



Availability and Focus on Innovation Voucher Schemes in European Regions

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This paper summarises the findings of a survey on innovation voucher schemes with the aim of providing a snapshot of the current design and implementation of the schemes around Europe, identifying commonalities and distinctive features. It represents the views of DG ENTR-Unit D2 and does not commit the Directorate-General for Enterprise and Industry or other services of the European Commission.

Contact: Sven Schade (sven.schade@ec.europa.eu) and Corina Grigore (corina.grigore@ext.ec.europa.eu)

1. Introduction

A number of new innovation voucher schemes have been established by regional and national innovation support organisations. These schemes are generally aimed at small and medium-sized enterprises to start new, or accelerate innovative activities and enhance their competitiveness in collaboration with R&D institutions or other service providers.

This survey aims to provide more of a snapshot of the current design and implementation of innovation vouchers schemes across Europe by identifying commonalities and distinctive features, rather than a full and representative overview of the current situation.

For the purpose of this study, innovation voucher schemes of interest were tentatively described as voucher schemes with the following conditions:

- to support SMEs to purchase services (R&D, IPR, testing, innovation management etc.)
- to be 'lighter' and 'faster' both in application and reporting than standard grant programs; typically open for applications until the exhaustion of funds (no deadline to observe)
- the voucher is issued by a regional/national agency by making a commitment to pay the service provider (occasionally, to reimburse the SME the payment made)
- they are limited in scope and amount committed (maximum 20 000 EUR for this survey)

Within this frame, a survey has been conducted and questionnaires have been sent to innovation agencies and similar organisations across Europe. The results are based on 23 schemes identified from 21 different managing authorities (national or regional, depending on the administrative level of responsibility for the scheme):

- Regional schemes: North Rhine Westphalia, Bavaria and Baden-Württemberg (Germany), NE-England, Yorkshire & Humber and West Midlands (UK), Flanders and Wallonia (Belgium), Euroregio Middle Benelux
- National schemes: France, Poland, Former Yugoslav Republic of Macedonia, Greece, Slovenia, Ireland, Denmark, Austria, Netherlands, Cyprus, Portugal, Switzerland. In Austria and Slovenia two different schemes are in place.

The survey database has been constructed with primary data obtained through 15 replies to the questionnaire (received from: Baden-Württemberg, North Rhine Westphalia, Bavaria, North East England, Yorkshire & Humber, West Midlands, Flanders, France, Poland, Former Yugoslav Republic of Macedonia, Greece, Slovenia, Ireland, Denmark, Portugal) and secondary data, by cautiously inserting available information into the questionnaire structure for the following countries: Wallonia (Belgium), Austria, Netherlands, Euroregion Middle Benelux, Cyprus and Switzerland. The sources of information used refer in particular to documentation of public innovation support schemes from the PRO INNO-Policy Trendchart, and original national directives where these were available.

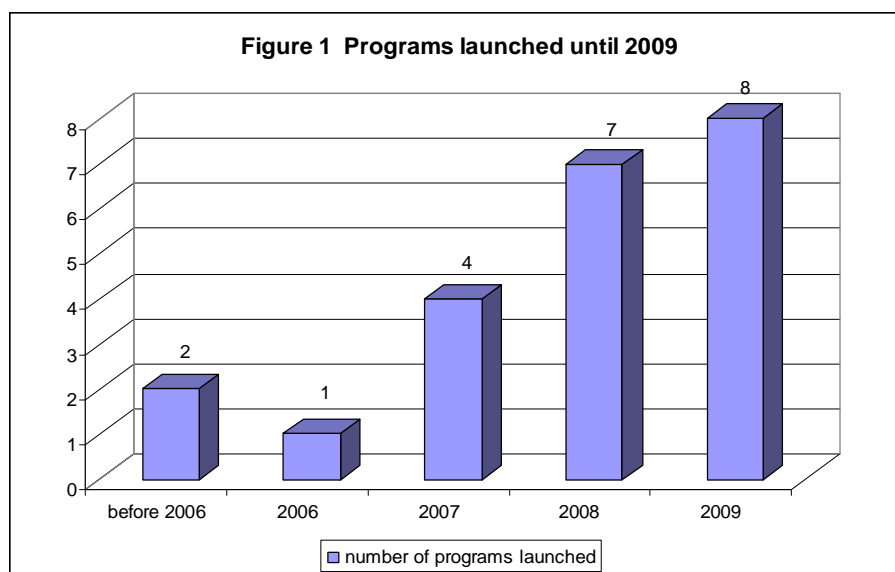
In the following sections, the results of the survey are first presented and then interpreted with respect to an identifiable 'common core' and different approaches to risk management. As not all data have been available for all schemes, the number of replies taken into consideration may vary between the questions.

2. Results

Innovation voucher schemes vary in design and implementation. However, similarities and commonalities between the voucher schemes can be identified.

a. The 'age' of the scheme

There is an increasing interest in vouchers schemes across Europe. Only three schemes have been established more than three years ago. (France-1990, Netherlands), more than half of the schemes are new initiatives, having been launched in 2008-2009 (Figure 1).

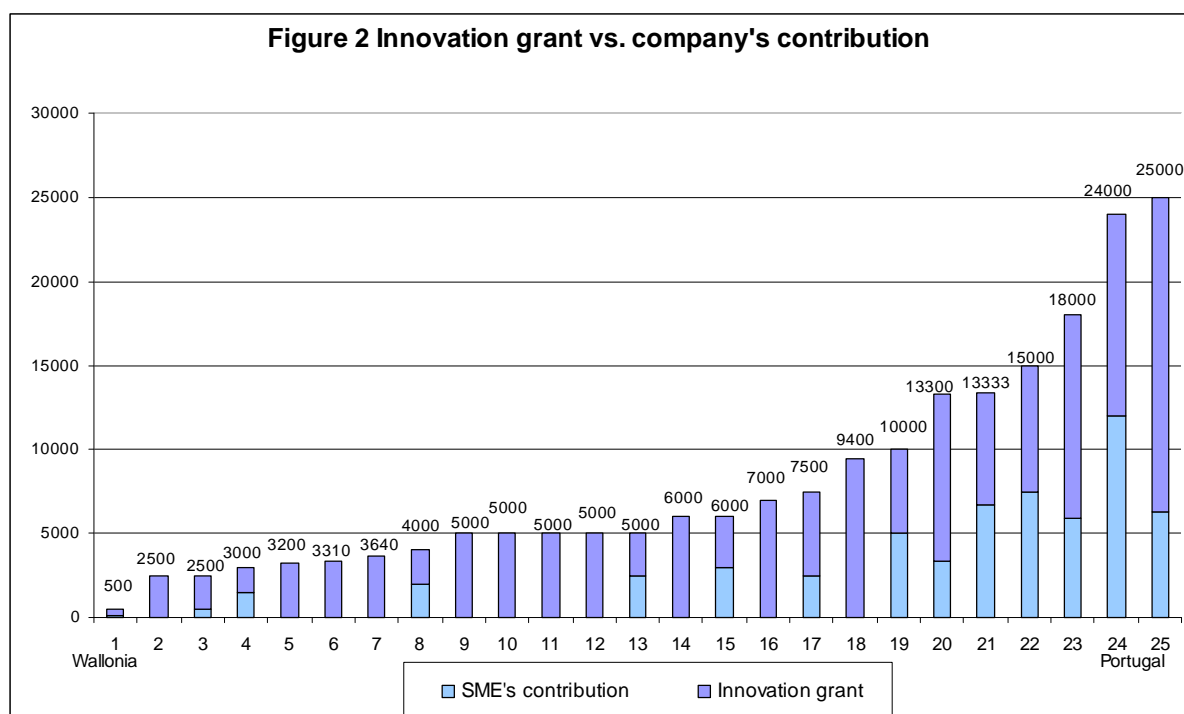


From a geographic perspective, most of the schemes have been launched in older Member States of the EU. In most of the cases, schemes are implemented nationally. Regional vouchers schemes exist in Germany, United Kingdom and Belgium, managed by regional authorities or universities (Aston University is issuing the vouchers in the UK West Midlands). The Euroregio Middle Benelux scheme ended in 2006 and it was managed by a project consortium supported through INTEREG.

b. The grant amount of innovation vouchers

The survey initially limited replies to voucher schemes awarding grants of less than 20.000€. However, two schemes have been identified that award slightly larger amounts but fulfil all other requirements established for innovation voucher schemes. Consequently, they are included in the survey.

The grants awarded vary and may require a company contribution up to a maximum of 50% (Figure 2). The voucher volume may vary from 500€ in Wallonia to 25000€ in Portugal. Some voucher schemes operate with two options: a small, fully financed voucher and a larger one that requires SME co-financing. Such dual schemes exist, for example, in the Netherlands and Slovenia. The 100% grant vouchers (i.e. no SME contribution) vary in size from 900€ in Slovenia to 7000€ in Greece and 9400€ in NE England. Eleven out of 25 schemes analysed do not require any company co-financing, while 8 schemes call for a contribution of 50% by the SME.



As a general trend, a larger voucher requires more significant co-financing. There are, however, exceptions to this rule with three schemes above 10.000€ voucher value requiring 33% or less co-financing.

c. Eligible companies

All schemes address SMEs. However, 7 schemes exclude micro-companies, typically with less than 10 employees and 7 schemes exclude medium-sized enterprises

Table 1 Eligible type of companies in different schemes

Types of eligible companies	Micro-enterprises	Small enterprises	Medium enterprises	Other types
Numbers of schemes (out of 22)	15	18	15	1 (< 100 employees)

Most of the schemes are open to all sectors, only 3 schemes having sector limitations (Slovenia, UK West Midlands, Flanders). 6 schemes are limited to newcomers in innovation activities and may award only one voucher per a company. The Slovenian schemes are the only ones accessible for not-yet-founded start-up businesses (the grant is limited to 2000€ in this case).

Table 2 Scheme Programs' eligibility criteria

Eligibility criteria	Exclusion of some sectors	Limited to Innovation newcomers
Number of schemes	3	6

d. Eligible services to be provided

A summary of eligible services is included in table 3.

Table 3 Eligible services

Research, Development	
11/21*	Generic & applied research
16/21	Proof of concept
19/21	Technical development and testing
Product development	
11/21	Involvement of clients and suppliers in product development
17/21	Design
Technology Transfer & IP	
16/21	Technology 'exploration' (inward TT)
8/21	IP protection
8/21	IP management
Management consulting	
15/21	Innovation management
15/21	Business process engineering
8/21	IT consulting
14/21	Market studies
7/21	e-business establishment
Training	
3/16	Already employed staff
3/16	Newly employed / prospective staff
* Number of schemes (out of 21 or 16 valid responses)	

Generic research is eligible in only half of the schemes. Technical development and testing is included in 19 out of 21 schemes. The only exceptions are two schemes in Austria and Slovenia where a second scheme in the country is covering these services.

Design services are eligible in all except 4 schemes: Yorkshire UK, Slovenia, Flanders and Cyprus¹. In terms of product development, half of the schemes analysed would support the involvement of clients and suppliers in product development.

Regarding technology transfers, 16 out of 21 schemes allow for technology 'exploration' (inward technology transfer) while only 8 explicitly support IP protection and IP management services.

¹ Based on secondary data, INNO-Policy Trendchart database

Most schemes support market studies, innovation management and business process engineering. Only a minority supports e-business establishment or IT consulting.

Training of staff is explicitly allowed in only very few cases: Denmark, Slovenia, and Cyprus². Many regulations exclude 'general training'; which might be interpreted in the sense that specific training could be financed through the innovation voucher schemes.

e. Eligible service providers

In most of the voucher schemes, only public or semi-public service providers can deliver services to SMEs (Table 4). Private commercial R&D providers are accepted in two thirds of the cases.

Table 4 Types of eligible service providers

Scheme Programs	Types of eligible service providers
17/20*	public service providers
19/20	universities
17/20	Public-private labs
13/20	private commercial R&D
7/20	private legal / IPR
6/20	private consultancy

* out of 20 valid responses

Only 1/3 of schemes accept private legal and/or private consultancy services. An interesting exception is the case of the Former Yugoslav Republic of Macedonia where the scheme is limited to private consulting only.

Table 5 Origin of eligible service providers

Foreign service providers are eligible in less than half of the schemes. 3 schemes are distinct regional schemes and accept only service providers from the region. These schemes are mainly driven by universities and their associations which might indicate that the objective is rather to bring R&D activity closer to market applications than to support SMEs.

Programs	Eligible service provider's origin
3/20	regional only
2/20	regional and national
6/20	national
3/20	neighbouring countries (or parts thereof)
2/20	EU
1/20	all European
3/20	wider

* out of 20 valid responses

11 schemes are not open for any kind of international cooperation (Table 5). 3 other schemes allow for service providers from neighbouring regions only, 2 of these 3 are

² Based on secondary data, INNO-Policy Trendchart database

distinct cross-border schemes (Euroregio Middle Benelux and Irish & Northern-Irish scheme).

9 scheme programs allow contracting foreign service providers across the EU or wider. Only 3 schemes would accept providers also from outside the EU (Bavaria, Denmark, Baden- Württemberg).

Interestingly, the schemes open for international cooperation are put in place in countries with a good innovation performance³ and abundant high quality R&D. The schemes are from Germany (2), France, Denmark, Flanders, Austria, Netherlands and Euroregio Middle Benelux.

Out of 9 regional schemes, 3 are limited to service providers in the region, 3 include national service providers and those across the border. 3 regional schemes are, however, open for international cooperation. In contrast, national schemes tend to be limited to the country.

Apart from the French scheme, no scheme accepts both foreign and private commercial service providers.

f. Assessment of service providers

Half of the schemes use a list of approved service providers while very few do not require some form of prior registration. The list of service providers is defined by the voucher issuing agency⁴.

Table 6 Implementation of innovation vouchers scheme

Schemes	Implementation method
10/20	list of approved service providers
9/20	individual approval of proposed service provider with application
4/20	Free choice of service provider - no prior approval needed
4/20	Other

g. Application process

Table 7 Length of application

Length	1-2 pages	3-4 pages	5-6 pages	> 6 pages
Number of schemes*	3	3	4	4

* out of 14 valid responses

³ See PROINNO Europe, Innovation Scoreboard

⁴ According to secondary data gathered

Table 8 Target time for approval

Duration	5 days or less	1-2 weeks	2-3 weeks	> 3 weeks
Number of Schemes*	4	2	3	6

* out of 15 valid responses

Applicants would be interested in short applications with immediate approval: the best performing scheme in this respect is in the Flemish one: a one-page application with the aim to approve it the very same day; on top of these, the grant is considerable: 10000€ which is, however, limited to R&D services. Other good examples are the Slovenian 'Consulting Voucher' scheme (5-page application, approval within two days, maximum grant of 4200€) and France (a 2-page application approved in 10 days with a grant of 10000€). In some cases, the application process can be very long: regularly 30 days and up to 45 days (Austria: feasibility studies). However, the typical application process includes a 4-5 page application to be approved in 2 to 3 weeks.

First come, first served is a general principle

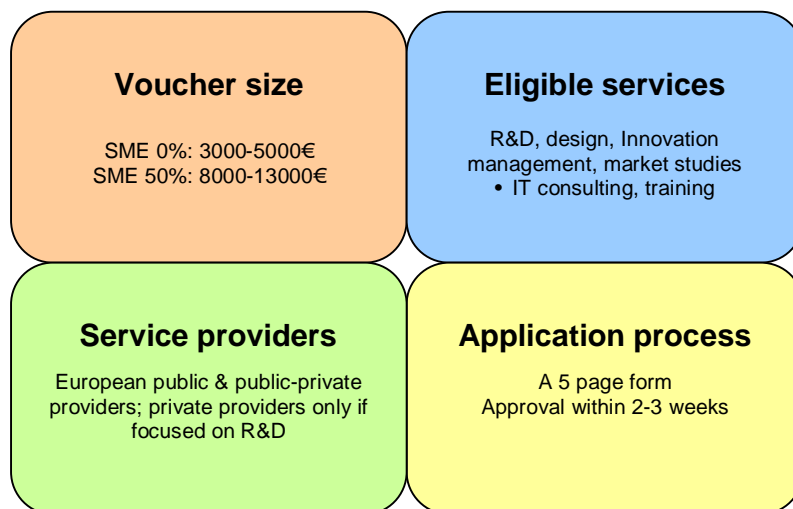
A number of innovation voucher schemes are (co-) financed from structural funds, including INTERREG for cross border cooperation. The 'project' approach upon which these schemes are based might have downsides in the long run if repetitive funding for the same scheme is required.

3. Interpretation

a. Is there a common core of innovation schemes?

The first part of this paper has demonstrated the existence of a wide variety of innovation voucher schemes in Europe. In the second part, a common core should be identified which would allow establishing cooperation between a number of schemes. The common core should, however, not be understood as common features between all schemes, but between a reasonable number of them. Based on the information described above, the common core could be defined as it follows:

Figure 3 Common core of innovation vouchers schemes



Voucher size: 3000-5000€ without company contribution and 8000-13000€ with SME contribution.

Eligible services: beyond R&D services, the core includes: design, client involvement in product development, inward technology transfer. Innovation management, business process engineering and market studies should belong to the core. IP protection and IP management would be borderline cases but the core may not include IT consulting, e-business establishment and training.

Service providers: European public or public-private service providers, including universities, and public-private labs. Private service providers would not be in the common core unless they are focussed on R&D service provision.

Application process: Typical application has around 5 pages and the approval is given within 2-3 weeks.

Figure 4 puts the potential common core in relation to the best performing scheme for each of the above criterion. Class 1 is, for example attributed to a grant size of 7000€ without co-financing and to the eligibility of all types of services. The weakest performance with respect to the criteria is attributed to class 4. The common core is defined as being in class 2 or 3. Table 9 summarises the class definitions.

Figure 4. Innovation vouchers schemes - common core, hypothetical best case

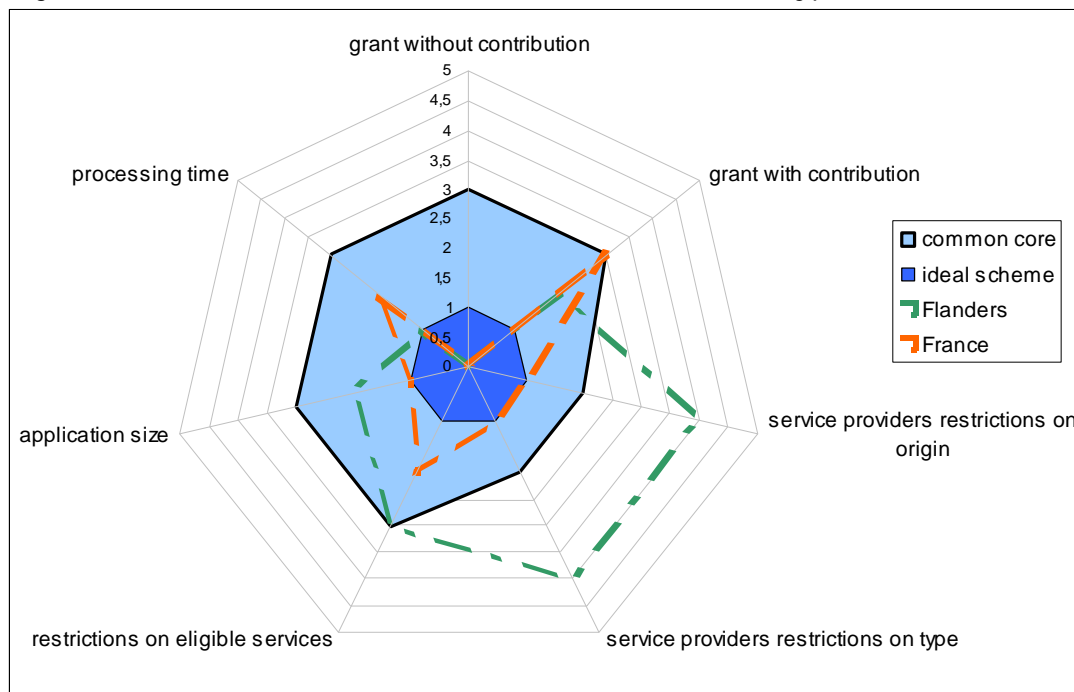


Table 9 Definitions of classes 1-4 in figure 4

Class criteria	Class 1 (best case in the sample)	Class 2	Class 3	Class 4
Grant size without SME contribution	Larger than 7000	5000-7000	3000-50000	Less than 3000
Grant size with SME contribution	Larger than 18000	13000-18000	8000-13000	Less than 8000
Restrictions on types of service providers	No restrictions - all service providers are eligible	Low restrictions - eligible only the public, universities, public-private labs, private commercial providers	Medium restrictions - public services, universities, public-private labs eligible only	High restrictions - only public services, universities are eligible only
Restrictions on origin of service providers	All European providers and wider	All European providers	National level and neighbouring countries	Regional providers
Restrictions on eligible services	Whole range of services eligible	All services except training, e-business establishment, IT consultancy	All services except those in class 2 and most management consulting, IP management and IP protection	Only R&D, testing technology exploration and design
Application length	1-2 pages	3-4 pages	5-6 pages	More than 7 pages
Application processing time	Less than 5 days	1-2 weeks	2-3 weeks	More than 3 weeks

Two exemplary cases are displayed in figure 4:

France, Prestation Technologique Réseau, is a scheme which fully fits within the common core and tends to be closer to the hypothetical best case. As such, it is a reference point: the grant is of 10000€ with a contribution of 50% from the company. Public, public-private and private service providers are accepted at the European level. The scheme has medium to low restrictions in terms of eligible services and the application process is short and fast. The approval is given in less than 2 weeks.

The Flanders' scheme, KMO-portefeuille - Technologieverkenning, ranks very well in terms of grant features and application process (being within the common core) but it includes stronger restrictions regarding the service providers and some restrictions on the eligible services. Considering these features, the Flemish scheme is clearly outside the common core.

Table 10 Failure of schemes on one or more criteria

Criteria	Within the common core	Outside the core
Grant size	17	4
Restrictions on types of service providers	10	11
Restrictions on origin of service providers	7	14
Restrictions on eligible services	11	8
Application length form size	7	3
Application processing time	5	7

Analysing the degree of failure for the schemes with complete data on all the criteria (Table 10), the following can be observed:

- The fastest voucher schemes (with a short application process) provide grant amounts within the core range. However, they restrict eligible services and service providers.
- No restrictions on service providers imply restrictions on eligible services and lengthy application processes. Typically these schemes are limited to R&D and product development services.
- A large grant and very low restrictions on eligible services imply restrictions on service providers and lengthy application processing time.
- International openness to service providers is set-off by high restrictions on grant size and eligible services.

Overall, only one scheme (France) is fully inside the potential core. The highest numbers of failures are observed regarding the origin of service providers and their type. European level coordination efforts for interested schemes might generate the highest impact if it is focused on these aspects. In contrast, application processes and eligible services might not deserve coordination efforts.

b. Risk in the management of voucher schemes

It is evident that too generous and open voucher schemes run the risk of misallocating public funds by:

- not generating the expected impact if services are too vaguely described and linked to clear objectives;
- not delivering the expected activities and outcomes with sufficient quality as a result of acceptance of ill-qualified service providers. This might lead to costly conflicts between the SME, service provider and voucher issuing agency;
- fraudulent use of the schemes through complicity of SME and service providers, particularly when other SMEs could act as service providers. The problem aggravates with higher grant sizes.

Different risk management approaches are followed and are reflected in the restrictions introduced in the schemes. Overall, there is a strong positive correlation between the value of the grant and the number of restrictions or degree of service eligibility.

Subjectively, the risks increase with the acceptance of private or foreign, unknown service providers. The R&D centres in the region are better known and more trusted - possibly, at the expense of excellence - than foreign institutes with no history of collaboration in the region.

'Risk management' shall however not be confused with 'risk avoidance'

A quote received from a French agency best exemplifies this. In short, the French scheme supports first innovation activities of an SME. It is open for international and for private service providers. The French agency is happy to accept the additional risks from both private and international service providers stating that:

'We are aware that one risk (i.e. international or private service provider) might materialise. But it never happens that a newcomer to innovation in France would employ a foreign, private service provider. As the risk is very unlikely to materialise, we can accept it.'

Other risk management mechanisms reported include:

- In France, the grant is given to the service provider only after the SME has paid its contribution to the provider. Which addresses both the risk of fraudulent use and poor quality

- In Flanders, in a research oriented program with comparatively high amounts and very fast approval, an ex-post verification of delivery is undertaken and in case of abuse, the service provider loses accreditation.
- In Austria, the service provider has to write the terms of reference of the work and remains liable in the case of non-delivery or abuse. This avoids costly procedures in case of poor delivery.

c. Next steps

As a follow-up to the survey, an innovation voucher group under the KIS-IP will be established in order to bring together experts in the field. Moreover, a discussion forum on the Europe INNOVA website is being considered in order to share experience and to discuss how innovation vouchers could be best used to promote the emergence of new markets for knowledge intensive services in Europe. This might identify new ways for an enhanced cooperation between innovation voucher schemes across Europe with the objective to provide access for SMEs to the best suited service provider in Europe.