



**Evaluation network delivering policy analysis on the performance of
Cohesion policy 2007-2013**

Synthesis of policy papers on innovation

Executive Summary

October 2010

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This report summarises national and regional innovation policy across the EU, their interaction and the contribution of the ERDF to policy in the present programming period. It outlines the limited evidence which exists so far on the achievements of ERDF-supported policy and indicates the challenges to be tackled over the next few years¹.

THE FOCUS OF NATIONAL INNOVATION POLICY AND THE INCREASING IMPORTANCE OF THE REGIONAL DIMENSION

National innovation strategies across the EU have a wide range of objectives, but two main tendencies are evident: an increasing focus on SMEs and the promotion of innovation poles and clusters.

The regional dimension of RTDI policy has become increasingly important over the current programming period in terms of both the focus of the planning and management of policy and the implementation of programmes. Regional authorities, agencies and intermediate bodies have assumed greater responsibility and increased attention has been paid to the needs and potential of individual regions. A more systemic approach is being adopted, while “spatially-blind” policies are progressively being replaced by the concentration of investment in infrastructure and equipment in particular places. The increasing inclusion of regional issues in the planning and implementation of RTDI policy has, however, given rise to greater problems of coordination between administrative authorities at different levels as well as between sources of funding.

In Competitiveness regions central administrations are not typically involved in planning and management. In Convergence regions in the EU15, more resources have been allocated to regional programmes managed by regional authorities or by decentralised government bodies whose power has been increased. In Convergence regions in the EU12, the management of the ERDF is still largely centralised, though there are Regional Operational Programmes in which local authorities are involved.

THE KEY ROLE OF ERDF: STRATEGIC, MANAGERIAL AND FINANCIAL

The ERDF provides major support for RTDI policy, especially in the EU12, the amount of funding exceeding 20% of total expenditure in all Member States, and as much as 60% in the Baltic States, Poland, Slovakia and Bulgaria. It is also large in Greece (48% of expenditure) and Portugal (34%) and significant in Spain and Italy (around 6–7%).

Overall, the ERDF has provided support for the regionalisation² of innovation policy in many Member States as well as the activities of regional agencies and innovation centres and a wide range of measures for assisting SMEs.

¹ The synthesis report is based on the national reports for 27 Member States, which in turn are based on official documents, evaluations of programmes and other relevant studies (including from the previous programming period when relevant), as well as on interviews with officials and experts, statistical data compiled by DG Regio and other data collected by the national experts.

² Regionalization occurs when administrative decentralization is carried out in the direction of a regional authority. The devolution of a specific competence may give full decision making power to the beneficiary authority or may share power between the central and the local/regional authority.(see box pag.5 of the Synthesis Report)

The contribution of the ERDF to different aspects of policy

The ERDF resources devoted to innovation are directed to three main policy areas:

- ‘boosting applied research and product development’;
- ‘knowledge transfer and innovation poles’;
- creating an ‘innovation–friendly environment’.

The largest single part of funding in Convergence regions, 37% of total resources, goes to boosting applied research – mainly funding of industrial research and infrastructure.

In Competitiveness regions, 39% of the total goes to support of knowledge transfer and technology diffusion through poles and clusters; while funding for innovation–friendly environment (e.g. e–government and the development of human capital for the knowledge economy) accounts for the largest share under the Territorial Cooperation Objective.

Sources of evidence on policy performance

Evidence on the output and results from innovation support in the present programming period is extremely limited as the implementation of projects only began on a significant scale in 2009. Could the next sentence become a bit clearer something like The progress in committing resources to innovation measures was in line with the overall progress in the field of enterprise support, though slightly slower than for the ERDF in general.

Analysis of performance in the period can, at present, be based only on indirect evidence of programme execution in terms of ongoing projects and, in some cases, on partial output indicators.

Main ongoing interventions in Convergence regions

The main points to emerge from the national reports on the interventions co–financed by the ERDF in Convergence regions are as follows:

- Most Convergence regions use funding to support business RTDI though also to support innovation directly and to create an innovation–friendly environment.
- Advanced services for innovative firms take various forms according to regional needs: vouchers, technology audits, financial engineering for innovation (e.g. venture capital and seed capital) and support for business start ups and spin offs.
- Support for technology parks, clusters, poles, centres of excellence, incubators and similar kinds of intermediary institutions is widespread. In some regions, these measures are accompanied by support for infrastructure and equipment. In the EU15, some regions have financed the development of technology parks and clusters for the first time. In the EU 12, support for clusters is also widespread, though there is some concern about the sustainability of these initiatives.
- Support for competitive and collaborative research combined with scholarships and other forms of support for the development of human capital plays a complementary role in many countries where RTDI potential needs to be strengthened and universities and research centres need to reinforce their links with business.

- Support for ICT infrastructure and the development of e-services of different kinds has been widely used in many regions.

Main ongoing interventions in Competitiveness regions

Implementation of RTDI programmes in Competitiveness regions is progressing faster than in Convergence regions and interventions are more diverse. The main points to come out of the national reports are:

- Competitiveness regions devote less support than Convergence regions to new infrastructure and more to ‘soft’ measures, on services, technology transfer and networking, targeted at the involvement of SMEs in the innovation process, as well as on developing human resources, grants to students and fostering collaborative research.
- Support for ICT services for SMEs is aimed in many cases at optimising the use of existing infrastructure and facilities.
- Stimulating technology transfer in poles, clusters and incubators is at the core of regional innovation strategy and is aimed at strengthening existing clusters.
- There is wide support for eco-innovation to improve regional competitiveness and to develop know how in green technology.

EVIDENCE FROM EVALUATIONS AND STUDIES

While there is some evidence on the performance of innovation policy in the EU15, though less in Greece and Portugal than in the other Member States, it is very limited in the EU12, though more in Poland, Slovakia, Estonia and Slovenia than in the other countries.

Most of the evidence available relates to measures aimed at boosting applied research and product development. The evidence on performance highlights the mainly positive effects of grants to firms (in the form of, e.g., increased turnover, employment and productivity³), and of support to the networking of firms with knowledge producers, though in some cases, financial incentives are shown to involve deadweight costs (e.g. in Italy and Poland).

Evidence on knowledge transfer and support to innovation clusters and poles is more limited and tends to be mixed. Positive effects are reported in terms of increased cooperation, public-private partnerships and engagement of SMEs, though there are negative or neutral effects in the case of advanced services on inducing organisational change and strengthening managerial capacity. Doubts are expressed in a number of reports on the financial sustainability of clusters and poles.

Very little evidence was found as regards initiatives aimed at creating an innovation friendly environment.

In summary, across the three aspects of policy distinguished, slightly less than half of the funds allocated have been subject to some form of evaluation, either in the present programming period or the previous one. According to the evaluations carried out, 34% of the funds were allocated to initiatives judged to be positive in their results and 14% of resources were spent on activities with mixed outcomes. Around 50% of the funds was, therefore, allocated to measures which had a

³ It should be emphasised that the results of the evaluations of RTDI grants, where available, seem to be strongly dependent on the method used, the control groups and the dataset.

neutral or negative effect according to evaluations. The extent of the evaluations carried out differs greatly across countries. In Germany, Belgium, Austria, Poland, Sweden, Finland, France, the UK and Ireland, evaluations cover around 70% or more of funding, whereas in many countries (Greece, Portugal, and many EU12 countries), there is very little evaluation evidence to guide the implementation of programmes.

CHALLENGES AND RECOMMENDATIONS

In most of the **EU15** and in all EU12 Member States, there is a need for the governance of RDTI policy to be improved, along with the design, implementation, monitoring and evaluation of programmes. There is also a need for management skills and support measures (e.g. technology foresight and benchmarking) to be upgraded.

In addition, regional strategies need to be reinforced through interregional cooperation, such as *via* technology platforms, to increase critical mass and widen the network of participants and opportunities.

The economic crisis reduced the absorption of grants by firms in many Member States and managing authorities need to adjust their policies accordingly, though at the same time avoid financing projects that do not involve significant innovation.

In the **EU12**, the main challenges are:

- to foster a culture of innovation and business participation in the RTDI system, raise awareness, mitigate the costs involved and improve links between the business and research community;
- To shift the focus of support from infrastructure to softer initiatives to assist firms (e.g. to innovative services and non-technological innovation).

A number of evaluation issues at both national and EU level emerge from the national reports and need to be tackled, in particular:

- available information and indicators need to be improved;
- evaluations need to be undertaken of policy measures which have so far been neglected – most especially, support for an innovation-friendly environment, infrastructure, innovation poles and centres of excellence.