



**MINISTER OF ECONOMY OF THE REPUBLIC OF LITHUANIA  
ORDER  
ON THE APPROVAL OF THE CONCEPT OF THE DEVELOPMENT OF THE  
LITHUANIAN CLUSTERS**

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Vilnius

In accordance with Subparagraph 9.26 of the Regulations of the Ministry of Economy of the Republic of Lithuania approved by Resolution No 921 of the Government of the Republic of Lithuania of 23 July 1998 “On the Approval of the Regulations of the Ministry of Economy of the Republic of Lithuania”,

I hereby approve the Concept of the Development of the Lithuanian Clusters (attached).

Minister of Economy

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APPROVED by  
Order No 4-131 of the Minister of  
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## CONCEPT OF THE DEVELOPMENT OF THE LITHUANIAN CLUSTERS

### CHAPTER I GENERAL PROVISIONS

1. The Concept of the Development of the Lithuanian Clusters (hereinafter referred to as the 'Concept') is drafted in accordance with the national progress strategy 'Lithuanian Advancement Strategy 'Lithuania 2030' approved by Resolution No XI-2015 of the Seimas (Parliament) of the Republic of Lithuania of 15 May 2012 'On the Approval of the National Progress Strategy 'Lithuanian Advancement Strategy 'Lithuania 2030', the National Innovation Development Programme for 2014–2020 approved by Resolution No 1281 of the Government of the Republic of Lithuania of 18 December 2013 'On the Approval of the Lithuanian Innovation Development Programme for 2014–2020'.

2. The Concept is composed of the current state analysis of clusters, the benefits provided by clustering, the targets and tasks of the development of clusters, cluster members, levels of cluster development and monitoring of the promotion of clusterization.

3. The Concept is in the nature of a reference; its goal is to promote the development of clusterization in Lithuania. The Concept is aimed at creating conditions for making innovative decisions, carrying out scientific research and experimental development (hereinafter referred to as 'SR&ED') activities, encouraging investments, improving employability, increasing business productivity and export, and implementing innovations.

4. For the purposes of this Concept the following definitions are used:

4.1. **Cluster** shall mean the accumulation of companies and (or) science and study institutions and other entities which functions on the principle of partnership and whose members acting in different interrelated areas of economic activity and initiatives seek to improve economic performance and increase its effectiveness.

4.2. **Cluster Facilitator** shall mean a person who, without direct participation in the activities of the cluster, helps Cluster Members understand their common goals and achieve them.

4.3. **Cluster Coordinator** shall mean a legal entity which administers and develops internal and external relations of cluster activities, represents cluster interests and directly participates in the chain of activities intended for the development of the value chain of cluster.

4.4. **Cluster Members** shall mean natural and legal persons who belong to (a certain) cluster and cooperate with each other.

4.5. **Clusterization** shall mean the process where companies, science and study institutions and other entities congregate into clusters.

4.6. Other definitions used in the Concept are defined in the laws and other legal acts of the Republic of Lithuania.

### CHAPTER II CURRENT STATE ANALYSIS

5. Presently Lithuania devotes much attention to the development of clusterization. Environment favourable to clusters is being created, international relations are developed and effort is put in promoting the entering into international clusters with the aim to have high-level innovative clusters in Lithuania since networks of innovations provide small and medium-size

enterprises (hereinafter referred to as the ‘SMEs’) with favourable environment for creating innovations and developing relations with big companies and international partners.

6. As a form of cooperation or business model, cluster is a fairly new phenomenon in Lithuania, therefore, there is a lack of competence and knowledge of the benefits provided by cluster, of its management and the culture of cooperation, as well as of the value chain. Clusterization is hampered by the shortage of trust and cooperation among the members of cluster, the lack of professional Cluster Facilitators and other specialised agents, and inability to choose the appropriate means of communication. Successful companies try to conduct themselves with precaution in terms of other counterparts as they consider their partners the rivals who seek to take their share of the market.

7. In accordance with the details of the Lithuanian cluster map (<http://maps.klaster.lt/>), there are more clusters in the field of services than in industrial sectors in Lithuania. The number of clusters is especially high in the fields of information technologies, health improvement and creative industries. With regard to traditional sectors of industry, most clusters are concentrated in the industry of food and beverages, the lowest number of them is seen in the sectors of textile, wood and furniture industry, manufacture of machinery and equipment, chemistry and plastics, electronics, etc. It should be noted that the number of regional clusters is particularly low. Currently there are only a handful of clusters and they mainly focus on tourism services.

8. Clusters are developed in economically strongest cities of Lithuania (Vilnius, Kaunas, Klaipeda), where the concentration of operating economic entities and the employability are the highest. Nevertheless, some signs of clusters may be also found in Lithuanian regions (counties), especially in those which clearly specify in one of another field (Anyksciai, Birzai, Druskininkai, etc.).

9. Assessing the internationality of the Lithuanian clusters, the conclusion could be drawn that Lithuanian clusters often take part in international projects and other EU initiatives which create knowledge and innovation-based space and develop commercial cooperation with foreign partners. The majority of the Lithuanian clusters are, however, fledgling and too weak to attract foreign markets. In developing internal and external cluster relations, there is a lack of coordination of efforts of Cluster Members, which limits the capacity of clusters to act on the international scale.

10. Clusterization is important on the global, EU, and Lithuanian scale. The EU policy on innovations emphasises that it is necessary to create a favourable environment for the development of innovative clusters, international relations and for the expansion of international clusters of innovation at a global level. The Communication from the Commission (to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions) of 6 October 2010 Europe 2020 Flagship Initiative: Innovation Union [COM(2010) 546] highlights the importance to speed up the implementation of SR&ED results in the market to solve the main problems of the public so as to enhance the competitiveness of the EU and increase the number of new jobs. Partnership among businesses, science and study institutions and other entities on the regional, national and international level may be one of the ways to achieve the aforementioned goals.

11. Having carried out relevant studies and research (‘Cluster Study’ conducted by association ‘Ziniu Ekonomikos Forumas’ (Forum on Knowledge Economy) in 2012), the following key strengths, weaknesses, opportunities and threats of the Lithuanian clusters were identified: strengths – relatively cheap qualified workforce, favourable location in terms of logistics, well-developed infrastructure of logistics, high level of corporate technological base; weaknesses – poor cooperation between companies, lack of trust and competence, reluctance of companies to improve their competence and develop high added value; opportunities – production of niche products, integration to international networks; threats – absence of regional specialisation, shortage of qualified specialists and emigration, inability to compete with state manufacturers with low operating costs, inability to join international networks.

12. In accordance with ‘Cluster Study’ conducted by association ‘Ziniu Ekonomikos Forumas’ (Forum on Knowledge Economy) in 2012, the three following directions of the development of clusterization processes could be distinguished in Lithuania:

12.1. Development direction of clusters in the sector of high technologies. The focus of this direction is the expansion of the high technology industry by promoting the development of clusters in the fields of biotechnologies, mechatronics, laser technologies, information technologies, nanotechnologies and electronics.

12.2. Direction of regional development of clusters. This direction is oriented towards the promotion of cluster initiatives in the regions (counties) focusing on problematic ones in particular, the implementation of modern and high impact technologies which are important for innovativeness of industry and growth of the whole economy thus ensuring the competitiveness of the state in all sectors. It is important to emphasise that clusters which consolidate companies from different sectors (operating in all segments of the value (creation) chain of the cluster), science and study institutions and other entities tend to be more innovative.

12.3. Development direction of clusters in traditional sectors of industry. The focus of this direction is put on the development of clusters in traditional industrial and service sectors which is aimed at cooperation among the enterprises operating in the sector of traditional industry as well as at their collaboration with science and study institutions.

13. Like all other EU Member States, Lithuania undertook to prepare the national smart specialisation strategy over the new period of funding from the EU structural support planned for 2014-2020. This strategy will have a considerable impact on the prospect of cooperation between Lithuanian science and business and on the competitiveness of the state in Europe and worldwide. Cluster may be one of the main measures to achieve common EU targets, to take advantage of all capabilities provided by SR&ED and innovation development to the utmost, to raise economic level of states, to promote long-term processes of business development of a state based on the cooperation among business, science and public sector.

### **CHAPTER III BENEFITS OF CLUSTERING**

14. Clusters are different from other modes of cooperation in that Cluster Members are linked by common economic interests while participating in the activities of value chain of products and (or) services. Clusters are much more than simple horizontal networks used as the basis for cooperation between the companies, which operate in the same market and fall within the same group of industry, in such fields as SR&ED, implementation of innovations, development of products or purchase policy. Most often clusters are inter-sectoral (vertical and (or) horizontal) networks combined of different and complementing each other enterprises, science and study institutions and other entities the particularity of which in the value chain of cluster is specific solutions. Common points of contact found in inter-sectoral cooperation and their development by active operation of Cluster Facilitators help Cluster Members create products and (or) services in a more efficient manner.

15. Knowledge comprising the basis of any innovative activity should not be accumulated in state institutions or organisations, or individual enterprises, but has to be spread among many actors of the system of innovations instead, namely, enterprises, science and study institutions and other entities. The only way to use this knowledge for companies wishing to implement innovations is to cooperate with other interested companies, with science and study institutions and other entities, to combine available competences and coordinate activities so as to produce unique products.

16. Clusters are often looked at as the phenomenon of economics of many developed and speedily developing countries since they promote economic growth, attract new technologies, qualified staff, and investments in SR&ED. Clusters also pool companies, science and study institutions and other entities together, especially those whose social manufacturing relations

empower their specialisation, allow for the use of unique specialised resources and thus enhance the competitive advantage of both Cluster Members and the entire state.

17. As a form of operation, cluster not only changes economic structure and potentials of a state or region (county) or a certain city, but also strengthens human, technical, scientific, capital, investment, partnership or other capabilities of individual Cluster Members. Effectiveness, competitive advantage both in local and international market, innovative products or improvement of staff's competence, benefits provided to both partners and corporate clients may be only a few of many results to be achieved by Cluster Members if they act together.

18. Clusterization helps developing new ideas and businesses, transmitting knowledge and implementing technologies in a more speedily manner, developing products, improving working and product quality, technological contents, creating favourable conditions for corporate effectiveness, increasing innovativeness, reducing operating costs of SMEs in the SR&ED field in particular, providing favourable conditions for the growth of SMEs, promoting the development of export, reducing risks and increasing the possibility of success in choosing the SR&ED directions, improving efficiency of SR&ED processes by using the consolidation of potentials, helping SMEs enter global networks of knowledge and innovations, taking advantage of opportunities provided by them in creating higher additive value, increasing competitiveness and improving employability.

#### **CHAPTER IV TARGETS AND TASKS OF THE DEVELOPMENT OF CLUSTERS**

19. The target of the development of clusters is to increase the innovation potentials of Lithuania's economy by promoting clusterization.

20. The following main tasks of the development of clusters are determined:

- 20.1. to advocate the potentials of clusterization;
- 20.2. to promote establishment and development of clusters;
- 20.3. to increase innovative potentials of clusters;
- 20.4. to encourage clusters to join international networks (clusters).

#### **CHAPTER V CLUSTER MEMBERS**

21. The establishment of a cluster should start with no less than 5 independent companies; however, to develop activities and strive for higher efficiency both in Lithuania and in foreign markets, this number should be increased. To create new technologies and implement innovations, the aim is to engage the representatives of science and study institutions in cluster-related activities.

22. Cluster Members may act in accordance with the joint activity (partnership) agreement or on other contractual basis.

23. One of the Cluster Members shall be Cluster Coordinator.

#### **CHAPTER VI LEVELS OF CLUSTER DEVELOPMENT**

24. The level (degree) of cluster development is determined by the following factors:

24.1. Experience of common activity (Cluster Members cooperate in various fields of economic activity and innovations with the aim to increase economic efficiency, share knowledge, transfer technologies, develop new products, etc.);

24.2. the number of activities realised by Cluster Members and the degree of involvement of Cluster Members;

24.3. the share of export of products and (or) services of Cluster Members in the framework of sales.

25. Three levels of cluster development are distinguished as follows:

25.1. Emergent clusters. These are clusters which have carried out common activities for less than 2 years.

25.2. Developing clusters. These are clusters which have carried out common activities for more than 1 year and have successfully implemented at least 3 common activities which attracted at least 50 per cent of Cluster Members.

25.3. Mature clusters. These are clusters which have carried out common activities for at least 3 years, have successfully implemented at least 5 common activities which attracted at least 60 per cent of Cluster Members and the consolidated share of export of products and (or) services in the sales framework of which is more than 15 per cent.

## **CHAPTER VII MONITORING OF PROMOTION OF CLUSTERIZATION**

26. The aim of monitoring of cluster promotion is to create a reliable basis for cluster development.

27. Monitoring and assessment of promotion of clusterization is organised by an institution authorised by the Economy Minister (hereinafter referred to as the 'Authorised Institution') which shall submit the outcomes of the assessment to the Ministry of Economy of the Republic of Lithuania.

28. The Authorised Institution shall draft and following the coordination with the Ministry of Economy approve the procedure for monitoring and assessment of promotion of clusterization.

29. Clusters shall be registered in cluster database which is administered by the Authorised Institution.

## **CHAPTER VIII FINAL PROVISIONS**

30. The development and expansion of clusters may be promoted at the expense of cluster, from the state budget of the Republic of Lithuania and municipal budgets, and using the funds of the EU and other international financial assistance measures.

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