
INNO-Learning Platform
**“A targeted action to support trans-national policy
learning and policy cooperation”**

5th INNO-Learning Steering Group Meeting

MINUTES

Friday, 28 November 2008

**3Hoog
Leuven, Belgium**

1. Participants

ILSG Members:

- Mauro Mallone, IPI – Institute for Industrial Promotion.
- Knut Senneseth, Innovation Norway
- Irma Pečiak, Polish Development Agency
- Jari Romanainen, TEKES – Finish funding agency for technology and innovation.
- Anne Lidgard in replacement of Sven Gunnar Edlund, VINNOVA
- Michel Ganootte, OSEO Anvar
- Lucia Seel, in replacement of Werner Pamminer, Clusterland Upper Austria
- Karl Heinz Hanne, in replacement of Josef Nassauer, Bayern Innovativ
- Antonio Gonzalez Terol, Madrid region
- Jorge Cano Dominguez, Madrid region
- Alfredo Sanchez Gimeno, Madrid region
- David Golding, Technology Strategy Board
- Aliko Pappa, GSRT
- Ilmar Pralla, Enterprise Estonia
- Maarten Sileghem, IWT
- Thomas Alev Christensen, Centre for innovation policy, DASTI
- Tivadar Lippenyi, National office for research and technology

European Commission :

- Reinhard Büscher, European Commission
- Christophe Guichard, European Commission
- Jean-Noël Durvy, European Commission
- Sven Schade, European Commission

INNO Learning Platform:

- Alcardo Furlani, INNOVA Europe

- Eurico Neves, INNOVA Europe
- Marianne da Silva, INNOVA Europe
- Babis Ipektsidis, Intrasoft
- Bart Kamp, INNOVA Europe
- Liliana Ion, Intrasoft International
- Rebeca Lucas, INNOVA Europe
- Paul Diedereren, MERIT
- René Wintjes, MERIT

2. Minutes

9h15 Welcome word:

The EC opens the day indicating that the ILP is a platform for sharing views among peers in innovation support and that the 3rd LC of the ILP aims to bridge towards the IPF under which innovation agencies can work out and implement new innovation support schemes through exercises like peer reviewing and exchange of better practices. Meanwhile, and in furtherance to the EU plan to combat the financial crisis, the EC aims to continue to provide support policies to innovation and innovative firms, respecting the subsidiarity principles at stake.

To underpin the search for optimal policy packages in support of innovation, in February 2009 a consultation process on “Effectiveness of innovation support in Europe” will be launched (see supra).

9h30 Presentation of the new Steering Group and proposals for chairmanship:

Chairmanship for ILSG: the only candidate that presented himself is Koen de Pater. His candidacy is not contested, so in principle he will act as chairman as of next ILSG meeting.

No volunteers step forward for vice-chairmanship. It is decided that this be resolved on short notice and that the ILSG members will be notified of progress on this.

10h15 Implications of the financial crisis for innovation support in Europe:

With regard to the possible implications of the financial crisis for innovation support in Europe the following views were forwarded:

Assessment of the crisis:

- Although it is believed that the economy can weather the storm, the real impact of the financial crisis on innovation and economy as such should still be appraised. By all means, the consequences may well stretch out over a long period as was also the case during similar crises in the past. For instance, the weak economic period that started in 1987 (cfr. after Dow Jones fell in autumn 1987) lasted approximately 6 years until 1993.

- An important difference with previous crises (as in the late '80s) is that today there are no unexplored growth markets to which companies can turn. The whole global economy suffers from setbacks this time.
- A particular threat of the financial crisis for innovation systems is that over the past years several countries have built up R&D capacity, notably at universities, and that now that such structures are in place there is a lack of money for operational work.

Evolutions among the business community:

- A decreasing participation of firms in networks and clusters has been observed, illustrating that companies withdraw from activities that require (time) investment and which results may be more of a longer term nature. In fact, a number of networks and clusters have been dismantled over the last half year.
- In a similar vein, cooperation between universities and firms has become more difficult.
- A number of countries also observe that less SMEs now ask for support.
- On the other hand, there is the belief that partnership-based (via clusters, networks or bilateral cooperations between organizations) innovation activities and open innovation constructions are still highly attractive means to undertake innovative activities as they enable to share and lower costs per organization.
- As regards the reaction of subsidiaries of foreign MNEs, more than before they compare support schemes for their (innovation) operations on a country-to-country basis and are quick to leave if they can get something better/more elsewhere. This can be more damaging than at first sight appears. I.e., although MNE subsidiaries often don't engage in strategic research themselves, they are important catalyzers for innovations at surrounding clusters of SMEs. Therefore, their prolonged (or new) presence in European countries is of high importance. Public support to this (and thus indirectly to innovation at SMEs) is therefore of value.
- Countries with a tradition in building and managing clusters, are witnessing in these times of crisis additional positive outcomes of cluster structures. By pushing companies to cooperate and innovate together and provide money for this, cluster structures act like money deposits that offer an advantage over centrally managed public funds (or banking funds). I.e., in the sense that available money can be allocated much quicker. This is certainly in times of a (financial) crisis an important issue. As such, cluster structures act a bit like a cushioning system and they are seen as an important means to alleviate crisis situations.
- Clusters have also proven to be a good instrument to move into new industrial fields in which a region or country was previously not specialized. As such, they form an agile vehicle to set out a future direction for an economy and mobilize the necessary actors and resources for this in a swift manner. In this regard, in the case of Upper-Austria, the presence of an industrial basis in plastics, ICT, mechatronics and automotive allowed the region to set up a cluster for medical appliances via a cluster formula. This illustrates that clustering regionally

concentrated, but despair, knowledge offers possibilities for economies to enter into new lead markets.

- The presence of clusters or the ability of regions to create clusters from available resources also helps to attract foreign investors.
- Thus, also from a viewpoint of diversification and preparing for future-oriented business, clusters are seen as useful medicines. They act as intermediary tools to retain and attract actors, knit them together and move jointly into market-driven and business-oriented directions.

Supply of private capital at national level:

- There is a tendency towards less private money being made available for innovative SMEs.
- Banks will become more careful in offering credit. As a consequence, companies will look more for state aid for covering funding needs. Also, banks now look more to the EIB or Structural Funds either as substitute or supplement to national and internal lending possibilities.
- To assure that critical financial mass to innovations remains available, it may be indicated that public bodies stimulate banks to adopt a pro-innovation posture. In this regard, in a number of countries the public sector has already started to encourage the venture capital community to remain active in supporting innovation activities.

Supply of public capital at national level:

- Also public institutions providing innovation support will become more selective in funding innovation ventures due to risk aversion and availability of less means. This can also give way to increase the cooperation with EU institutions to avoid superfluous support measures and redundancy in spendings.
- On top of the financial crisis, what may be another threat to innovation support are reorganizations of state apparatuses, which can give way to taking budget decisions on the basis of political/power considerations instead of purely rational decision making.
- Also, several countries are not only faced with a general financial crisis but also with particular crises in industries like construction or automotive. This aggravates the panorama in certain cases.
- All in all, though, it seems that governments generally foresee to increase of the budget for innovation support or at least not lower it. Meanwhile, many of them plan to screen the conjoint of available innovation support instruments in order to identify the more attractive and effective ones from a company perspective.
- The current situation requires a simultaneous enlargement of the available innovation funds (size) and a concentration on the most performant, innovation support schemes. The latter also entails speeding up the implementation of agreements from the past: make promised funds more quickly available now. Similarly, simplifying application procedures for funding (notably structural funds and other funding possibilities with high administrative burden) is a necessity.

Also the use of pre-payments should be considered under the current circumstances.

Other governmental recipes to overcome the crisis:

- Governments can also boost innovation activity through holding on to or expanding practices of innovative procurement. I.e. going against the tide of choosing the most economic bidders in times of (financial) crisis.
- Another advice is to concentrate public support on upstream innovation activities that is truly market driven: governments should position their support in pre-competitive technologies in strategic fields.
- Also more flexible labour markets and the support to companies to invest in skill formation of human resources can help to overcome the crisis.
- As further promising measures and fields of innovation support, the following are mentioned:
 - open innovation arrangements,
 - supporting start-ups,
 - enhancing inter-organizational cooperation (incl. cluster creation),
 - mobilize more private/venture capital for innovation,
 - create new technology institutes to move into promising economic directions for the future.

Valorization of Community instruments:

- National funding organizations, public and private, look for more (vertical) alignment of their funding instruments with Community funding instruments vis-à-vis innovative companies / innovations.
- Also, national actors are keen to explore to which extent Community funding instruments can serve as a compensating measure for reduced funding possibilities at home (e.g. Structural Funds).
- There is an interest in exploring to which level structural funds can be used more for innovation-prone purposes. Also a stronger interest may be demonstrated in CIP and FP funds, but many organizations lack the knowledge to apply successfully for it, others refrain from it because of excessive administrative burden.
- Countries that relied substantially on Structural Funds in the past, but which have now developed to a level where they are not allowed to make such extensive use of them, fear that this will hamper the sustainability of their development level.

Raising societal propensity to innovation:

- With financial possibilities being reduced at large, including the room for innovation policies, it seems necessary to boost society's consciousness of the need to not cut back on innovation support.

The attendants are requested to send any additional feedback/comments/suggestions with regard to the financial crisis debate shortly after receiving these minutes.

11h30 Open consultation process on effective innovation support in Europe:

Regarding issues to take into account for the consultation process, the following views were forwarded:

As regards criteria for supporting innovative actions or not:

- When providing support to innovation it is important to have a valid framework for decision making at hand. This means using sound criteria to avoid arbitrary support decisions and favouritism. Two points of reference in this regard are the existence of market failures and systemic (network) failures.
- Also, rather than giving support to specific industries or companies, support should focus on mechanisms and services (enablers) that allow companies or industries to turn into innovative entities: unlocking their innovative and growth potential. This implies that company categories as such, like gazelles, should not be supported for being a gazelle; for having acquired the character of a gazelle. But instead, support should rather be given to levers and activities that enable companies to transform into gazelles. In a similar vein, traditional industries can not claim to get support for the sake of containment of decline. Instead, the lead market principle is a much better guideline as it reunites both the failure tackling criterion and the unlocking potential criterion.
- Following the spirit of the “unlocking potential” rationale, there might also be a ground to support initiatives especially in economies that are lagging behind in terms of innovative action.
- In furtherance to the former, the ILSG members are asked to reflect on supplementary criteria for support decisions, which do not lead to discrimination or distortion of competition.

Concerning topics to address in the consultation process:

- The open innovation trend is relevant and one could examine more thoroughly what can be done to support this (which structures, frameworks, ... can underpin this trend)?
- Adopt a dynamic view on innovation processes, what it involves from development to launch.
- Apart from support as such, also the speed with which support actions and funding can be deployed is essential in the effectiveness debate.
- Also, a streamlining in the (national and supranational) offer of support measures would be in place. Now it is often a jungle to many applicants. The traceability of the most appropriate schemes to applying companies should be strived for as well.
- For a number of terms that are used throughout the background document, a clarification of their definitions would be useful. For instance: are clusters and networks the same according to the document?
- Performance indicators for innovation support have to be taken into account (such as gross value added) → this could give way to an additional question for questionnaire

- Another question that might be added to the questionnaire is: “What is the leverage effect of spent money?”
- A concern is also: How to deal with average values of results from the questionnaire? What might be useful in one region might not be useful in another region.

In terms of actors to involve in the consultation process:

- It is recommended to also approach trade unions, business organizations, and enterprises/SMEs in the consultation round.
- For this business population, a separate questionnaire is being designed at the moment.
- For this population, it should be made clear what support measures are, which kinds exist and what innovation policy is about (cfr. by referring to ERA-Net vision group).

The attendants are requested to send any additional feedback/comments/suggestions with regard to the background paper for the consultation process (concepts, definitions, issues...), on the questionnaire and on the organization and guidance of the process shortly after receiving these minutes.

13h30 Managing the transition from the INNO-Learning Platform to the INNO-Partnering Forum:

It is proposed to do pilot tests on peer reviewing and good practice exchange schemes during the 3rd Learning Cycle of ILP. To carry out such pilot tests the ILSG-members are asked after their interest to participate in such tests and whether they would propose specific topics for this. Be they the suggested topics on behalf of the ILP-consortium (see powerpoint slides with regard to the 13h30 session) or other ones.

TEKES (SF) suggests to look at the methodologies applied for peer review by TAFTIE. It might be best to base the “ILP-methodology” on standing peer review practices instead of inventing something new. Otherwise the exercises may not be completed by the time the 3rd Learning Cycle is through. TEKES indicated that it has been using peer reviews for quite some time now and can offer experience from that.

Innovation Norway fear they may not be able to participate in these exercises as they will be evaluated in 2009 themselves. This does not prevent them from observing the process and the outcomes as such.

IWT (Flanders, Belgium) is concerned about the amount of days that participating agencies should devote when participating. It is estimated to be some 20 days. This amount is considered bearable by IWT.

Denmark and Upper Austria also expressed an interest in the exercises. UK would be particularly interested in internationalization analyses, France in innovation vouchers.

IPI (I) showed interest on the exchange of good practices among innovation agencies and could capitalise on IPI's experience in the field of industrial policies with Mediterranean and Eastern European countries (Tunis, Romania) as well as on the international network of SMEs (INSME) that IPI currently manages.

The attendants are requested to reflect on the proposal for participating in the peer review and good practice exchange pilots and forward their suggestions shortly after receiving these minutes.

3. Enclosures

- Powerpoint slides corresponding to the different agenda points
- Conference report France – September 2008 “innovation in motion”