

INNOVATION IS KEY TO TACKLE THE RECESSION

The final conference of Project Inno-Deal highlights the importance of innovation as the solution for Innovative and Creative Start-ups to counteract the crisis.

On Thursday July 2, 2009, the Ljubljana Urban Region, the Ljubljana Regional Development Agency, organised the final conference for the INNO-DEAL Project on »How to Provide Solutions for Innovative and Creative Start-ups in Uncertain Times«. The conference was held at the Grand Hotel Union in Ljubljana.

Project INNO-DEAL, which is coordinated by Filas – the Regional Development Agency of the Lazio Region (Italy) and involves 12 European regions from 12 different member states, began in 2006. Project INNO-DEAL aims to develop the conditions necessary to promote a systematic exchange of information and good practices on programmes supporting innovation and the development of SMEs and, in particular, the creation of spin-offs and start-ups. □□



Stefano Turi, Director General of Filas, the Regional Development Agency of the Lazio Region in Italy

The conference works underlined the fact that innovation – in enterprises, public services and communities (at all levels from a city to a state) – is the main weapon to tackle the recession and to guarantee the survival of global-minded SMEs. The European Union must emerge from this recession as a more innovative, greener and a more diversified and sustainable economy.

In the first part of the conference – following the welcome speeches given by Jadranka Dakić, Deputy Mayor of the City of Ljubljana and Lilijana Madjar, Director of RDA LUR – **Michela Michilli**, INNO-DEAL Project Director, drew attention to the fact that the European early-stage venture capital market is currently experiencing major changes. "With private funds – once the bedrock of start-up investment for entrepreneurs – moving away from the early stage, it is not just entrepreneurs but the economy as a whole that will be affected. This shift comes at a time when there is great pressure on Europe to build global companies capable

of competing with those of the United States, India and China, as well as a harder environment in which to start a new business. In this context, the public sector has become considerably more important as an investor and Business angels have also become more significant in terms of support." Ms. Michilli also stressed the importance of private-public partnerships in order to increase the critical mass of support and mobilize as much resources as possible for highly innovative companies.



Michela Michilli, Inno-Deal Project Director and Head of the Filas EU Initiatives and Projects Unit

Following her introduction, an international group of high level speakers from the European Commission, the Slovene Government and academia presented policy approaches and joint initiatives for encouraging innovation in EU regions.

Darja Radić, State Secretary at the Slovene Ministry of Economy, mentioned that in a crisis SMEs are the most affected due to their position in the supply chain mostly as subcontractors for large systems. On the other hand, the crisis could turn out to be an

opportunity. Indeed, some of the most advanced companies in the world were established during times of crisis. Secretary Radić explained that "the task of the policy makers is to design a stimulating environment for entrepreneurship". The state has to facilitate an access to financial resources, especially in the form of venture capital. "Having this in mind the Ministry of Economy is developing the instrument of a public venture capital company with which it wishes to boost the development and practice of equity financing, since a public venture capital company's investment in SMEs will stimulate also the private sector to provide equity financing."



Reinhard Buescher, Head of Unit of Innovation Policy Development

As **Reinhard Buescher**, Head of Unit of Innovation Policy Development at the European Commission said, "not all countries in Europe can pump as many billions to stabilize the economy and recover from financial crisis as Germany" and not so many countries in EU would use the crisis as an opportunity to leave the crisis stronger as they entered it. "One

of the biggest challenge that we are facing now is how to make 'the motor run again' not that the economy is stuck and there is no growth."



Inno-Deal Consortium Representatives

With a new approach to innovation policy the INNO-DEAL project has proven, that setting up clear goals will lead to good, strong results. According to Mr. Buescher, Project INNO-DEAL has helped to raise awareness on the importance of innovation financing. It has helped the regions to place greater emphasis on developing strong innovation systems, including access to finance, which is a fundamental issue for growth and innovation for start-ups. All signed cooperation agreements could "show us how to do it, from who to learn it, but these initiatives must be mainstreamed, they have to become part of the economic pillars of the Lisbon Strategy".

Tea Petrin, full professor at the Faculty of Economics at the University of Ljubljana, drew attention to importance of clusters – why and how can they facilitate the way out of the economic crisis. Clusters provide

a fertile environment for innovation, boosting jobs and growth, easier access to capital, new partnerships and ensuring high quality of activities. A network of clusters is a pivotal factor for new firm creation as it enhances collaboration and non-economic resources.

"Cluster should work to become promising hubs for global competitiveness." By increasing international cluster cooperation - within and outside the EU - SMEs, organizations, regions get access to the most advanced technologies, best know-how and talents worldwide. Dr. Petrin also pointed out that in future "the European Cluster Policy Group (ECPG) will play a key role in further developing a more consistent strategy in support of international cluster cooperation, which is an important element of the overall EU strategy for accelerating the emergence of more internationally competitive world-class clusters in Europe." In her opinion clusters are the key drivers for attracting direct foreign investment to a region, as they "make investment more efficient, strengthen domestic markets and increase returns via spill-overs." And this means a lower risk of making foreign direct investment profitable.

Christian Saublens, director of EURADA - European Association of Development Agencies, focused on great importance of innovation, competitiveness and entrepreneurship in a regional strategy of each EU region. He presented the main ingredients,

which regional stakeholders should be focused at when reviewing their current practices in order to define their potential next generation of policies and practices. He spoke about 9 key "players" in the process of "game changes": inspiring leadership (e.g. Fred Terman in Silicon Valley and senator Pierre Lafitte in French Sophia Antipolis), vision and motivation, stretching goals, choiceful strategies (create knowledge, transfer knowledge, diffuse knowledge, absorb knowledge), unique core strengths, enabling structure (invest in missing links), implementation tools, evaluation (use the proper criteria) and governance.

In the second part of the conference, the panellists and representatives of successful European intermediaries and economic development agencies presented various possibilities of early stage investment in Europe, as well as reviewing practical actions and available support programmes for innovative and creative SMEs in view of the current economic situation.

Before the end of the conference, 29 managers of financial schemes signed five Cooperation Agreements. By signing these agreements, they expressed their willingness to collaborate beyond the end of the INNO-DEAL project.

Cooperation Agreements were signed for:

1. Loan Guarantee Scheme to help new and start-up companies access to credit.
2. Integration of services for »spin-off« creation and internationalization. Integrated approaches in support policies are the only way to maximize the impact in terms of innovative business creation and all the more so when business ideas are connected to innovative technologies and business models that often need 4-5 years to get off the ground.
3. Venture Capital and Business Angels - collaboration programmes for developing cross-regional investments. Support to cross-regional investments in early stages is particularly important since it allows for the scouting, screening and selection of business ideas with a European potential.
4. Trans-regional cooperation and innovation in the environmental sector
5. Cooperation between venture capital and other intermediaries in the field of digital media and creative industry.



Alex Talacchi, INNO-DEAL Project Officer, European Commission

In his closing remarks **Alex Talacchi**, INNO-DEAL Project Officer, EC, stressed the importance of the project for creation of new initiatives, new ways of cooperation and new projects. EC expectations were exceeded both in terms of the number of signed Cooperation Agreements and in the mobilization of people and resources.

The INNO-DEAL Project

Project INNO-DEAL, coordinated by Filas, the Regional Development Agency of the Lazio Region (Italy) aims to develop the conditions necessary to promote a systematic exchange of information and good practices on programmes supporting innovation and the development of SMEs and, in particular, the creation of spin-offs and start-ups. □□

In particular, INNO-DEAL will analyse start-up financing practices, including access to finance for pre-seed and seed stages (proof of concept, first financing round), first commercialisation (second round) and exit strategies. □

□The identification and analysis of common strategic issues in support of innovation and the development of a mentoring mutual learning cycle among

regional programme managers will be the base for the structuring of a common ground for cooperation and for the Implementation of joint programmes of trans-regional innovation activities. □ □

For further information:

- <http://www.proinno-europe.eu/INNO-nets/INNO-DEAL>
- <http://www.filas.it/Page.aspx?IDPage=79>

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