INNO-Policy TrendChart:
European Innovation Progress Report 2009

EU–Russia Cooperation on Innovation

Antwerp
27 – 28 April 2010

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Outline

- What is INNO-Policy TrendChart
- Ideas behind the TC methodology
- TC 2009: Policy and Finance
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- Ideas for discussion
Ideas behind the TC methodology

1. **Innovation performance is not a coincidence**: only countries with effective policies score high in competitiveness rankings

2. Good innovation policy is evidence-based and forward looking

3. Evidence basis is an agreed set of monitoring indicators (EIS) complemented by the story behind the numbers

4. Good innovation governance is necessary to design, implement and redesign good policy
Ideas behind the TC methodology (cont.)

1. Use an extensive database with standard classifications to collect data by country (the EW/TC DB)
2. A network of national experts reports on the EIS and DB findings as well as on policy and governance developments
3. Reports are synthesised and compared to earlier years
The 2009 EIS grouping

- Denmark, Finland, Germany, Sweden, Switzerland and the UK, the **innovation leaders**;
- Austria, Belgium, **Cyprus**, Estonia, France, Iceland, Ireland, Luxembourg and the Netherlands, and Slovenia, **the innovation followers**;
- Czech Republic, Greece, Hungary, Italy, Lithuania, Malta, Norway, Poland, Portugal, Slovakia and Spain, the **moderate innovators**;
- Bulgaria, Latvia, Romania, Croatia and Turkey, the **catching-up countries**.
TC 2009: Policy and Finance
Public funding for innovation policy

- 1.3.2 Horizontal measures in support of financing
- 2.1.1 Policy measures concerning excellence, relevance and management of research in Universities
- 2.1.2 Knowledge Transfer (contract research, licences, research and IPR issues in public/academic/non-profit institutes)
- 2.2.3 Mobility of researchers (e.g. brain-gain, transferability of rights)
- 3.2.3 Mobility of researchers (e.g. brain-gain, transferability of rights)
- 4.2.1 Support to innovation management and advisory services
- 1.3.1 Cluster framework policies
- 4.3.2 Support to risk capital
- 2.3.1 Direct support of business R&D (grants and loans)
- 3.2.1 Strategic Research policies (long-term research agendas)
- 4.3.1 Support to innovative start-ups incl. gazelles
- 2.2.3 R&D cooperation (joint projects, PPP)
Most important support measures

- direct support (grants and loans) for R&D and funding of R&D cooperation policies for about 16%;
- indirect support (tax) measuring about 6% (this figure is significantly underestimated due to difficulties in compiling data on national corporate R&D tax measures);
- cluster policies accounting for about 7% of funding identified;
- VC and related support to innovative start-ups accounting for another 15% underlining the importance given in many Member States to this area;
- support for organisational innovation is being relatively high at 6% but this is often due to measures in support of ICT diffusion, for instance, rather than direct support for innovation management of enterprises.
Conclusions on measures and finance

- There is progress in innovation: budgets have systematically increased in the period from 2004 to 2008. In most of the EU-27 Member States there has been a boost in 'STI' funding over the last five years and in some cases this is as much as four- or five-fold increase in annual funding terms (role of SF but not only).

- A figure of EUR 24.7 billion for 2008 for innovation policy expenditure was estimated.
Conclusions on measures and finance

Over the years, most areas of policy intervention were covered in all Member States. However, policy priorities remain focused on traditional direct funding type schemes even if newer forms of innovation support are recognised as having a high leverage effects and begin to appear amongst the policy mix.
Innovation in the crisis

- The crisis may reopen gaps and innovation policy should be further strengthened, as a way to offset the crisis effects.
- Some countries launched special measures to alleviate the negative effects of the economic downturn (SMEs, R&D)
- However, in other countries, the response to the crisis is linked to budgetary restrictions and this affects innovation policy negatively.
One consequence of the credit shortages is that the financing of innovation and related educational and R&D activities has become more difficult.

This risks increasing the gaps between rich and poor countries, big and small companies, high-tech and traditional sectors.
While most sectors perceive the credit shortage as a menace for innovation expenditure, no shortages were reported in some high-tech manufacturing sectors, where virtually no crisis impacts are reported. Budgets have been only slightly re-adjusted or even increased.

The consequences of the crisis clearly depend on the size of the companies.
TC 2009: Innovation Governance
Innovation Governance

- Technological catch-up, although potentially highly lucrative, is an extremely challenging venture (Gerschenkron, 1962)
- Need to develop “new institutional instruments”
- Correlation studies argue that 'countries that succeed in developing and sustaining strong innovation capabilities and well-functioning systems of governance do well economically while those that fail tend to fall behind’ (Fagerberg & Srholec, 2008).
Innovation Governance

- Top performance is not a coincidence.
- Innovation governance is path-dependent.
- There is not a single best practice model of innovation governance.
- Although the principles of good governance are broadly accepted and most Member States demonstrate an effort to increasingly respect them, there is only modest progress and catch-up between the EIS groups,
- The challenge is to go a step further.
Innovation Governance

- Organisational set up/Coordination
- Stakeholder involvement
- An evidence-based approach (informed agenda setting, effective policy cycle, monitoring and evaluation)
- Trans-European learning
Trade-offs between continuity/stability and adaptation

Delays, indecision and abolishing agreed changes before implementing them are a serious problem.

Clarity of the system and its coordination is a prerequisite for success.

Need to make governance leaner and clearer.

Agencification is an increasing trend in most countries.

Special cases/topics call for special organisations.

Increasing interaction and coordination is needed as innovation policy becomes a cornerstone of economic development.

The geographical dimension
Priority setting process

- Policy documents constitute a good basis of priority setting, but practices differ.
- All countries have at least one document including innovation policy priorities.
- Overlapping priorities, time horizons and priorities shared between ministries.
- Priority setting needs resources.
Stakeholder involvement

- Consultation has to be inclusive.
- Consultation makes sense only if the stakeholders themselves are well prepared and justify their position with evidence.
- Consultation is effective if it reconciles different positions into a better policy document.
The delivery process

- Effective implementation is a matter of the system as a whole but also of individual organisations and/or agencies.
- Lean menus are considered a way to improve implementation.
- Flexibility has to be included in implementation.
- Tested management tools can improve delivery, when used adequately.
- Good implementation needs resources.
Creating the evidence needed (evaluation, benchmarking and learning)

- Ideally, a well-embedded evaluation culture
- Formal rules can constitute the basis for building up a new culture.
- Dedicated schemes or units can prove very useful and build a new culture.
- More complex and sophisticated tools are needed than simple programme evaluations and simple benchmarking.
- The exploitation of the intelligence gathering needs to be well defined
- Resources again, are important
Ideas for discussion

- Is TC of some relevance for the EU-Russia cooperation in innovation? Policy learning, priority setting
- Does annual monitoring make sense? Too much repetition, trends take time to change
- What effort does it take to standardise information in order to compare it?
- Monitoring numbers is easier than monitoring policies: can we now go a step further?