



PRO INNO EUROPE

**INNO  
LEARNING PLATFORM**

**Good practice Identification –  
Advice for transferability  
Innovation Vouchers  
INNOCSEKK**

*February 2008*



**PRO INNO  
EUROPE**

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# CHAPTER I: Good practice identification

## 1 General description of the good practice

INNOCSEKK ([www.nkth.gov.hu](http://www.nkth.gov.hu)) is an innovation voucher scheme project in Hungary under the Gábor Baross programme which aims to support the elaboration of innovative ideas among SMEs and to enhance the possibility of regional cooperation between the innovation players. The project is administrated by the National Office for Research and Technology (NKTH) under the supervision of the ministry of Economy and Transport. Its mission is to implement the government's science and technology policy, namely on fostering the demand for innovation services.

The INNOCSEKK project aims “to support the innovation initiatives of micro and small sized enterprises and to stimulate both the demand and the supply sides of innovation services”. The project was announced in June of 2005 without a planned ending date. The first phase has just been completed in September 2007 as the period for submitting applications ended.

The scheme differs from other innovation vouchers schemes across Europe because the first intention of the scheme was to subsidize the innovation capacity of the region. Therefore there are some specific differences like allowing knowledge provider institutions to apply for a voucher. Among these institutions are all Hungarian universities, higher research an educational colleges, governmental investment bodies and “small regional communities” bodies. The last ones must represent regions with less than 5000 inhabitants and with an annual budget of no more than 10 million Euros.

Therefore, the scheme is quite open and covers a wide range of organisations operating in the country as long as they comply with the following restrictions:

- The proposed activities must fall on one of the 15 listed eligible activities;
- Firms operating in the transport sector are excluded from application;
- Firms cannot pool vouchers and each voucher has two year validity.
- Firms can only use the voucher on the region where they're located.

Currently there are no plans to evaluate the project.

## 2 Please describe the selected good practice<sup>1</sup> in terms of:

### 2.1 Uniqueness:

|   |  |  |  |
|---|--|--|--|
| <b>Measure Name:</b>  | INNOCSEKK  |  |  |
| <b>General description/rationale:</b>   |  |  |  |
| Allocation mechanism  |  |  |  |
| <b>Innovative characteristics as regards:</b>   |  |  |  |
| <b>Methodology</b>  | <b>Organization</b>  | <b>Function</b>  | <b>Results</b>   |
| Besides complying with the formal requirements, applicants must submit a “project proposal of their innovation activity’ to be assessed using the following criteria: “degree | The scoring system assess the application on following aspects:<br><br>A. innovation content of the project (0 to 30 points) | Forces SMEs to clearly demonstrate their innovation targets and respective costs prior to submitting | The allocation mechanism helps firms to better define where and in what should they spend their vouchers and helps |

<sup>1</sup>A technique or methodology that has proven to reliably lead to the result that has been aimed for; An activity or procedure that has produced outstanding results in another situation and could be adapted to improve effectiveness, efficiency, ecology, and/or innovativeness in another situation.

|  |   |   |  |
|--|---|---|--|
| <p>of innovativeness, feasibility, and importance of the project”.</p> <p>The assessment of the applications is made by an external expert group through a scoring system. If approved the expert group submits a recommendation to the president who makes a final decision.</p> <p>“An application can be awarded a maximum of 100 points. Granting of subsidy is conditional upon of the total score of at least 75 points, and in every criteria of the evaluation the awarded part-score must achieve a minimum of half of the maximum points.”</p> | <p>B. professional and technical feasibility of the project (0 to 30 points)</p> <p>C. reasonableness of the estimated purchases, orders and services, reality of their planned costs (0 to 20 points)</p> <p>D. social/economical importance of the innovation in respect of the enterprise, the entrepreneurial circle, the business field and the economy of the region (0 to 20 points).</p> <p>Vouchers are allocated to <u>all</u> successful applications, although the budget could be adjusted if there more applications than expected.</p> | <p>applications.</p> <p>The scoring system creates a simple method to evaluate the quality of the submitted projects.</p> <p>Definition SMEs’ needs, in terms of the specific knowledge or R&amp;D service.</p> | <p>government bodies to better coordinate the supply side.</p> |
|--|---|---|--|

| <b>Measure Name:</b>  |   | INNOCSEKK  |   |
|---|---|--|---|
| <b>General description/rationale:</b>   |   |  |   |
| Regional Binding  |   |  |   |
| <b>Innovative characteristics as regards:</b>   |   |  |   |
| <b>Methodology</b>  | <b>Organization</b>   | <b>Function</b>  | <b>Results</b>  |
| <p>Firms can use the voucher on any knowledge provider institution as long as it is located in their respective region.</p> | <p>Some exemptions were considered:</p> <ol style="list-style-type: none"> <li>1. If firms demand for services unavailable in their regions, they can use the voucher in other regions, according to the subsequent decision of the Subsidy Donor.</li> <li>2. Activities related to “Domestic copyright protection, registration of patent, trademark, usage and design” can be used at national level.</li> </ol> | <p>Implements a regional binding for exchanging the voucher for innovation services.</p> | <p>Supports regional development through a better exploitation of the innovation capacity in each region and by promoting long lasting relationships between SMEs and knowledge providers based on proximity.</p> |

## 2.2 Relevance:

| <b>Problem</b>  | <b>Solution that was provided</b>   |
|---|---|
| Bureaucracy   | Innovation vouchers are use here to simplify the process of subsidising SMEs and public bodies. Actually the subsidy becomes rather virtual since firms simply forward the invoice of the supplied services to NKTH which in turn will pay the costs to the service provider. |
| Gap that exists between the small business community and public research bodies | The INNOCSEKK project opted for the stimulation of both the demand and the supply sides of innovation services, i.e., both SMEs and knowledge providers can apply for a voucher, extending its scope of application.  |
| Lack of demand-led innovation services  | Instead of supporting knowledge providers and public bodies directly, the INNOCSEKK project subsidies SMEs, thus fostering the demand side for innovation services.   |

## 2.3 Effectiveness:

- 1300 firms applied for a voucher.
- 364 applications were approved.

Notes:

1. The voucher is valid for two years.
2. SMEs may apply different projects but only in their region and to a maximum amount of EUR 100.000.
3. It is not possible to pool vouchers
4. These indicators refer to the first phase of the project

When the project was announced, NKTH expected to allocate 200 to 2500 vouchers in a three year period. This benchmark was clearly underestimated since there are already 1300 submitted applications only on the first phase showing how successful was the measure.

Since INNOCSEKK was planned to act as a subsidy scheme to promote the innovation capacity in Hungary there is no ending date planned. Therefore further phases for submitting applications will follow although no specific date has been appointed. Further phases will be adapted accordingly to the lessons learned in the first phase, namely the overall budget to raise the number of vouchers allocated in reaction to the large number of applications submitted (1300 for only 364 approved).

## 2.4 User satisfaction:

| <b>User group</b>                       | <b>Primary target group (yes/no)</b> | <b>Feedback provided</b> | <b>Explanation for feedback</b> |
|---|--------------------------------------|--------------------------|---------------------------------|
| SMEs                                    | Yes                                  | None                     |                                 |
| Universities                            | Yes                                  | None                     |                                 |
| Higher research an educational colleges | Yes                                  | None                     |                                 |
| Governmental investment bodies          | Yes                                  | None                     |                                 |
| Small regional communities bodies       | Yes                                  | None                     |                                 |

## 2.5 Recognition:

The INNOCSEKK initiative has been implemented under the Gábor Baross programme which aims to support the elaboration of innovative ideas among SMEs and to enhance the possibility of regional cooperation between the innovation players. As one of the three main pillars of the Gábor Baross programme, INNOCSEKK aims to support the innovation initiatives of small and micro-sized enterprises.

The initiative has been recognized by The European TrendChart on Innovation and several Hungarian regions stated that the initiative fits well on their regional development programmes already running as shown in the following regions:

### South Transdanubia <sup>2</sup>

The South Transdanubian Regional Development Agency reports an increase in SMEs awareness of the importance of innovation on the “fuelling the promotion of innovation capacities in the private and public sectors”. Some specific side effects of the initiative were also identified:

- An increased level of competition;
- A cooperative network of innovation actors;
- The creation of environmentally friendly innovation projects;
- The support for the creation of knowledge and technology intensive businesses with a strong growth potential;
- Employment opportunities for highly qualified workers.

### North Great Plain <sup>3</sup>

The North Greta Plain reported that the initiative “is proving successful in prioritising innovation and strengthening the research bases, as well as placing a greater emphasis on areas with increased value in the global economy.”

### West Pannon <sup>4</sup>

A total of 109 proposals were submitted to the West Pannon Regional Innovation Agency (WPRIA) for funding, of which 26 were granted aid in a total of HUF 425 million (EUR 1.7 million).

## 2.6 Context dependency:

- The project is funded by the Research and Technology Innovation Fund, managed by NKTH.
- The initial overall budget was approximately of EUR 20 million
- This budget was later raised to EUR 25.5 million after the success of the measure, with a greater number of projects approved than the number that was initially expected.
- Vouchers are allocated with a flexible amount ranging between EUR 8000 and EUR 100.000.

| Specific characteristic /circumstance at hand   | Solution that has been offered from within the action/tool  | Explanation of the effectiveness of the provided solution   |
|---|---|---|
| Each regional development agency manages the allocated fund and makes the interface with the target groups of their regions. Funds are distributed among the seven Hungarian regions: | The distribution uses the following criteria: 50% of the overall budget is divided by the regions proportionally to their population. If the allocated budget is fully used | This measure tries to assure some equality in the fund distribution by taking into account their population but promotes also the most innovative regions by allowing |

<sup>2</sup> www.ddriu.hu

<sup>3</sup> www.eszakalfold.hu

<sup>4</sup> www.westpa.hu/en/

|  |   |   |
|--|---|---|
| Central Hungary<br>Central Transdanubia<br>North Great Plain<br>North Hungary<br>South Great Plain<br>South Transdanubia<br>West-Pannon region | then each region can apply for the other 50% without more restrictions. | them to apply for the national common fund. |
|--|---|---|

## 2.7 Replication:

Although it is still too soon to evaluate the results of the project, there is already some data available that permits a preliminary assessment for its replication potential. Since the INNOCSEKK project was planned to act as subsidy scheme there are quite some differences to other innovation vouchers schemes currently running in Europe:

First, it can replace old subsidy schemes where money is directly allocated to education institutions and public bodies. Instead, both SMEs and knowledge providers can apply for a voucher, helping to identify the demand for R&D services, supporting the development of these services within knowledge providers while reducing the overall bureaucracy and complexity usually associated with subsidy schemes.

Second, the application process is not as straightforward as other innovation vouchers schemes in Europe since applicants must describe their innovation process and associated costs prior to submission. Again, as a method to subsidize the actors of regional innovation it seems a good allocation mechanism but it loses some of the simplicity of the original idea implemented in the Netherlands. The same happens in the scoring system which seems to be also a good system to evaluate the quality of the applications but implies more resources and turns the all process more time-consuming.

However, the INNOCSEKK initiative has been very successful so far and provides an excellent opportunity to evaluate its unique characteristics when compared with other innovation vouchers scheme, specifically because it can extend the scope of application of the original idea, namely by allowing knowledge providers and public bodies to apply for a voucher, thus stimulating the supply side of innovation services and, maybe even more important, because it could become an excellent practice for replacing current methods of subsidization of innovation.

Definitely the Hungarian experience with the INNOCSEKK project is another initiative to follow up in the future as further phases are implemented and their results published.

### 3 Additional information sources

|   |  |
|---|--|
| Name:                                     | NKTH   |
| Organisation:                             | National Office of Research and Technology             |
| Position:                                 |  |
| Role experience within the good practice: | Project Administration                                 |
| Telephone:                                | +36 1 484 2520   |
| Email:                                    | <a href="mailto:info@nkth.gov.hu">info@nkth.gov.hu</a> |
| Address:                                  | Neumann János u. 1/c<br>1117 Budapest                  |
| Web address:                              | <a href="http://www.nkth.gov.hu">www.nkth.gov.hu</a>   |

|   |  |
|---|--|
| Name:                                     | Dr Ilona Vass  |
| Organisation:                             | National Office of Research and Technology                         |
| Position:                                 | Vice-President   |
| Role experience within the good practice: | Project Supervisor   |
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| Web address:                              | <a href="http://www.nkth.gov.hu">www.nkth.gov.hu</a>               |

## **CHAPTER II: Advice for transferability**

### **4 Introduction to the proposed action**

#### **4.1 What are the main actions to be promoted to meet the objective?**

In the recent past innovation vouchers as a policy instrument became more and more attractive for supporting SMEs.

The main policy rationales behind the schemes are:

- To promote transfer of application and solution oriented knowledge between SMEs and the knowledge providing institutes,
- To lower the barriers for SMEs to engage in collaborative R&D with research institutions in order to foster innovative activities at SMEs.

The main point is to foster the demand side of R&D and innovation services.

The voucher is an appropriate policy instrument to support SMEs in their innovation activities in order to overcome coordination barriers and to improve interaction between science and industry. The voucher introduces SMEs to knowledge providers (that is, makes them aware of the providers) and stimulates SMEs to commission new joint activities with knowledge providers after the completion of the 'voucher project'.

#### **4.2 What is the problem for which the cited measure is trying to provide an answer?**

An innovation voucher is a coupon or bonus that entitles SMEs to approach knowledge/research/education providers/institutions/organisations, in order to receive advice and expertise and/or to fund research collaboration with them within a research/knowledge transfer project.

#### **INNOCSEKK:**

- Bureaucracy;
- Gap that exists between the small business community and public research bodies;
- Lack of demand-led innovation services;

#### **4.3 What is the general status of the recognition in the market of the necessity to invest in the proposed policy theme?**

In the recent past innovation vouchers as a policy instrument became more and more attractive for supporting SMEs. Although the Innovation voucher is a relatively new instrument and only few evaluations and reports on this topic have been released one can say that it enjoys popularity among SMEs as well as knowledge providers. The evaluations found that the voucher introduces SMEs to knowledge providers, stimulates SMEs to commission new assignments and supports SMEs in their innovation activities.

#### **4.4 How is the main policy theme communicated in the market/which guidance material is already available?**

Currently there are three nations (Netherlands, Ireland, Hungary), one cross boarder-interregional (Benelux Middle Area) and two regional (West Midlands, Limburg) innovation voucher initiatives. The Netherlands were the first country which introduced an innovation voucher scheme nationwide in

2004; meanwhile it is an established tool in their policy mix for SMEs. In Ireland, Hungary and the West Midlands the innovation voucher project is in a pilot or earlier implementation phase. The initiatives in the Benelux Middle Area and Limburg are part of a small voucher project series in and around Limburg.

#### **4.5 What is the expected outcome of the proposed actions?**

The following outcomes are expected from the proposed actions. Innovation vouchers:

- Overcome coordination barriers and improve interaction between science and industry.
- Make the SMEs aware of knowledge providers.
- Stimulate SMEs to commission new joint activities with knowledge providers after the completion of the ‘voucher project’.

### **5 The innovation policy measure and its context**

#### **5.1 National and regional governance: please provide a description of the modalities of implementation of the proposed actions. Examples of elements to be taken into account are the role of the institute, the nature and characteristics of that institute that are important for a successful implementation of the good practice.**

The INNOCSEKK initiative has been implemented under the Gábor Baross programme which aims to support the elaboration of innovative ideas among SMEs and to enhance the possibility of regional cooperation between the innovation players. As one of the three main pillars of the Gábor Baross programme, INNOCSEKK aims to support the innovation initiatives of small and micro-sized enterprises.

#### **5.2 National and regional economic structure of the region where the practice has been developed. We are looking for the main factors for success for implementing the suggested measure.**

The last 10 year, the economic structure of Hungary changed a lot. There is a new entrepreneurial culture and because of the foreign investments, the economy of Hungary has a (long term) growth potential.

#### **5.3 The policy measure itself: what was it all about? Who were the actors involved, what actions have been undertaken and which result and impact has been achieved?**

INNOCSEKK is an innovation voucher scheme project in Hungary under the Gábor Baross programme which aims to support the elaboration of innovative ideas among SMEs and to enhance the possibility of regional cooperation between the innovation players. The project is administrated by the National Office for Research and Technology (NKTH) under the supervision of the ministry of Economy and Transport. Its mission is to implement the government’s science and technology policy, namely on fostering the demand for innovation services.

The INNOCSEKK initiative has been implemented under the Gábor Baross programme which aims to support the elaboration of innovative ideas among SMEs and to enhance the possibility of regional cooperation between the innovation players. As one of the three main pillars of the Gábor Baross programme, INNOCSEKK aims to support the innovation initiatives of small and micro-sized enterprises.

The scheme differs from other innovation vouchers schemes across Europe because the first intention of the scheme was to subsidize the innovation capacity of the region. Therefore there are some specific differences like allowing knowledge provider institutions to apply for a voucher. Among these institutions are all Hungarian universities, higher research and educational colleges, governmental investment bodies and “small regional communities” bodies. The last ones must represent regions with less than 5000 inhabitants and with an annual budget of no more than 10 million Euros.

Therefore, the scheme is quite open and covers a wide range of organisations operating in the country as long as they comply with the following restrictions:

- The proposed activities must fall on one of the 15 listed eligible activities;
- Firms operating in the transport sector are excluded from application;
- Firms cannot pool vouchers and each voucher has two year validity.
- Firms can only use the voucher on the region where they’re located.

### **Results:**

- The allocation mechanism helps firms to better define where and in what should they spend their vouchers and helps government bodies to better coordinate the supply side.
- Supports regional development through a better exploitation of the innovation capacity in each region and by promoting long lasting relationships between SMEs and knowledge providers based on proximity.

Although it is still too soon to evaluate the results of the project, there is already some data available that permits a preliminary assessment for its replication potential.

Since the INNOCSEKK project was planned to act as subsidy scheme there are quite some differences to other innovation vouchers schemes currently running in Europe:

First, it can replace old subsidy schemes where money is directly allocated to education institutions and public bodies. Instead, both SMEs and knowledge providers can apply for a voucher, helping to identify the demand for R&D services, supporting the development of these services within knowledge providers while reducing the overall bureaucracy and complexity usually associated with subsidy schemes.

Second, the application process is not as straightforward as other innovation vouchers schemes in Europe since applicants must describe their innovation process and associated costs prior to submission. Again, as a method to subsidize the actors of regional innovation it seems a good allocation mechanism but it loses some of the simplicity of the original idea implemented in the Netherlands. The same happens in the scoring system which seems to be also a good system to evaluate the quality of the applications but implies more resources and turns the all process more time-consuming.

However, the INNOCSEKK initiative has been very successful so far and provides an excellent opportunity to evaluate its unique characteristics when compared with other innovation vouchers scheme, specifically because it can extend the scope of application of the original idea, namely by allowing knowledge providers and public bodies to apply for a voucher, thus stimulating the supply side of innovation services and, maybe even more important, because it could become an excellent practice for replacing current methods of subsidization of innovation.

Definitely the Hungarian experience with the INNOCSEKK project is another initiative to follow up in the future as further phases are implemented and their results published.

## **6 The adaptability and transferability of the proposal**

### **6.1 Why is it worthwhile to invest in the proposed action/tool? Did the feasibility study and good practice identification demonstrate substantial added value?**

In general, all performed evaluations and reports on innovation voucher initiatives conclude that the voucher is an appropriate policy instrument to support SMEs in their innovation activities in order to overcome coordination barriers and to improve interaction between science and industry. The voucher introduces SMEs to knowledge providers (that is, makes them aware of the providers) and stimulates SMEs to commission new joint activities with knowledge providers after the completion of the 'voucher project'. Mostly SMEs are satisfied with the voucher instrument and the work commissioned meets their needs and expectations.

INNOSCEKK supports the elaboration of innovative ideas among SMEs and enhances the possibility of regional cooperation between the innovative players. The first intention of the scheme is to subsidize the innovation capacity of the region. Also knowledge provider institutes can apply for a voucher

### **6.2 If there is to be decided to invest in the proposed action/tool, what are the main factors to pay specific attention to?**

There is no relevant information where we can derive this from.

### **6.3 What is the expected impact of implementing the proposed action/tool?**

INNOCSEKK can replace old subsidy schemes where money is directly allocated to education institutes and public bodies. Instead, both SMEs and knowledge providers can apply for a voucher, helping to identify the demand for R&D services, supporting the development of these services within knowledge providers while reducing the overall bureaucracy and complexity usually associated with subsidy schemes.

It can stimulate the supply side of innovation services and, maybe even more important, it could become an excellent practice for replacing current methods of subsidization of innovation.

### **6.4 Based on the insights gained in the feasibility studies and good practice identification, what is the judgement/advice on the support that already has been created by stakeholders?**

We have no information about this.

### **6.5 What is the advice on how to disseminate the action/tool?**

The proposed action definitely provides an answer to a common problem of SMEs. As such it is wise to transfer the initiative towards other regions. When doing so, it is however important to take into account the contextual factors of the region in which it proved to be successful and the region in which the initiative is going to be transferred to.