredient in innovation finance and all major developed countries are striving to create favourable conditions for the development of this form of investment. However, it is important to acknowledge that risk capital is a particular form of financing that reaches only a very small number of innovating companies and demands a complex set of conditions and institutions to work properly. In particular, risk capital tends to support radical innovations (i.e., based on fundamental research and expecting rapid growth), and reasonable exit options to disinvest (e.g. stock market or sale to other companies). The need for risk capital will increase as the innovation system in Belarus develops further.

New legislation has opened new possibilities for venture financing, which represents a first step in the development of new instruments supporting innovative startups. Tax advantages are being granted to venture capital companies. It is envisaged that a new section within the Belarusian Innovation Fund would be able to grant venture financing. However, according to the current draft regulation, despite the name, the objective remains to achieve full repayment of each project funded, which is inconsistent with the notion of high risk financing. The regulatory base is not yet finalized. Equity financing by the BIF, with the option of selling the stake at a later stage, is another possibility being discussed.



The BIF also acts as a point of contact between companies and investors. A company that may not be financed (partly or fully) by the BIF for various reasons may be referred to other alternative sources of financing. This has in the past involved domestic banks, but the BIF is also actively showcasing Belarusian enterprises to international venture capitalists.

In general, venture capital is seen in Belarus as an important addition to the existing system of instruments that could have great potential to overcome some of the present problems in the financing of innovation. However, this is a complex task that will require incremental efforts and changes. International experience shows that no rapid results should be expected.

An important dimension of the public support for this form of financing is the creation of platforms that facilitate the dissemination of information about investment opportunities and allow investors to meet innovative companies. The first Virtual Belarusian Venture fair took place in November 2010 and presented investment projects in Belarus. Other grass root initiatives are emerging that create platforms for contacts between companies and investors. For example, the "Minsk Start-up Weekend" is an event to select promising investment projects which is organized by private investors. This initiative started in 2009 with 80 participants and seven investors. Participating investors are mainly based in Belarus, Russia and the US. Although there are still few instances of successful funding, this is a positive development, which is supported by formation of the first Belarusian Business Angel association.

#### **2.1.4 Assessment**

The present system is largely based on an innovation process that allocates research and development tasks to scientific institutions - mostly the National Academy of Science institutes - and the implementation work to the companies. Financial support is generally restricted to the R&D work carried out by the scientific institutes, whereas 50% of the costs are financed out of a programme and the remainder by the enterprise. Enterprises receive no direct support for their part in the innovation process, which in most cases remains somewhat limited. In the case of the "innovation funds", enterprises supply the major share of funding and participate in the redistribution of funds through projects that are selected on a competitive basis. In both cases, a share of project resources may be financed through directed bank loans. Besides funding from different public programmes the Belarusian Innovation Fund offers subsidized loans for innovation projects. In total, this funding system provides around 25% of the funds for technological innovation, which is quite a high share by international standards.

Risk aversion is a striking feature at all levels of the Belarusian innovation support system. This goes against the grain of the current consensus that risk is an innate feature of innovation projects, which in many cases fail. Failure in this context means that the project does not achieve the intended objectives, but may lay the foundation for unexpected discoveries or knowledge that helps to master the problem in a different way. By contrast, a conservative approach would tend to generally produce only incremental innovation.

In Belarus, if an innovation project fails - e.g. a technology is used for less than five years by a company - then the public subsidies granted must be repaid. In the case of the Belarusian Innovation Fund, projects are thoroughly checked in a lengthy procedure to avoid financing projects that might fail. Furthermore, the Fund possesses special privileges to confiscate outstanding money in case of failure. This situation reflects the intention to exclude imprudent and wasteful use of public resources but ignores the fact that risk-free innovations do not exist.

In most developed countries the risks intrinsic in innovation processes are shared between the innovator and public support institutions. This does not necessarily apply to all innovations but to a

substantial part of them. These systems seek to manage overall risks by evaluating innovation projects, rejecting those that do not fulfil the necessary criteria and taking on a share of risks in order to induce the innovator to conduct the project. Financial support can be provided as grants, where no repayment is expected, or equity participation, where the capital is preserved (or yields a positive rate of return), only if the project is successful. The exploration of new possibilities and the knowledge brought by these new initiatives brings benefits to society that cannot be captured by the returns on individual projects.

Support programmes and a developed financial system can make an important contribution to alleviate financing problems. However, the ability to generate revenues and retain access to the cash-flow generated is one of the most important sources for financing risky investments and innovation projects. The more risk involved in such a project, the more important are own sources as a form of financing. Belarus has already taken a number of measures that have reduced the tax burden on innovative companies in general or in specific sectors and institutions (e.g. reduced income tax of 10% for profits derived from the production of high tech products and services, tax breaks for companies in technoparks<sup>91</sup>). This will improve the ability to finance innovation from internal sources, reducing the need to provide direct state subsidy.

The first phases of an innovation project are the most difficult for start-up enterprises. This is because substantial financial resources have to be invested without receipt of revenues from the sale of the product. Overcoming this "valley of death" is a necessary precondition for gaining access to other sources of early stage financing. In Belarus, the development of risk capital has just begun. As in most countries, this would require substantial and continued public support to get the industry started. However, it is important to remember that risk capital is not a solution at the very initial stages in the life cycle of the company, when innovative firms are too small and too risky to attract the interest of risk capital providers. Grant financing from the Foundation for Fundamental Research of Belarus is available for scientific projects. Some grant financing may also be necessary to explore entrepreneurial opportunities that can then grow to a size sufficient to secure access to other sources of finance.

While the international experience may provide some guidance and useful examples regarding the structuring of innovation finance support systems, it is important to underline that the concrete mix of instruments and the institutional set-up needs to be adapted to the development of the country and the overall direction of the economic policy.

### **2.1.5 Recommendations**

Financing is a critical dimension of the innovation process, especially with regard to the early entrepreneurial stage. Access to external finance is crucial for growth and a major constraint if not available in sufficient quantity. This is an area which remains underdeveloped in Belarus. Access to finance for SMEs in general and for service sector and exporting companies in particular is important in this respect. Availability of equity finance (stock market, business angels, venture capital) will be increasingly relevant as the catching-up process in Belarus progresses. A functioning banking sector and related support structures that create conducive framework conditions and sufficient funding for investment are also important ingredients of any development strategy.

### ***Recommendation 1***

The authorities need to undertake policy steps to expand and diversify the system of financial support to innovation taking into account that actions in this area need to be coordinated with other initiatives to overcome existing obstacles to innovation. Measures could include the following:

- Granting targeted tax relief for innovation-related activities as part of policies to alleviate financing constraints of innovative enterprises and the SME sector (see also recommendations of chapters 2 and 3);
- Introducing new, early stage policy instruments such as subsidized loans, innovation grants/vouchers and guarantee schemes for eligible recipients/innovators (see also recommendations of chapter 4); and
- Providing targeted public support to facilitate the development of a well-functioning private infrastructure of early stage financing.

The system of public support to innovation and provision of entrepreneurial finance in Belarus has a built-in feature of strong risk aversion. While the concern to ensure an appropriate use of public funds is understandable, it is also true that no radical innovation can take place without risk. Public support is critical precisely because the public sector can take more risks than private operators and can explore more opportunities for the benefit of society at large. This understanding needs to be reflected in the design and functioning of financial support mechanisms.

### ***Recommendation 2***

To be effective in promoting innovation, the system of public support for innovation activities in Belarus needs to accept increased levels of risk and be more tolerant of possible failures of individual projects. Incorporating higher tolerance in this system of risk may involve:

- The introduction of a non-repayable grant scheme, which provides financing to explore new ideas, irrespective of the outcome of the innovation process;
- Introducing acceptance that not all individual projects which are approved for public funding will necessarily be successful; this could be done by specifying concrete conditions under which existing penalties for failure would not apply (see also recommendations in chapter 4); and
- Introducing modifications in evaluation procedures to incorporate well-specified criteria for tolerance of possible failure for highly innovative and prospective projects.

Belarus runs a large number of programmes that aim to foster innovation. In some cases, they promote technological investments in modernization rather than genuine innovative efforts.

Distinguishing between investment- and innovation-based development processes is important for the organization of support structures. The outcome of investment projects is easier to predict than that of genuine innovation projects, and so they are better suited to being supported through the banking system. Public support may be warranted if the banking system does not supply sufficient funding or discriminates against certain types of investments or investors (SMEs, exporters, service sector companies). By contrast, there is a need to expand the scope and diversify the instruments for support to genuine innovation. Equity participation in innovative projects as a specific form of early stage financing implies the sharing of risks, including the possibility of losses.

### ***Recommendation 3***

There is a need to reconsider and re-focus the existing instruments for public support to innovation projects in Belarus to take into account the different types of risks involved in different types of

projects. Such an effort could be combined with steps to expand the scope and diversify the instruments of support for genuine innovation. The policy steps in this direction could include the following:

- Public support to modernization through new investment (projects of relatively low risk) could be restricted to SMEs only, to reflect their difficulties in accessing bank finance;
- The criteria for extending public finance to (high risk) genuine innovation projects need to be clearly spelled out, with the risk involved being an inherent feature of such a specification;
- Instruments of public support to genuine innovation projects need to be extended and possibly diversified, depending on factors such as size, duration, level of risk etc.;
- The running of such public support schemes could be entrusted to specialized financial institutions (rather than to public bodies); one possible avenue for this could be through the reorganization and further development of the Belarusian Innovation Fund as a source of financing for innovative projects;
- Another avenue could be the design of new forms of public support for venture capital financing.

Simplicity is an important feature of any innovation support system. The present system in Belarus is already quite complex and may be a challenge to deal with, in particular for private sector participants. At the same time, it is very articulated as regards the expected outcomes of innovation processes in terms of specific products or achievements. Successful innovation is inherently difficult to predict. While the definition of state priorities may be an important component of the guidance role provided by the public sector in the innovation process, it is important that other potential areas of innovation are not neglected. In the current system, innovation activities that were not foreseen by the administration, and therefore remain outside these programmes, are difficult to support.

#### ***Recommendation 4***

In order to simplify the system of innovation support and remain open to new innovation possibilities, the authorities could:

- Streamline state-run programmes, regrouping them into technology-oriented, mission-oriented or general purpose programmes (see also recommendation in chapter 3);
- Remove support to modernization programmes from the remit of state-run innovation programmes (with the possible exception of such support to SMEs); and
- Develop and reinforce a general purpose innovation programme, which has no specific technological or sectoral focus. One possible way of doing this could be on the basis of a reorganization of the Belarusian Innovation Fund (recommendation 6.3).

## Lithuania

Talking about reaching external finance, the Lithuanian situation is similar to other European countries and it does not differ between genders. In most cases, entrepreneurs need to get external finance (to get a loan) or to take advantage of the support programmes provided by related institutions. Women consistently say that access to finance is a barrier to them starting their own business. More women should be encouraged to consider all the financial options available to them, including alternative sources such as crowd funding and angel investors, and support in accessing financial sources.

There is a number of options to finance a business in Lithuania which you can find in the table No. 5 below:

<b>Loans and credits</b>	
I. Microcredit	<p>A credit of a very small volume provided with simplified conditions.</p> <p>Lithuanian credit unions provide credits for small and medium enterprises up to 25,000 EUR.</p> <p>Banks provide credits for small and medium enterprises up to 100,000 EUR.</p>
II. Preferential loans	<p>Soft loans are those that are more favourable than conditions which market provides. In most cases the state is the entity that facilitates the debtors' burden in paying annual interest on a loan repayment period.</p> <p>Open Credit Fund: the maximum amount of the ACE per credit – ~430,000 EUR.</p>
<b>Structural funds</b>	<p>European Union structural funds – it is a financial support for the country which is provided in order to gradually reduces economic and social disparities between the EU member states or individual regions. A large part of the support is given for research and development investments in new equipment, business management systems, standards for the installation, etc. Particular attention is paid to the potential of small and medium-sized business development.</p>
<b>Venture capital funds</b>	<p>Risk capital funds are a way to have the ownership of the company or part of it. This form of ownership is beneficial to entrepreneurs, but they are required to transfer shares for borrowing the capital. More information about venture capital funds in Lithuania may found here: <a href="http://www.vca.lt">www.vca.lt</a>.</p>

<p><b>Business angels</b></p>	<p>Business Angel is a private informal investor financing new promising businesses/business ideas/projects, thereby transmitting its knowledge, experience and business contacts. Business angel invests in high-risk projects, which venture capital funds or banks do not take a risk to finance. The statistical average angel investment is 20-200 thousand EUR. Business angel's funds in Lithuania:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.versloangelai.eu">www.versloangelai.eu</a>;</li> <li>• <a href="http://www.practica.lt">www.practica.lt</a>.</li> </ul>
<p><b>Crowd funding</b></p>	<p>Crowd funding is the funding of a project of any kind by raising monetary contributions from a large number of people. The emergence of crowd funding is closely link to the extension of Internet which is the natural mean for organising crowd funding activities which have become very popular in the last years. There are hundreds of crowd funding platforms all around the world. There are some platforms which are active in Lithuania:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.kelkbures.lt/">http://www.kelkbures.lt/</a>;</li> <li>• <a href="https://www.fundedbyme.com/en/">https://www.fundedbyme.com/en/</a> .</li> </ul>
<p><b>Other subsidies</b></p>	<p>A subsidy get be received from the state and municipal authorities and other third parties and provides a financial support, which does not need be repaid.</p> <p>Grants may be awarded to compensate for wages, job creation, projects, interest-rate, business participation in exhibitions, fairs and business missions to cover the costs, etc.</p>

**Table No. 5. Options to finance a business in Lithuania**

According to the survey, provided by the bank of Lithuania in 2015, 61% of enterprises planning development intend to attract external financing sources. This is 7% more than half a year ago and 22% more than a year ago. The most often indicated external financing sources included credit lines (33%), trade credits (28%) and bank loans (27%).

Women consistently say access to finance is a barrier to them starting their own business. Both government and businesses should cooperate to empower women to start, develop and expand their businesses.

Government should:

- Promote access to finance information to female entrepreneurs.

Business should:

- At a local level the Chambers of Commerce or similar organisations should share the good practice from their women networks to highlight opportunities to access finance.

Financial institutions should ensure that they market their services to women who want to set up their own business. Banks should be encouraged to provide this level of service to women who want to set up their own business.

## Latvia

### Support organizations for women entrepreneurs:

- *Līdzere* - non-governmental organization, which unites women entrepreneurs and leaders in their professional area. The organization was founded in February 3, 2003.



The goal of the association is to promote mentoring in Latvia; support women entrepreneurs in the cities and rural areas of Latvia; increase women density in the foundation of accomplished companies and in the creation of new workplaces; provide free access to information and possibility to receive advises.

#### Objectives:

1. Increase women self-confidence, create favourable environment for foundation of new enterprises;
  2. Co-ordinate the process of businesswomen work, clarify difficulties and provide solutions;
  3. Create a network of co-ordination, information and consultation that could be used by women in the Latvian cities and rural areas;
  4. Promote co-operation and exchange of experience between new and experienced businesswomen;
  5. Promote co-operation with the institutions supporting SMEs in Latvia and abroad;
  6. Attract co-financing to the organisation's projects;
  7. Organise charity events and other activities<sup>1</sup>.
- *Latvia Rural Women association* - public organization aimed to unite rural women to promote their general education and information, coordinate organization of various events in rural areas and in other places on behalf of interests of rural women<sup>2</sup>.
  - *Latvian Business Women Association* (LBWA) - nongovernmental organization joining 39 women organizations and clubs from all over Latvia. LBWA has significant experience in organizing educating and self - development activities for women, particular attention paying to underdeveloped rural regions, women of other nationalities who have not integrated and have not been able to find job in present situation. LBWA realizes successfully mentoring programme for women<sup>3</sup>.



Lietiško Sieviešu Apvienība

### Innovation Support Activities in Latvia:

- **Investment and Development Agency of Latvia (LIAA):**
  - *Business Incubators* – provides a dedicated support for start-up of the business activities. Business Incubator provides the following favourable conditions for new SMEs (registered no more than 2 years ago): necessary office space and relevant infrastructure services; consultations on business issues; consultations on the possibilities to acquire credits, attract investments, search for grant schemes and other issues related to financial operation. **Currently contracts with LIAA have eight business incubators** (one of them (Business incubator “Creative Andrejsala”) supports new product ideas, general development and increase in export volumes **in the field of creative industry** (*architecture, design, cinema, performing arts, visual arts, music, publishing, television, radio, interactive media, advertisement, computer games and interactive softwares, cultural heritage, cultural education, recreation, entertainment, etc.*) in Riga).

<sup>1</sup> Līdzere - [http://www.lidere.lv/en\\_merkis.html](http://www.lidere.lv/en_merkis.html)

<sup>2</sup> <http://www.ngolatvia.lv/en/component/organizcijas/208?view=organizcija>

<sup>3</sup> Latvian Business Women Association - <http://www.lbwa.lv/en/about-us/>



- *Competence centers* - support is provided by the European Regional Development Fund for general industrial research and for projects dealing with new product and technology developments. The program is administered by Investment and Development Agency of Latvia. Currently contracts with LIAA have 6 Competence centers in the following areas: Chemicals & Pharmaceuticals; Forest industry; Electronics; IT; Environment, Biotechnologies, Bioenergy; Mechanical engineering.
- *Technology transfer contact points* - research institutions or university departments that support and promote knowledge and technology transfer and which are responsible for establishing and maintaining external communication, providing information about the organization's research activities and experiences. Currently there are seven technology transfer contact points operating in Latvia.
- *Norway grants for „Green industry innovation” programme* - programme is focused on start-ups and green business involved in production of renewable energy, production of green (energy efficient) products and materials for buildings, clean transportation, water management, waste management, eco-design, or any other improvements in products, technologies or processes in other fields contributing to energy efficiency, lower emissions or lesser consumption of resources.
- *Motivation programme for innovative entrepreneurship* – the aim of this programme is to inform and encourage a wider public to start a business.
- **The Enterprise Europe Network in Latvia (EEN Latvia)** – the entrepreneurship and innovation support network of EU scale. EEN is the largest network of contact points providing information and advice to EU companies on EU matters, in particular SMEs.  **The goal of EEN Latvia** is to provide informative and advisory support to entrepreneurs in order to facilitate their competitiveness and development in the framework of the European Union, as well as beyond it<sup>4</sup>.
- **State owned joint stock company „Latvian Development Finance Institution Altum”** - Latvian development financial institution with a special goal to develop the Latvian economy and create added value. The funding of ALTUM is to reach business areas, where financial market does not provide a sufficient volume of financing, to clients and projects, which do not have access to funding of credit institutions. In the 1st quarter of 2014 ALTUM implemented a total of **six state aid programs** to business (Table No 6)<sup>5</sup>:

**Table No 6**

<b>Programme</b>	<b>Description</b>
<b>Sart – up Programme</b>	The target group - business start-ups and new entrepreneurs; experienced entrepreneurs that are entering a new business area.  Altum offers support in the form of loan, free-of-charge consultations and loan interest subsidy.
<b>Latvian and Swiss Micro-lending Programme</b>	The programme is designed for developing or starting a business as a micro-enterprise of up to 10 employees, as well as business start-ups. Available also for farmers.  Easy loan processing.
<b>Programme for</b>	The programme is designed for micro, small and medium enterprises, which

<sup>4</sup> Ministry of Economics of the Republic of Latvia. Innovation Support Activities - <http://www.em.gov.lv/em/2nd/?cat=30281>;

Enterprise Europe Network Latvia - <http://www.een.lv/en>

<sup>5</sup> Latvijas Attīstības finanšu institūcija Altum. 1st quarter report 2014 (April 2014) - [http://www.hipo.lv/ufiles/File/parskati/ALTUM/Parskats\\_1.cet.\\_2014\\_ENG.pdf](http://www.hipo.lv/ufiles/File/parskati/ALTUM/Parskats_1.cet._2014_ENG.pdf)

<b>Improvement of Competitiveness of Businesses</b>	have economically based plans for further operation, but do not have access to funding of credit institutions because of increased risks.
<b>SME Growth Loans Programme</b>	Funding is available to SMEs and cooperative unions providing agricultural services, agricultural producers. Guaranties granted by the Rural Development Fund are available to investments in agriculture.
<b>Working Capital Loans for Farmers</b>	For cultivation of agricultural products / primary production Within the enlargement projects or due to the seasonality
<b>Agricultural Land Lending Programme</b>	Programme is implemented in accordance with the Cabinet regulations Procedure for Granting State Aid for Procurement of Agricultural Land for Production of Agricultural Produce (approved on 29 May 2012). Agricultural companies may receive loans for procurement of land to be used for agricultural purposes. Loan granting decisions are made by the Rural Development Fund.

Overall:

- ✓ Since the start of currently active promotional programmes in 2009, ALTUM has **granted 444 million Euros** for entrepreneur needs, **5409 business projects** of Latvian entrepreneurs have been supported, helping to retain the existing and **creating thousands of new vacancies**.
- ✓ **The largest number of loans was granted in the area of agriculture and forestry – 41%** of the total number of loans, the second - manufacturing (20%), the third - trade (14%).
- ✓ 40% of the granted amount of loans went to projects in Riga City region, 20% - to projects in Vidzeme, **16% - in Zemgale**, 15% - in Kurzeme, 9% or 41 million Euros - Latgale<sup>6</sup>.

#### Other Support Instruments:

- *Horizon 2020 programme* - offers a large variety of funding opportunities for research and innovation activities. The beneficiaries for program are SMEs; universities, research centres; government organizations; non-governmental organizations; and individual researchers.
- *EUREKA* - an intergovernmental organisation for market-driven industrial R&D. It is a decentralised network facilitating the coordination of national funding on innovation aiming to boost the productivity and competitiveness of European industries. Latvia has become a full member of international EUREKA organization in June, 2000. The Latvian EUREKA office provides the following services: dissemination of information about EUREKA and EUROSTARS programs, assistance to project applicants for setting up new project ideas, finding contacts/partners, rules and regulations, project evaluations, etc.<sup>7</sup>
- *Microcredits*. Microcredit movement in Latvia started at the 1998. The first microcredit group was founded in 1999. Funding sources for microcredit groups in Latvia: 1998. – 2007. – from the Nordic Council of Ministers and INTEREG III B Project “Female Entrepreneurial Meetings”; 2008. – 2012. – from the Mortgage and Land bank of Latvia and the *Support Fund of the Entrepreneurship of Rural Women in Latvia (LLSUAF)* (registered on 11 September 2007) formed by the Latvia Rural Women Association; currently – from LLSUAF and it is possible to get the microcredit loans.

<sup>6</sup> 6 Latvijas Attīstības finanšu institūcija Altum. 1st quarter report 2014 (April 2014) - [http://www.hipo.lv/ufiles/File/parskati/ALTUM/Parskats\\_1.cet.\\_2014\\_ENG.pdf](http://www.hipo.lv/ufiles/File/parskati/ALTUM/Parskats_1.cet._2014_ENG.pdf)

<sup>7</sup> Eureka - <http://www.eurekanetwork.org/>

**Aims of the LLSUAF:** to provide education for rural women; to encourage the development of entrepreneurship in rural areas; to provide funding for the women entrepreneurship start-ups and their further development<sup>8</sup>.

Statistical information about Microcredit groups:

- The total number of microcredit groups – 76; the total number of microcredit funding beneficiaries - 135;
- The distribution of microcredit groups in the regions of Latvia: Zemgale – 35 groups, Vidzeme – 27 groups, Latgale – 9 groups, Kurzeme – 5 groups;
- The distribution of microcredit funding beneficiaries in the regions of Latvia: Zemgale – 70 beneficiaries, Vidzeme – 39, Latgale – 18, Kurzeme – 8<sup>9</sup>;
- The most common fields of entrepreneurship - rural tourism, hairdresser and sewer services, growing of vegetables and herbal teas, etc.

### Zemgale Regiona

#### Innovation support infrastructure in Zemgale:

- **Development Agencies:**

- *State owned joint stock company „Latvian Development Finance Institution Altum”* (4 branches).

Results of the Altum clients' (of Jelgava branch) satisfaction research (number of female - respondents – 258) (survey conducted in 2013):

**Table No 7**

Indicators	Results				
Women - entrepreneurs by age group, % of total	Age groups				
	<25	26-35	36-45	46-60	>60
	4	26	36	30	4
Women – entrepreneurs by education level, % of total	Education levels				
	Basic	Secondary	Bachelor	Master's	Other
	1	26	33	25	15
Women – entrepreneurs social status before the starting a business, % of total	Social status				
	worked in paid work	was unemployed	worked in other own company	Was self-employed	
	57	17	13	14	

<sup>8</sup> Krūzmētra M., Rivža B., Rivža S. Microcredits for Facilitation of Rural Women Business Development and Self – employment. - [http://www.laukutikls.lv/sites/laukutikls.lv/files/article\\_attachments/3122\\_baiba-rivza.pdf](http://www.laukutikls.lv/sites/laukutikls.lv/files/article_attachments/3122_baiba-rivza.pdf)

<sup>9</sup> Ribikauska R. Mikrokrēdīta kustības 14 gadu darbības ieguldījums uzņēmējdarbības attīstībā Latvijas lauku reģionos. - <http://lmza.lv/index.php/1v/156-norisinajies-latvijas-laiksaimniecibas-un-meza-zinatnu-akademijas-izbraukuma-seminars-inovacija-kreativitete-lidztiesiba-ice-statistika-un-petijumi>

Business area, % of total	Business areas									
	Agri-culture	Manu-facturing	Construc-tion	Tra-ding	Hotels and restaurants	Servi-ces	Financial intermediation, insurance	Edu-cation	Oth-er	
	26	13	0	15	4	29	2	2	8	
Required non-financial support to the company's development over the next year, % of total	Types of non-financial support									
	Training to improve knowledge and skills in business		Consultations about company's development opportunities, market tendencies			Mentoring, support from experienced entrepreneur		Do not need non-financial support		
	21		29			32		18		
The impact of the initiation of the business on the respondent's life and welfare	Impact									
	Improved very significantly		Improved significantly		Improvement is rather significant than insignificant		Not improved		Worsened	
	11		34		42		11		4	

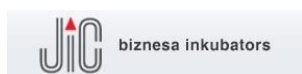
Source: Materials from Latvia National seminar "Innovation. Creativity. Equality (ICE) – Statistics and Research", 22.05.2014.

- Establishment of Society „Zemgale Regional Energy Agency" (ZREA);
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- **Technology transfer contact points:**

Technology and Knowledge Transfer Centre – structural unit of the Latvia University of Agriculture (<http://www.inovacijas.llu.lv/>). Centre offers innovative solutions mostly in the study directions and research fields specific to the university - agriculture and rural engineering; regional and rural development; silviculture and wood processing technology; veterinary medicine and biotechnology; alternative energy; information technology; food technology, quality and safety

- **Business Incubators:**



The development of new entrepreneurship provides the first founded business incubator in Zemgale „JIC Business incubator" (<http://jic.lv/>). Business incubator that operates in the area of Jelgava, Dobele, Jēkabpils and Aizkraukle and provides the following services:

- Financing services that are necessary for the growth of new enterprises providing the financing within the scope of the "Business Incubators" project by Investment and Development Agency of Latvia.
- Consultations for improving the business model.

- Consultations for attracting investment.
  - Facilitating collaboration for companies.
  - Accounting, office administration, record keeping and legal services<sup>10</sup>.
- **Competence centers:**  
Forest Industry Competence Centre

### Organizations:

- **The Latvian Country Tourism Association "Lauku Ceļotājs"** - non-governmental organisation established in 1993 and unites owners of rural tourism accommodations and other stakeholders in Latvia (currently in the association are 300 members). "Lauku Ceļotājs" is a member of Eurogites, the European Federation for Rural Tourism<sup>11</sup>.
- **Latvian Heritage mark**



- The Latvian Heritage mark is given (established at the initiative of The Latvian Country Tourism Association "Lauku Ceļotājs") to entrepreneurs of Latvian tourism who maintain and praise Latvian Cultural Heritage in tourism. The sign indicates locations at which owners are prepared to show things, tell stories, offer Latvian foods, teach crafts and skills, and celebrate Latvian holidays. The sign of Latvian heritage is received by owners of accommodations, farms, crafts workshops and rural saloons, organisers of events related to Latvian traditions, museums, owners of collections, and specialists in the areas of crafts<sup>12</sup>.

<sup>10</sup> <http://www.vatp.lv/en/jic-business-incubator-ltd>

<sup>11</sup> Lauku Ceļotājs - [http://www.celotajs.lv/cont/about/company\\_en.html](http://www.celotajs.lv/cont/about/company_en.html)

<sup>12</sup> Lauku Ceļotājs. Vulture mark „Latvian heritage” - <http://www.celotajs.lv/ru/c/wrth/heritage>

## Sweden

### European Structural Funds

The Swedish Agency for Economic and Regional Growth has a government mandate to manage and distribute funding from the European Regional Development Fund in such a way as to support projects that promote growth and jobs. The Swedish Agency for Economic and Regional Growth, the Swedish ESF Council and the Swedish Board of Agriculture are the authorities responsible for ESI funds in Sweden. The government has instructed them to intensify their cooperation in cross-fund issues, mainly in order to make the process of applying for EU funds easier for project owners. The funds support, among other things; cutting-edge research, high-speed internet access, smart transport and energy infrastructure, energy efficiency and renewable energies, business development and skills and training.

SMEs cannot apply for funds on their own but they can benefit from projects funded by structural funds, mainly within the area of business development, skills and training.<sup>13</sup>

### The County Administrative Boards

There are 21 County Administrative Boards in Sweden; one in each county. The County Administrative Board is the national government representative office on regional level and as such constitutes an important link between people and municipalities on the one hand, and government and central authorities on the other. The County Administrative Board has a broad area of responsibility. The Board works on issues concerning the environment, nature, social development, regional development, animal protection, gender equality, integration, transport and infrastructure. For the last 10 years supporting women's entrepreneurship has been a main task at the department of regional development. The department has been involved in projects working with women entrepreneurship such as the ICE-project and Winnet Östergötland, a project that you can read more about in the next chapter.

Earlier, the CAB of Östergötland gave financial support to SMEs through different funds and grants, but since 2015, the County Council of Östergötland has taken over the responsibility for regional development and the CAB no longer distribute these kinds of grants. However, this is not the case in all counties and some of the CABs still are responsible for regional development.

### Vinnova

Vinnova is Sweden's innovation agency. Founded in 2001 Vinnova is a Swedish government agency working under the Ministry of Enterprise and Innovation and acts as the national contact agency for the EU Framework Programme for R & D. The aim of the agency is to promote sustainable growth by improving the conditions for innovation and needs-driven research. Vinnova's vision is for Sweden to be a world-leading country in research and innovation, an attractive place in which to invest and conduct business. Vinnova promotes collaborations between companies, universities, research institutes and the public sector. This is done by stimulating a greater use of research, by making long-term investment in strong research and innovation milieus and by developing catalytic meeting places.<sup>14</sup>

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<sup>13</sup> <http://www.tillvaxtverket.se/english.html>

<sup>14</sup> <http://www.vinnova.se/en/>

## **Swedish Agency for Economic and Regional Growth**

The Swedish Agency for Economic and Regional Growth (SAERG) is a national government agency tasked with promoting entrepreneurship and regional growth. SAERG's mission is to strengthen the competitiveness of Swedish enterprises focusing on small and medium-sized enterprises and future entrepreneurs. The agency's most important tools are knowledge, networks and financing: "Based on our knowledge of the requirements for enterprises and regions to grow, we build networks for cooperation and finance initiatives that strengthen the business sector".

The SAERG has an assignment from the Government to support initiatives that help people realizing their business concepts. The intention is to create opportunities for a diverse range of entrepreneurs with different experience and a diverse range of different business forms. Some of the actions that SAERG are working with to promote and support SMEs and entrepreneurs are:

- Co-financing different types of projects to provide advice prior to the start of or development of a company.
- Influencing attitudes to make more people interested in enterprise.
- Promoting business development in small and medium-sized enterprises, where special attention is focused on areas like product development, capital provision, knowledge development and preparations for internationalisation.
- Work to promote visitor industry issues and is the government agency responsible for the official tourism statistics.<sup>15</sup>

## **Business Development Grants**

The business development grants financed by the SAERG have existed since 2012. The grants are for SMEs wanting to expand on the international market. The intention of the grant is to contribute to the sustainable growth of businesses. The grants can be used for purchasing services, for project-based recruitment or for travel costs. Companies can apply for SEK 50 000- 250 000; however you can only receive a grant covering half of your total cost. The company must pay for the remainder of the cost.<sup>16</sup>

Not all companies can apply for the business development grants, it is limited to companies who:

- Have 2-49 employees
- Have annual sales of at least SEK 3 million
- Have the companies economy in good order
- Have an existing product/service to internationalize
- Need to hire external expertise for the internationalization

## **Almi Business Partner**

Almi is owned by the state and has offices in more than 40 locations. Almi's vision is to create opportunities for all viable ideas and companies to develop. They offer advice, debt and equity in the enterprise at all stages - from ideas into successful businesses. It covers ideas with growth potential in the early stages as existing companies investing in growth and expansion.

Almi offers advisory services to companies. The services offered vary from region to region depending on regional circumstances and the resources of the regional Almi company. The advisory services could include:

- Growth advice for established companies
- Mentor

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<sup>15</sup> <http://www.tillvaxtverket.se/english.html>

<sup>16</sup> <http://www.tillvaxtverket.se/>

- Innovation advice
- Seminars and courses. Almi arranges a large number of seminars covering different aspects of enterprise.

Beside the advisory services, Almi offers different types of loans for entrepreneurs and companies. The loans are aimed at companies with up to 250 employees in all industries. The Micro Loans are designed for businesses with smaller capital requirements, primarily new enterprises that would find it difficult to meet their need for capital in other ways. Almi also offers funding for businesses that need to raise capital in connection with an export venture as well as specially adapted forms of finance for development of innovation projects.<sup>17</sup>

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<sup>17</sup> <http://www.almi.se/>



## 3 (New) Tools for innovation promotion in TCCI

### Belarus

Belorussian SMEs in tourism, cultural and creative industries used the following tools for innovation promotion:

- Business Cooperation Centre “Enterprise Europe Network Belarus”
- IP auctions
- crowdfunding
- startups
- exhibitions
- contests
- technology transfer networks
- technoparks
- incubators
- social networks

#### Business Cooperation Centre “Enterprise Europe Network Belarus”



The Business Cooperation Centre “Enterprise Europe Network Belarus” (EEN Belarus) is a contact point of the Enterprise Europe Network (EEN) in Belarus (<http://ictt.by/eng/Default.aspx?tabid=1188>). EEN is a key instrument in the EU's strategy to boost growth and jobs. Bringing together around 600 business support organizations from more than 60 countries EEN helps small companies seize the unparalleled business opportunities in the EU Single Market. The goal of EEN Belarus is to provision of services, in particular SMEs, to support cross-border business cooperation, technology transfer and research collaboration on the bases of mutual benefit via the Enterprise Europe Network.

#### IP auctions

The idea of intellectual property (IP) auctions is fairly new, the practice of patent auctions first appeared in 2006 in the U.S., although in the U.S. organizations were obtained title to inventions developed with governmental support in 1980 according Bayh-Dole Act of 1980.

One of the most well-known today auctions of the intellectual property is [ICAP Ocean Tomo Auction](#) in the U.S. Such auctions, according to organizers, promote market transparency and liquidity of intellectual property, since in the course of live competitive bidding to determine the fair market value of the exhibited artworks.

In Belarus there are no IP auctions, but Byelorussian SMEs in TCCI can take part in the Russian IP auction - ["RUSINPRO" Auction House of Intellectual Property](#) or in IP auctions in other foreign countries e.g. [ICAP Patent Brokerage](#), [IpAuctions](#) and others.

#### Crowdfunding

The idea of donation-based fundraising is not new. In the 18th century book trade in Germany the publisher offered to sell a book that was planned but had not yet been printed, usually at a discount, so as to cover their costs in advance. The co-called "praenumeration" was an early form of the "subscription" business model. The earliest recorded use of the word "crowdfunding" was in 2006.

Crowdfunding often used to raise funds for creative works, products, nonprofit organizations, supporting entrepreneurship, businesses, or donations for a specific purpose.

Byelorussian SMEs in TCCI can use next Byelorussian and Russian crowdfunding platforms for realization their innovation projects.

Byelorussian crowdfunding platforms:

- Ulej <http://ulej.by/>
- StartIdea <http://startidea.by/>
- MaeSens <http://maesens.by/>
- Talaka <http://www.talaka.by/>

Russian crowdfunding platforms:

- Planeta <https://planeta.ru/>
- BoomStarter <https://boomstarter.ru/>

## Startups

One popular definition by Steve Blank and Bob Dorf defines a startup as an "organization formed to search for a repeatable and scalable business model". In this case, the verb "search" is intended to differentiate established late-stage startups from small businesses, such as a restaurant operating in a mature market. The latter implements a well-known existing business strategy whereas a startup explores an unknown or innovative business model in order to **disrupt** existing markets, as in the case of Amazon, Uber or Google. Blank and Dorf add that startups are *not* smaller versions of larger companies: a startup is a *temporary* organization designed to *search* for a **product/market fit** and a business model, while in contrast, a large company is a *permanent* organization that has already achieved a product/market fit and is designed to *execute* a well-defined, fully validated, well tested, proven, verified, stable, clear, un-ambiguous, repeatable and scalable business model. Blank and Dorf further say that a startup essentially goes **from failure to failure** in an effort to learn from each failure and discover what does not work in the process of searching for a repeatable, **high growth** business model.<sup>[2][4][5][6]</sup>

Byelorussian SMEs in TCCI can use next Byelorussian and Russian startup platforms for realization their innovation projects.

Byelorussian startup platforms:

- Startup.Network Belarus <https://startupnetwork.by/>
- Startup Weekend Belarus <http://startupweekend.by/>

Russian startup platforms:

- Russian Startup Tour 2016 <http://www.startuptour.ru/>
- Spark <https://spark.ru/startups>
- Rusbase <http://rusbase.com/list/100-russian-services-for-startups/>

## Exhibitions

There are number of specialized exhibitions in Belarus oriented to tourism and fashion, handicrafts, in particular:

- [Belarus Fashion Week](#)
- [HOBBY LAND](#)
- [Tourbusiness](#)
- [Proftour](#)
- [Relax](#)

## **Incubators**

There are business incubators in Belarus that were created to support creation of SME by youth. Enterprise "[A Youth Social Service](#)" (CUE YSS) is the first of its kind in Belarus. In 2009 YSS was registered as a small business incubator and since then expanded its model of operation by creating a specialized tourist-business incubator and a "manufacturing" incubator. YSS now is an open platform for cooperation consisting of more than 200 enterprises from various fields: education, art industry, IT-sphere, tourism, marketing, services, logistics, construction and manufacturing.

Enterprises can stay in the incubator from 3 and up to 5 years. For aspiring entrepreneurs in the youth business incubator created favorable conditions. The YSS personnel, 90% of which are women, offer marketing, accounting, legal, secretary services; organize seminars, trainings, brokerage events and exhibitions; participate in international projects.

Enterprises for youth business incubator are chosen on a competitive basis. To become its resident the enterprise should be new or registered less than 3 years. The founder and 30% of employees should be under 31 years old. To promote synergy between the incubator residents the candidate should not be a competitor to already located enterprise.

YSS constantly plans new activities such as to become a trade and exhibition center for small businesses. It is also planned to open platform for foreign students who wish to promote services and products of Belarusian companies exporting to countries from which they have come to study in Minsk.

## **The system of knowledge transfer**

### ***Domestic capacity to absorb and diffuse knowledge and technology***

Knowledge generation is one of four major functions in the innovation system. The other functions are knowledge diffusion, absorption and demand. Knowledge diffusion and absorption, while being important internal features, are also to some extent external features of the NIS. In other words, its ability to absorb and diffuse technology and knowledge from abroad is equally important as the inward diffusion and absorption capacity.

The strong extra-mural nature of the Belarusian R&D system has led to inward technology transfer becoming a prime issue in innovation policy: with R&D being mainly generated outside enterprises, its transfer and introduction into the business enterprise sector represents a major policy objective. The sector of 'science and science and technology services' represents the major economic segment engaged in the transfer of production technologies. Other important sectors are universities and machine-building and metal manufacturing, while the remaining sectors seem to be quite marginal as sources of transfer of production technologies.

In terms of the number of organizations transferring production technologies and the number of transferred production technologies, there has been a downward trend in recent years. Nonetheless, from the users' perspective, the number of transferred used production technologies and the number of organizations making use of these has been increasing continuously. Their technical quality, as

measured by the number of inventions embedded within transferred used production technologies, has also been increasing though at a somewhat lower rate. This suggests that although the number of source organizations has been declining, use and diffusion have been increasing.

Table 21 below shows that the major sector-users of production technologies and inventions are machine-building and metal manufacturing, food industry and science and science and technology services. Machine-building and metal manufacturing and science and science and technology services are important as both suppliers and as users of innovations, although the science sector is largely involved through R&D activities rather than through innovations. Machine building is also the business enterprise sector with the strongest intra-mural R&D, and hence its strong role as both a user and producer of innovations is logical. The relatively weak linkages with other sectors points to some general weaknesses of the administrative system in terms of horizontal knowledge flows.

In market economies, the major mechanisms of learning and diffusion of knowledge are market-mediated interactions between firms coupled with knowledge interactions with public organizations. In Belarus, market-based interactions are less developed as mechanisms of inward knowledge transfer than in other European economies, while interactions between firms are to a large degree mediated by administrative mechanisms. The internal mechanisms of technology transfer and linkages are the State Science and Technology Programmes and the activities of the Republican Centre for Technology Transfer (RCTT). The RCTT was founded in May 2003 under the aegis of the State Committee for Science and Technologies of the Republic of Belarus, the National Academy of Sciences of Belarus, the United Nations Development Programme (UNDP) and the United Nations Industrial Development Organisation (UNIDO). Now RCTT is a consortium that includes: the headquarters in Minsk; 5 regional offices and 30 branch offices across Belarus; 82 foreign partners in 23 countries; 2 overseas field offices. RCTT is a member of the 11 technology transfer networks among them: Enterprise Europe Network (EEN); Association of University Technology Managers (AUTM); Russian Technology Transfer Network (RTTN) and others. RCTT has participated in implementation of 26 international projects financed by UNDP, UNIDO, CEI, FP7, Baltic Sea Region Programme 2007 – 2013, Programme Latvia-Lithuania-Belarus 2007 – 2013, The Swedish Institute and others.

RCTT's mission is to promote cooperation between developers, users of high technologies and potential investors with the aim that existing knowledge, facilities, or capabilities developed using public or private R&D funding are utilised to fulfil public and private needs.

RCTT OFFERS ITS SERVICES TO innovation activity agents, foreign companies and investors in the field of technology transfer. RCTT's services include creation and maintenance of information databases in the technology transfer sector as well as providing its clients with access to the technology transfer networks and other international databases dedicated to technology transfer, research and development. Furthermore, RCTT assists innovation activity agents in developing and promoting their innovation and investment projects. It also offers trainings for specialists in research- and innovation-related entrepreneurship, promotes international research and development cooperation and exchange of specialists.

Table 8. Adoption of production technologies and inventions, by sector

	Organizations - users of transferred production technologies (sectoral shares, %)	Transferred and used production technologies (sectoral shares, %)	Inventions in transferred used production technologies (sectoral shares, %)
Machine-building and metal manufacturing	28.4	41.4	11.0
Food industry	14.9	9.1	2.1
Light industry	10.2	8.7	1.1
Chemical and petrochemical industry	3.4	8.2	13.7
Science and S&T services	13.3	6.3	33.4
Other industries	9.8	5.5	6.5
Fuel industry	0.5	4.8	0.3
Wood, wood processing and paper	8.2	4.5	0.2
Ferrous metallurgy	0.9	4.4	7.9
Building materials	5.9	3.0	8.4
Generation of electricity	0.5	2.1	-
Education	4.0	2.1	15.4

Source: SCST (2009), Science, innovation and technology in Belarus 2008, Minsk.

Inward technology transfer through linkages between enterprises is probably the most developed mechanism of technology transfer. Linkages are facilitated within state goals-oriented programmes with a consistent policy push towards commercialization. Linkages between large enterprises and SMEs are less developed.

### ***FDI, R&D, subcontracting & trade: knowledge diffusion mechanisms***

Belarus is a catching-up economy whose technological and innovation system operates behind the so-called “technology frontier”. Its technology dynamics are strongly determined by the rate of absorption of new technologies and knowledge from abroad. Hence, the channels of acquisition of foreign technology and its absorption throughout the domestic economy should be key priorities for innovation policy. Adoption and dissemination of existing innovations (i.e. new to Belarus) rather than the development of “pure” innovations (i.e., new to the world) are critical for the development of the country. However, this does not always seem to be the case in policy practice, with innovation policy largely focused on domestic knowledge generation and the transfer of R&D results and innovation into commercial use.

As discussed in chapter 1, Belarus is quite an open economy in terms of trade intensity. However, compared to other East European countries, the inflows of foreign direct investment (FDI) have been more modest. Imported equipment and “learning by exporting” are therefore the most important mechanisms of technology transfer. At the same time, there is only limited learning through FDI and other mechanisms such as direct learning by the labour force working in foreign owned firms; learning of domestic suppliers and buyers from interactions with foreign firms; and learning through imitation, observation, demonstration effects and competitive pressures.

A significant trade dependence on CIS markets means that “learning by exporting” is from less demanding markets, and so learning effects are weaker. In the modern economy, learning and technological accumulation, which stem from integration in global supply chains and from FDI operating in the local economy, are increasingly indispensable. However, the mere presence of FDI is not in itself a guarantee that technological accumulation will take place. For this to occur, openness to FDI should be complemented by an associated policy of active technology acquisition.

Subcontracting represents an alternative channel of access to technology that could play an even greater role than FDI. Recent policies have made the integration of Belarusian enterprises into the network of multinational companies a possibility by facilitating access to knowledge, know-how, resources and markets by integrating Belarusian firms into international value chains and clusters.<sup>69</sup> Such policies are especially targeted towards sectors such as the chemical industry, machine building, microelectronics, banking and R&D proper.<sup>70</sup>

However, a gap remains between policy objectives and the instruments of integration into global production and technology networks. In particular, early experiences with the National Investment Agency have not been very encouraging. In addition, the integration and coordination of R&D and innovation policy with FDI and subcontracting policy could face numerous challenges in terms of the administrative capacity for implementing such policies, as well as in terms of the differing objectives that would need to be reconciled in attempting to coordinate these policies.

The issues of integration of upstream technological activities like R&D may seem less complex. However, due to the absence of strong links with the science and technology system of the EU, the international integration of the Belarusian science and technology networks is fairly limited. This is further compounded by a relatively low priority assigned to scientific and technological cooperation and R&D mobility and training and education abroad in the national innovation policy. For example, the Foundation for Basic Research has funds amounting to only \$3.6 million for conferences, publishing activities and international cooperation, and yet it funds 90% of international cooperation in science in Belarus. Chapter 7 discusses further these questions.

## Lithuania

Encouraging Female Entrepreneurship: comments paper from Lithuania“ (2014) states, that initiatives to promote women's entrepreneurship are fragmented between the private sector and various government agencies, and even within the public sector they are typically placed under assistance to disadvantaged groups rather than promotion of innovation and entrepreneurship. The government has been implementing four consecutive national programmes on equal opportunities for women and men, the first one in 2003-2004, followed by 2005-2009, 2010-2014, 2015-2021. The programme in 2010-2014 prioritised promotion of entrepreneurship in regions; reducing sectoral and occupational segregation by gender, and integrating gender equality into social partnership and social dialogue. In 2015-2021 programme aims to provide a support for:

- Promoting employment and work opportunities for women and men;
- Seeking balanced participation of women and men in decision-making and high-ranking positions;
- Improving the efficiency of institutional gender equality mechanisms;
- Promoting gender mainstreaming in education and research, culture, healthcare, environmental protection, the national defence and access to justice;
- Implementing EU and international gender equality commitments.

Innovation promotion as the one of the most important tools for the progressive development of welfare and the strong positions in the global competitiveness area requires purposeful initiatives and permanent actions from public policy side. Public policy is essential tool for acceleration of innovation activity in the country. However there is important to find the best way for the optimum results.

The document which sets guidelines innovation policy and promotes innovation culture in Lithuania is The Lithuanian Innovation Development Programme 2014 – 2020. Programme has been prepared by the Ministry of Economy and approved by Government of the Republic of Lithuania on December 18, 2013. Lithuanian Innovation Development Programme 2014–2020 has replaced a previous Lithuanian Innovation Development Strategy.

The Programme has been drafted with a view to mobilising the state resources for the improvement of Lithuania's innovativeness and development of competitive economy based on high level knowledge, high technologies, qualified human resources and smart specialisation.

It has been drafted on a basis of the policy instruments which address to innovation, sustainable growth, smart specialization, development of studies, and scientific research at European level.

The strategic goal of the Programme is to enhance competitiveness of the Lithuanian economy through the development of the effective innovation system promoting economic innovation.

In order to achieve higher economic impact of innovations, the innovation development objectives and goals set in the Programme until 2020 will create the grounds for more effective development of innovations.

The strategic goal is followed be four objectives:

1. to develop innovative society by developing new knowledge and its application;
2. to enhance business innovation potential of business;
3. to promote the creation of value networking, development and internationalization;

4. to increase efficiency of innovation policy-making and implementation and promote innovation in the public sector.

Action plan of the Programme is available and foresees actions which will be implemented in order to achieve a goal and objectives of the Programme until 2020.

Below you can find the existing programmes and resources to promote innovation for entrepreneurs in Lithuania, which can be applicable to the target group of project “ICE”:

### **Methods and models with rent of premises and providing innovation support services**

**Business incubator (BI).** (There are 7 business incubators in Lithuania). Business incubator – a public institution operating in the territory of one county or several municipalities. A BI rents premises, technical and office equipment for economic entities on favorable terms, provides business information, consultations and training services. The main objective of BI - to support the starting businessmen, promote job creation, reduce the risk for businesses and help enterprises that are financially weak, but with good business ideas, to reach a level where they can work independently and compete in the market.

**Science park (STP).** (There are 11 STPs in Lithuania). Science (and technology) Park is a professionally managed organization whose goal is to increase public welfare by supporting a culture of innovation and increasing competitiveness of knowledge based business activities. STP is a physical or virtual place where companies are carrying out applied research and other innovative activities and where specialized value-added services such as business incubation, consultancy and technology transfer are offered.

#### **Science parks services:**

**Infrastructure services:** related to physical infrastructure and its services.

#### **Value-added services:**

**Incubation services:** feasibility studies, partner search, support for the preparation of business plans, consultations, information on funding and so on.

**Post incubation services:** technology transfer, marketing, specialized training, public relations campaigns, product development, finding funding and so on.

**Art incubator.** (There are/will be 9 art incubators in Lithuania). Indirect support for the artists. The essence of which is development of the environment for creative activities rather than direct grants. By using the existing infrastructure Art incubators aim to enable artists to create and present audience their work, start own business, develop art-related businesses, to promote community participation in cultural life and to contribute to the preservation of cultural heritage. Main aim is to promote entrepreneurship and competitiveness in the cultural and creative industries. By engaging in commercial activities, incubator residents have to (fully or partially) support themselves in offered creative spaces.

### **Methods and models that provide consulting, training and information**

**Business information center (BIC).** (There are 34 BICs in Lithuania). Business center - a public institution operating in the territory of one county or several municipalities, and which provides business information and advisory services, organize training, awareness raising events, various entrepreneurship promotion campaigns, mediates in finding business partners in Lithuania and abroad for the small and medium businesses and individuals who intend to start a business in this



area. Business information centers also carry out business registration procedures, draw up business plans, other necessary documentation for entrepreneurs, advise in the European Union structural funding issues and prepares applications to the European Union structural funds, provides a range of office services.

**Innovation center (IC).** (There are 2 Innovation centers in Lithuania). Innovation center is a public non profit organisation aiming to promote innovation and entrepreneurship, technology transfer from research to business, and development of innovative companies in Lithuania. IC aims to activate technology transfer and business processes. The main activities of an IC involve stimulating SMEs participation in national and international programs of innovation and SMEs support, organising various projects and events as well as providing training and technical support to improve their innovation management skills. IC provides innovation support services to SMEs and plays the an important role of intermediary between science and business. There are 2 innovation centers in Lithuania. Innovation center (IC) aims - to promote innovative processes: building a culture of innovation, scientific innovation in business, innovative business development.

**National innovation and business center (NIBC).** NIBC objectives: to organize and implement knowledge and technology transfer activities; to achieve effective use and commercialize basic and applied research and experimental development results; to help researchers to nurture research and experimental development (hereinafter - R & D) based business idea; to protect the University's intellectual property; to develop and strengthen cooperation between higher education and R & D groups and institutional business. **One of NIBC activities involve the entrepreneurship centre "Start-up space"**. It is the boiling pot for ideas, inventions, young businesses, events and parties. Events and workshops for businessmen, programmers, engineers, designers and everyone else are organized here. Every day new products are created and community members share their knowledge and discoveries, help each other to achieve even more. Young Business Development Department Startup Space provides full assistance for business start ups: free office space, business consultations, and help in attracting funding, regular events, and a community of creating colleagues. The department is located at the heard of KTU campus. Startup Space teams receive help from specialists on business development matters. One of the most important benefits of starting a business in Startup Space – a community of young creative people. In 1,5 years "StartupSpace" has helped to set up 27 new businesses and created 50 prototypes.

**Chamber of commerce industry and crafts (CCIC).** (There are 5 CCICs in Lithuania). Chamber of CIC as a nongovernmental and a non - profit seeking organization operating in counties. Its main goal is supporting the development of companies' economic activity and representing, and defending the interests of business community. The community is comprised of various businesses, and educational, and scientific, and high technology institutions. Chamber services for business include: Business information and search; Business Networking; Seminars, conferences, corporate events and trainings; EU project activities; Vocational, labor market, adult education; Mediation in dealing with foreign entities and government agencies; Attraction of new investments; Promotion of export and helping Lithuanian companies in entering European and world markets; Issue of Foreign trade documents.

**Eurochambres Women Network (EWN).** EWN is part of the EU Chamber of Commerce and Industry, which in local and regional level carries a lot of interesting and relevant initiatives related to the promotion of women's entrepreneurship. All of them are concentrated on three key questions: help women start their own businesses, promote women's business development initiatives and their greater involvement in decision-making processes, give women the opportunity to deepen their knowledge in various trainings.

**Agency for Science, Innovation and Technology (MITA).** MITA provides free of charge services for clients from business, science and public sectors, interested in possibilities to develop strong cooperation relations with international partners and get financial support for research and innovation projects. The main activity is the coordination of national activities and international programmes (HORIZON2020, EUREKA, EUROSTARS) of research, technological development and innovation and other financial schemes (innovation vouchers, protection of industrial property rights). MITA provides national financial support for projects participants. MITA also promotes business and science cooperation, commercialization of research and protection of intellectual property rights. MITA welcomes innovators, inventors, entrepreneurs, businessmen, intellectuals, researchers and other individuals, which have innovative ideas and are not afraid of risk.

MITA is administrating an instrument to promote innovations in SME's – **innovation vouchers** - to encourage co-operation between business and research institutions. "Innovation voucher" – is a small credit that entitles SME's to buy R&D expertise or knowledge from research and educational institutions. Innovation vouchers are more in line with the philosophy of today's companies, where small, short term projects dominate.

**Lithuanian tourism asociation (LTA).** LTA members, located in major cities, include the most experienced inbound and outbound tour operators and agencies, transportation companies, accomodation and other service companies and education institutions teaching tourism. The LTA actively defends its members' interests in state institutions, organizes tours for its members so they can become even better acquainted with Lithuania's tourism resources, organizes participation in international tourism fairs and performs other activities which improve business conditions for its members.

Main activities: to organize conferences for tourism professionals; to create opportunities for tourism professionals to improve qualification and training; to represent its member businesses at national and local government institutions; to prepare, propose and participate in drawing up legal acts related to tourism; to help members of the association get all required information, which is useful to promote their activities and products; to represent its members in international organizations; to establish permanent and temporary groups of specialists (experts, consultants) to solve current issues.

LTA offers members FREE 1.5 years training program for improving "Knowledge and skills of the tourism sector executives, managers and service staff". The idea of the project - to design and implement 10 modules 930 ac. h. practical tourism sector executives, managers and service staff knowledge and skills program, which consists of an assessment of Lithuanian tourism sector problems and shortcomings. The training will apply innovative teaching methods and the latest tourism sector taught modules.

### **Methods and models that provide information, consulting and information but are private initiatives**

**"Lietuva gali" ("Lithuania can").** TV project "Lithuania can" enables high experienced entrepreneurs to share the experience with starting entrepreneurs, who are from the same region or town and are creating businesses in that region. This TV Project is a part of "SEB Bank" entrepreneurship promotion initiative and is being shown for the fourth time.

**"Išmani moteris" ("I-woman").** It is a virtual community, creating a real business. It is formed by women who perhaps are not technology specialists, but are well aware that quick thinking in business gives a special advantage. This project is implemented by a private company App Camp, Agency for Science, Innovation and Technology (MITA), telecommunication company Omnitel.

**”Verslo iniciatyva” (“Business initiative”).** Public Institution "Business Initiative" is a non-governmental organization that seeks to promote and develop youth entrepreneurship. The organization encourages and helps young people to develop businesses to comply with the direction of the promotion of entrepreneurship and carries out projects related to this area. The key aim of ”Business initiative” is to promote youth entrepreneurship and the active involvement of young people in these activities. Organization's activities: simulation, training and consulting, projects, analytical and research activities.

**”Verslauk!” (“Do business!”).** "Verslauk!" is a largest national business plan contest for people who are 18 – 29 year old, to help them make their business ideas into real successful businesses. The competition takes place each year in the fall and attracts a lot of attention from both the youth, both from the business, public sector and media representatives. The main objective of the competition: developing entrepreneurial skills of young people, encouraging young people to establish successful businesses. Prospective entrepreneurs attend training seminars and receive the necessary knowledge and skills to start a business, establish contacts with future business partners or find a new team members and mentors.

## Latvia

### Green fairs



*Source of photo stream: from researcher’s personal archive*

The green fairs in counties are organized on a regular basis each month in one of Saturdays. The green fair provides the opportunity for local farmers and home-made producers to offer self-produced products, and craft products.

The following success preconditions for the green fairs should be mentioned:

- Availability of people flow at the market place;

- Municipal support and friendly prices of trading venues;
- Professional organising and communication with the members before and after the event;
- Cooperation between stakeholders - craftsmen and home-made producers;
- It is important to highlight the main domestic producers of their region with a unified advertising, visual presentation;
- The place factor: it is necessary to create attractive atmosphere for buyers with appropriate music, a variety of activities including the provision of also children.<sup>18</sup>

The most comprehensive information on ongoing Latvian green fair are available at common portal [www.gadatirgi.lv](http://www.gadatirgi.lv) also worked as an effective advertisement channel.



## Festivals



*Source of photo stream: from Salacgriva municipality official website*

One of the most popular opportunity to promote and to offer the home-made producers production are the different festivals organised in the towns and counties, as well as different thematic festivals.

As a special territory for successful marketing of this type of production, might mention the coastal villages and towns. In these villages every summer traditionally takes place the Sea Festivals and

<sup>18</sup> Ziemeļlatgales tūrisma un biznesa centrs (2014) «Zaļie tirdziņi arvien populārāki» available at: <http://zlbc.lv/?p=3001>



fishing festivals. At such fests are usually offered an interesting entertainment program there are attractive for large number of people.

As one of the youngest, only in 2016 initiated festival, should be noted "Sprat Eater Festival" in a seaside small town - Salacgriva.

"Sprat Eaters" in Latvia can be considered as the specific social phenomenon; hence the celebration already in the first year got a great public resonance and popularity.

It is worth mentioning one of the "Sprat Eater Festival" activities - local guest house restaurants cooks competitions, participants competed in a variety of creative recipe of sprat preparation.<sup>19</sup> In this way, there were also new recipes and preparation methods that will be used later, in local guest house menus. The central idea in Latvian tourism offers is "Best enjoyed slowly"<sup>20</sup>. This brand (or message) advocates a slow and relaxed time in the Latvian countryside. It is expected that innovative products manufactured in this context have a good sales potential in rural areas. It is not big surprise that home-made products directly are meant for leisurely enjoyment. Latvia can offer the "Slow Tourism" brand combined with the "Slow Meal Tasting" brand.

## Local municipality as the promoter

### (CASE OF THE GULBENE COUNTY)



*Source of photo stream: from Gulbene official website [www.visitgulbene.lv](http://www.visitgulbene.lv)*

Gulbene municipality are keeps the specific staff which responsibility area is promotion and development of local small and medium-sized enterprises. These staffs takes part in projects work, helps to local entrepreneurs create cooperative networks. With the support of the local municipality it was established Craftsmen Association and built the Craftsmen house. The municipality helps to carry out advertising management and marketing of small entrepreneurs, craftsmen and home-made producers;

For this functions, municipality for staff provides transport, backed missions set up and special workplace with computer, telephone, etc ..

<sup>19</sup> Salacgriva municipality website:

[http://www.salacgriva.lv/lat/salacgrivas\\_novads/kultura/rengedaju\\_festivals/?text\\_id=34135](http://www.salacgriva.lv/lat/salacgrivas_novads/kultura/rengedaju_festivals/?text_id=34135)

<sup>20</sup> Travellatvia official website <http://www.latvia.travel/lv>

The Gulbene municipality buys only his craft, home-made producers production and use it for presentations in cooperation towns or in foreign countries for gifts. The municipality organizes seminars and events and provide the venues in local guest houses, thus creating financial support. Local manufacturers have also established a common website for business, craft et al.

Regularly held event planning on the format: municipality + craftsman + home-made producers and small entrepreneurs. This facilitates helps to organized small and medium business development in the county and to develop home-made producers and craftsman cluster in Gulbene. For this aim Gulbene municipality has also created a modern, equipped Market Square.<sup>21</sup>

Also, tourism development is driven by the local municipality agency Gulbene tourism and cultural heritage centre, which in recent years successfully implemented several projects and activities which have given excellent results. Centre Director **Iveta KOVTUŅENKO** says: "*Our task is to attract tourists to the county not only Latvian, but also abroad. We have participated in several international tourism exhibitions, including Germany, Finland, Balttour Riga. It is very pleasing that the ability of interest and after exhibitions are expecting visitors from these countries.*" <sup>22</sup>For tourists are prepared eight sets of routes which can be conveniently used to plan your trip.

Directly to the Gulbene Council building, is located an internet point with presentation materials about district events, where 24 hours a day is available for touch-sensitive screen with all necessary information for tourists - it provides reference about hotels, restaurants, local history and attractions. In fact, it can be said, that the local tourist information centre is working 24 hours a day, seven days a week.

### Social networks as the Advertising and debate platform



*Source of photo stream: Facebook.com*

Social networks, especially Facebook, provides an opportunity for free advertising and promotion of products and services, as well as to attract like-minded stakeholders and debate the problems. (Table No. 3) Social networks are also actively involved in NGOs, supported by innovative production activities in rural areas. As can be seen from the Table, existing Facebook groups and the number of followers is not great, however, appreciate the entrepreneur is offered range of products. Here

<sup>21</sup> Iveta KOVTUŅENKO (2014) materials of workshop organised by LAAFS in the ICE project framework, date:(05.11.0214.).

<sup>22</sup> Gulbene official website [www.visitgulbene.lv](http://www.visitgulbene.lv)

potential buyers can look at both the furniture designs as well as dishes and sweets as well as children's toys and home textile designs and many more.

Table No. 9

<i><b>Names of the Facebook Groups</b></i>	<i><b>Followers</b></i>	<i><b>Function</b></i>
Latvijas Mājražotāji - Sarunas	417	debate and advertising platform for homemade entrepreneurs
Amatnieku, rokdarbnieku un mājražotāju tirgus burziņš	103	e-market
Mājražotāji, žāvē, kūpina un pārdod.	30	e-market
<i><b>Names of Enterprises working in home-made area</b></i>	<i><b>Number of likes</b></i>	<i><b>Function</b></i>
Grobiņas novada mājražotāju un amatnieku tikšanās	18	debate and advertising platform for homemade entrepreneurs
Mājražotas zivis/Ventspils I/U "Risks"	36	e-market
Kupinatu zivju mājražotāji Sintija un Juris Vitoli	66	e-market
Dagnijas saldumi. Mājražotājs.	118	e-market
Biedrība "Tērvetes mājražotāji & amatnieki"	322	and advertising platform for homemade entrepreneurs
Latvijas Mājražotāji	9035	and advertising platform for homemade entrepreneurs

*Source: author's analysis of Facebook.com/LATVIA/20.05.2016*

## Sweden

### SAERG – Promoting Women’s entrepreneurship

In 2007 The Swedish Agency for Economic and Regional Growth was appointed by the government to promote women’s entrepreneurship in the period 2007-2014. The aim and purpose of the programme was to:

- Stimulate growth and promote competitiveness and innovation in Swedish industry through more businesses being run and developed by women.
- In consultation with business promotion stakeholders and government agencies, to develop a national strategy for how women and men can avail themselves of business promotion efforts on equal terms.

The programme had three overall themes:

- Make **better** now by making business development more accessible to women who want to grow or start a business, or develop an idea.
- Make women’s entrepreneurship and leadership more **possible** now and in the future, for example, by developing entrepreneurship at universities and higher education institutions and promoting the Golden Rules of Leadership.
- Make women’s entrepreneurship and its importance to the economy more **visible**, for example, through ambassadors for women’s entrepreneurship and by developing facts, statistics and knowledge about women’s entrepreneurship<sup>23</sup>.

### National Strategy for Business Promotion on Equal Terms 2015-2020

Besides the programme to promote women’s entrepreneurship, the SAERG have also developed a national strategy for how women and men can take part of business promotion efforts on equal terms. Research show that more means and resources for business development are distributed to men and men-dominated industries than to women. The starting point for the strategy is that a business promotion that takes place on equal terms contributes to a competitive business sector, which in turn leads to regional development and growth.

The aim of the strategy is to make it possible for women and men, regardless of ethnic background and age to be able to take part in efforts and resources for business promotion, incubator services and financing. Financing and business support must be designed and available to companies in all industries, regardless of the companies’ size and/or organization in order for all companies to be able to take part of the support.<sup>24</sup>

### Winnnet Sweden

Winnnet Sweden is a non-profit organization operating in partnership and networking both nationally and internationally to raise awareness of women’s participation in social development and economic growth. The mission of Winnnet Sweden is, through coordinating and supporting regional and local resource centres and networks, to work to ensure that:

- Women claim their share of society’s resources
- Women’s competence is utilized by society
- Efforts made by women and men are equally valued

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<sup>23</sup> <http://www.tillvaxtverket.se/om-tillvaxtverket/resultat/avslutade-insatser/framja-kvinnors-foretagande.html>

<sup>24</sup> <https://tillvaxtverket.se/vara-tjanster/publikationer/publikationer-2015/2015-06-08-open-up.html>



Winnet Sweden generates public opinion and spreads information about women's life situation. Winnet Sweden shall, through influencing and cooperating with organisations and authorities, nationally and internationally, promote a society in which women's potential, rights and obligations are upheld. Winnet Sweden works to ensure that women and men have the same conditions and opportunities concerning work, working conditions, development potential and entrepreneurship and to promote an equal gender division in respect of power and influence.<sup>25</sup>

Winnet Sweden works with:

- Entrepreneurship and innovation
- Skills development and increased labor supply
- Accessibility
- Strategic cross-border cooperation
- Rural development
- Women's organizations

### **Creative Business Cup**

Creative Business Cup is an international competition for entrepreneurs working in tourism and the cultural and creative industries. The purpose of Creative Business Cup is to strengthen the business skills of creative entrepreneurs. The aim is to increase all participating startups' ability to successfully create a company based on their creative abilities. Creative Business Cup is looking for new and revolutionary business ideas stemming from the creative industries. The business idea must have a strong market potential and at least one person from each team must have an education or background from the creative industries.<sup>26</sup>

The aim of the competition is to:

- strengthen the business skills of entrepreneurs in the cultural and creative industries
- promote entrepreneurship in the cultural and creative industries
- highlight winners and role models

In Sweden, the competition has been arranged by the SAERG together with the Swedish Institute.

### **Junior Achievement Sweden**

Junior Achievement Sweden is a non-profit and independent organization with the aim to work with the school to introduce entrepreneurship to children.. Junior Achievement Sweden provides educational programs in entrepreneurship for students in elementary school and high school. The programs are designed to stimulate creativity and entrepreneurship and to give students insight into business conditions.

In 2010 JA started an alumni network to continue to stimulate entrepreneurship among former students and allow young entrepreneurs to share their experiences. Today, the network consists of more than 3400 alumni who meet regularly throughout the year at educational workshops and meetings. Studies have shown that entrepreneurship training plays an important role in these graduates lives and careers. Junior Achievement Sweden is important for the continued entrepreneurial development of Sweden.<sup>27</sup>

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<sup>25</sup> <http://www.winnetsverige.se/web/page.aspx?refid=37>

<sup>26</sup> <http://www.creativebusinesscup.com/>

<sup>27</sup> <http://ungforetagsamhet.se/om-oss/junior-achievement-sweden>

### **New Business Centre/Nyföretagarcentrum**

New Business Centre is an independent foundation that offers free personal consulting for persons who have a business idea and who want to start a business. Most of those who seek consulting are a year before starting their business or in their first year of business. New Business Centre is a large organization with offices in areas covering more than 200 municipalities in Sweden.

The New Business Centres have a close relationship with local entrepreneurs and companies and are financed and supported by businesses, agencies and organizations on national and local level.<sup>28</sup>

### **LEAD Incubator**

LEAD (LIU Entrepreneurship and Development) is a business incubator that accelerates the development of start-ups by providing innovators and entrepreneurs with a width of targeted resources and services to achieve faster and more reliable growth. LEAD has offices in Norrköping and Linköping and is owned by Linköping University.

LEAD offers companies business coaching, business development methodology, support to attract financing, different kinds of training and a network of business contacts. The goal is to be a business incubator of high international standard that successfully commercialize knowledge and develops companies with great growth potential.<sup>29</sup>

### **Handelns hus**

Handelns hus (The house of Commerce) is a small store and incubator in Linköping where aspiring entrepreneurs and business owners learn the profession by creating their own small shop while receiving vocational training at the same time. They are offered first class education in all aspects of employment and service, the guidance of experienced mentors and the latest technology as a tool.

There is room for 6-10 entrepreneurs at the time and they get to stay for a maximum of 2 years. After that the time, they are supposed to be able to run their businesses on their own. The entrepreneurs have to fulfill two conditions:

- Be able to show a good business plan that meets the demands on a realistic assessment of business opportunities.
- Show that the business idea either involves new technologies in an old market or old technology in a new market.

Swedish Commerce is the owner of the project with co-financing and support from Linköping municipality and a partnership consisting of different actors that contribute with education and support for the entrepreneurs.<sup>30</sup>

### **Hallarna Norrköping**

Hallarna (The Halls) is a non-profit organization and creative area in Norrköping in the county of Östergötland. The creative neighborhood started in 1992, and has become an important hub for development of free culture. The area is filled with stages, concert halls, and workspaces; there are several hundreds of creative workers doing their thing here, which makes Hallarna a hub for culture and creativity in the East Sweden region.

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<sup>28</sup> <http://www.nyforetagarcentrum.com/>

<sup>29</sup> <http://lead.se/>

<sup>30</sup> <http://handelshus.se/>

Hallarna want to be an example on how cultural business can make its own money. The Business studio (a craft-business incubator for designer-makers) is a great example on cultural activities that lives on its own strengths, without grants.<sup>31</sup>

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<sup>31</sup> <http://www.hallarna.org/english.php>

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