

Regional IT growth support from Sweden

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Baltic countries – Estonia, Latvia and Lithuania always felt strong support from Scandinavian countries. One more initiative, devoted to development of Information Society – Baltic Sea IT Fund. Bilateral councils with Sweden will work distributing funds allocated by Swedish government for promising projects.

New structure, devoted to development of a new IT projects began work this spring – Swedish – Lithuanian bilateral IT council. Such councils also exist in Latvia, Estonia and St. Petersburg region in Russia. The main tasks of councils – find and prepare project for assessment and, possibly for support by Baltic Sea IT-Fund.

The funds, allocated by Swedish government for regional IT project support are 80 million SEK for all four regions. This is very considerable support – in Baltic countries with low IT budgets, especially for those projects, which do not have short time profit and direct returns it is very difficult to find any long term investments. Here are presented brief guidelines for project applicants. The new orientation is, that fund preferably supports projects with commercial orientation. This will increase responsibility for the individual project results and use of the grants.

The mission of the fund – not only distribute grants for the successful projects, but also establish business relationships in the project. One of the requirements – one of the project partners must be from Sweden. Below presented extract from Council documentation about financing:

“Fund could finance:

- *Contribution to the structuring and documentation of projects:*

The Fund can allocate means to help the sponsor of a project to structure his concept and document it for financing purposes.

- *Risk sharing:*

The Fund can participate in the financing of the initial phase of a project in order to reduce the risk taken by commercial actors. The Fund will endeavour to identify and finance the portion of “over-risk” which, if removed, makes the project a “normal” business venture. Such risk sharing shall however be considered only in projects with a good potential to become profitable and in which the Fund’s involvement facilitates the commercial actors’ decisions to invest in the project. The participation of the Fund in the financing of integration work (development of the interface between techniques or technologies, re-engineering of working methods, security solutions, etc.) and the financing of pilot projects are examples of risk sharing.

- *Facilitating the implementation of principally non-commercial projects*

with a potentially positive impact on the local social and economic conditions. Examples of such projects are distance learning and telemedicine applications.”

To find good and promising projects is not easy. Established structure is not only a “filter”, but also organizational body supporting preparation and formalisation of good ideas, which later could become good projects.

Organizational structure of the fund:

The Fund has a Board of Directors who takes decisions to commit funds and a Chief Executive Officer who has the responsibility for implementing the decisions of the Board of Directors. Locally in each region there are IT Council, deciding, which project are eligible for support. Administrative support for Local IT council in Lithuania is given by Association of Information technology, telecommunication and office equipment companies INFOBALT.”

The local councils are crucial bodies in overall structure. The local members of councils are professionals, highly experienced in IT and information society creation area – prominent scientists together with leading commercial companies directors. The brief description of council role (extract from council documentation):

- "To decide on what projects to support for financing by the Fund. The Councils do not apply for funding on behalf of project sponsors. Project sponsors, who have obtained the assistance of the Fund to structure and document their projects, will have to seek renewed approval by the local Council to be able to apply for continued financing from the Fund.

- To identify areas within IT which have a national interest and where competence or competitiveness should be increased. In connection to defining priorities the Councils could also define and describe possible project concepts, which would then be marketed to possible local and Swedish sponsors.

- To look for projects and/or initiate projects. The respective Councils should not limit their search for projects to a fourth of the Fund's capital, as the Fund will market sustainable projects to other financiers.

- To make sure that projects have local and Swedish support. The projects initiated by the Councils will necessarily need to have a local project sponsor, which implies that the Councils initiating projects will also have to look for suitable local sponsors who in turn will make sure that their project gets Swedish support. The Councils will also make sure that a contact is established between projects which can benefit from cooperating with each other.

- To make sure that projects have access to local finance and/or local resources. The Councils will assist project sponsors to secure local financing for their projects. Financing does not necessarily mean a cash contribution. It could mean that part of the project cost is covered because the project has access to local facilities or resources outside the project."

Memorandum of understanding – basic document of Bilateral IT councils. Here is presented text of this document:

MEMORANDUM OF UNDERSTANDING

Regarding the Establishment of Bilateral IT Councils in the Baltic Sea Region

On December 16–17, 1997 and on January 18–19, 1998 discussions were held regarding the establishment of Bilateral IT-Councils in the Baltic Sea Region to support the use and development of IT in Estonia, Latvia, Lithuania, and the St. Petersburg area. Representatives from government and private institutions from Estonia, Latvia, Lithuania, St. Petersburg, and Sweden agreed on the following:

1. To welcome the proposal made by the Swedish Government made in Tallinn, Estonia on December 17th, at the IT Conference on Economic Development and Employment to support the use and development of IT in Estonia, Latvia, Lithuania, and the St. Petersburg area. The fund used for this support amounts to 80 MSEK.

2. To establish Bilateral IT Councils in Estonia, Latvia, Lithuania, and St. Petersburg that will in cooperation with Sweden help finance IT projects of mutual advantage for the Baltic Region. These councils will include representatives from government, private, and public institutions and will prepare and submit projects for consideration to the Swedish Government represented by Swedfund International AB.

3. The projects that can be submitted can be of two types: projects that address concerns held in common by all the Councils and projects that address a local concern of a council. Individual local projects will not normally be funded in excess of 4 MSEK from the Fund.

4. The Swedish side will produce a list of common projects based upon input from the Bilateral IT Councils.

5. It was agreed to create a formal Bilateral IT Council Steering Group representing Estonia, Latvia, Lithuania, City of St. Petersburg and Sweden. This Steering Group will meet on a regular basis in order to handle overall coordination of the activities within the Bilateral IT Councils.

6. Each Bilateral IT Council is responsible for developing its own internal procedures for regulating its operations.

7. That the 80 MSEK designated to support the use and development of IT in Estonia, Latvia, Lithuania, and St. Petersburg should be distributed according to the merits of the presented project i.e. a project of mutual advantage for the Baltic Region or addressing an important issue in the local area. The aim being an equal distribution of funds.

8. Swedfund International AB will act as coordinator among the Bilateral IT Councils and the Swedish Government.

9. The Swedish side will take responsibility for creating a common WWW site for the collection and distribution of information for all Bilateral IT Councils.

Signed in Stockholm on January 19, 1998

More information about Baltic Sea IT fund and Bilateral IT Council in Lithuania – in Lithuanian council web page <http://www.infobalt.lt>