



PRO INNO EUROPE

# INNO LEARNING PLATFORM

## Peer Review among innovation agencies, synthesizing pilot results and lessons

3<sup>rd</sup> Learning Cycle

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## Executive Summary

In 2009 the INNO Learning Platform has launched two pilots in order to test tools for partnering among innovation agencies in Europe in order to get a kick-start with the forthcoming Inno Partnering Forum (IPF). This report synthesizes the results and lessons concerning the Peer Review pilot. The main objective was to improve the reviewed Hungarian innovation policy instrument: INNOCSEKK, but this report also evaluates the methodology of the Peer Review pilot as a tool for policy learning.

A peer review is an evaluation, an assessment by people who are experts on the subject. The expertise of the peer and the reviewed are on the same level, they can be colleagues, partners and in a way they can be competitors. Commonalities among the various existing experiences in peer reviews point to the following characteristics of peer reviews: voluntary engagement, goal-oriented, reciprocity (not a one-way 'teacher-student' relationship), the presence of a neutral facilitator, and a three-phased process: a preparation, consultation, and recommendation phase.

The **Peer Review Visit** took place on the 5th of May 2009 in Budapest, Hungary, at the premises of the Nemzeti Kutatási és Technológiai Hivatal, (NKTH, the National Office for Research and Technology Hungary). NKTH is in charge of the reviewed scheme of INNOCSEKK - Innovation voucher. The visiting, reviewing peer organizations were two European innovation agencies: SenterNovem (The Netherlands) and IWT Vlaanderen (Belgium).

As with other vouchers the **INNOCSEKK** is a bridging tool that combines serving two types of beneficiaries: the firms who are given the 'cheque or voucher' and the knowledge or service providing organizations where the firms can 'cash their 'cheque/voucher'. In Hungary innovation capabilities of micro and small firms need to be strengthened as well as the capability of service providing institutes to provide specific services to support innovation based projects. This conclusion was also drawn by the OECD Review of Hungarian Innovation Policy. The scheme has been running since 2005. The measure is managed by NKTH, and is supported by EU Structural Funds. Prior to 2007, the Regional Development Agencies and the Regional Innovation Agencies were in charge of the operative tasks related to the application and selection process. The programme is implemented via calls for proposals. Applications, which involve quite a lot of 'paperwork' to proof 'eligibility', may be submitted continuously until 30 June 2011. Support is provided via non-refundable grants (covering up to 100% of eligible costs). Applications may be submitted in one region for one of the following activities or thematic areas:

- 1) an appraisal of the project concept (max. 12,000 EUR);
- 2) product development (max. 120,000 EUR);
- 3) development of process innovation (max. 12,000 EUR);
- 4) development of organizational innovation (max. 24,000 EUR).

The applications are assessed versus formal, eligibility criteria. The applications are evaluated according to the following areas: innovation content of the project, professional and technical feasibility, reasonableness of the estimated costs, and social/economical importance.

The subsidy can be requested for a large diversity of innovative activities, including: purchase of know-how, R&D services, project management or marketing services, feasibility

study, market research, consultancy and IPR protection. The subsidy can be granted only for services available in the region.

Although no official evaluation is available, there is not doubt that the scheme is very popular, as all available resources had been used well ahead of schedule. Since its launch 1300 project proposals have been submitted, out of which 360 have received grants for a total of about 20.750.000 EUR, with an average value per grant of about 57.700 EUR.

The Innovation **Voucher scheme in the Netherlands**, which SenterNovem has been running since 2004. In March 2009 a new regulation was adopted for 7000 vouchers. The innovation voucher has been launched to promote innovation in SMEs and to connect them to the knowledge available at research institutes. The vouchers are given an SME, which can use the voucher to buy services or to cover costs for patent applications. The small voucher for is worth € 2.500 (granted for 100%), and the large one € 7.500 (granted for 67%). The Vouchers can be spent at universities, (semi-) public knowledge institutions, higher education and R&D departments of some large companies. Since a few years the vouchers are not only valid in The Netherlands, but can also be 'cashed' abroad in other EU countries. The eligible 'Knowledge providers' are listed on the Agency website. The application procedure is very simple and the agency responds to digital application within days or within six weeks in the case of paper applications. A first evaluation in 2006 showed that 55 % of vouchers were used. The outcome was positive in the sense that 90 % of the firms had evaluated the Vouchers as 'valuable', with a 7-10 appreciation score of users. The highest appreciation scores were recorded for non-R&D performing SMEs. The evaluation clearly detected a gap-reduction between the SMEs and the Knowledge Institutes. SMEs in particular appreciate the simplicity and speed of the procedure.

The Innovation **Voucher scheme run by IWT Vlaanderen** has been created for the same two purposes: i) to build links between knowledge providers and SMEs; ii) to introduce SMEs to innovation. The Flemish scheme covers different costs, not only for innovation (up to € 10.000), but also training (up to € 2.500), advice (up to € 5.000) and internationalisation-services (up to € 5.000). The voucher system foresees a maximum contribution to the company of € 15.000 per year. The subsidy percentage ranges from 50% up to 75%. Only certified knowledge providers can be addressed by SMEs. The application procedure is web-based, and during the process there is no interaction with IWT.

The main **comment from the reviewers** was that the Innocsekk scheme actually has more features of a grant than of a voucher scheme. This was explained by stating some differences between a grant and a voucher mechanism:

- A grant scheme calls for quality of content and service providers, while a voucher scheme, to be successful, typically requires speed and low administrative burdens;
- Grants target innovative companies, while vouchers usually target "all" SMEs, or even especially the less- or not innovative ones;
- Grants finance proposed projects, while vouchers are given to companies.

These differences were characterized by the statement: "Spread pollen not make honey". Many small subsidies in the form of Vouchers would fit the option to 'spread pollen', or to let many 'flowers blossom'. The grants schemes involve more public interference in terms of selecting the best proposals and allocating the relatively large subsidies to only the best performing applicants, which would fit the search for, or making of 'honey'.

According to the reviewing peers the strategic objectives set for Innocsekk may be better served by splitting the current innovation support measure into 2 schemes: Innocsekk Light,

and an Innovation grant. The rationale for the **recommendation** to introduce an ‘Innocsekk Light’ is mainly referring to the “heavy” and “long” application process, but also to relatively large amount. A lighter, smaller scheme, with a lower administrative burden, quicker response, to be spent on “off the shelf” knowledge and solutions instead of facilitating the full development of an innovation, will more effectively and efficiently serve as an awareness raising action for the benefit of a larger number of SMEs. The second objective is served by showing the SMEs the way to, and opening the doors of, knowledge and service providing organizations in their region.

The implementation of this lighter scheme, providing a relatively small, but open voucher (rather than a larger grant for a well defined project proposal), can be totally de-centralized to the regional level giving the full responsibility for the measure to the Regional Development Agencies. The good contacts that regional agencies have with local SMEs are also beneficiary to solving the issue of ‘problem identification and definition’. As the experience in the Netherlands shows, SMEs do not always know what they should use it for or how to articulate their problem or question and communicate it to a knowledge- or service provider. During the normal interactions between advisors of regional agencies and SMEs, all kind of practical issues emerge. Based on their experience the agency advisors can suggest which of these issues would be appropriate to tackle with a voucher and support in the articulation of the problem definition.

Separate from this voucher scheme there still seems need for an innovation grant scheme. This grant can remain project based, with a larger grant and a content related proposal assessment, will better serve the strategic objective of a higher qualitative level of both demand and supply. This grant scheme, aiming at SMEs who already are aware of the fruits of innovation and who have already focused innovation ambitions, would still be managed by NKTH with an evaluation done at central level with the objective of rewarding quality.

Based on the lessons for **future Peer Reviews**, we recommend to organise peer reviews more systematically as a useful tool to promote policy learning which improves practices and is helpful in enhancing the quality of innovation agencies. Besides including peer reviews under the Inno Partnering Forum, it is recommended to include a budget line for peer reviews in every innovation policy scheme or programme. As it has become widely accepted to include evaluation and impact assessment of policy projects as part of a programme budget, it should also be promoted to include peer reviews. A second recommendation is to organize a follow-up of this pilot in a few months time in order to fine-tune and steer the implementation of possible changes in Hungary. A third recommendation is to disseminate the results of this peer review to other agencies.

# 1 Introduction

In 2009 the INNO Learning Platform has launched two pilots in order to test tools for partnering among innovation agencies in Europe in order to get a kick-start with the forthcoming Inno Partnering Forum (IPF). Drawing on reports written by Andrea Di Anselmo from META Group and our own observations, this report synthesizes the results and lessons concerning the Peer Review pilot. The main objective is to improve the reviewed Hungarian innovation policy instrument: INNOCSEKK, but this report will also evaluate the methodology of the Peer Review pilot, in order to assess if it is a good tool for policy learning.

First we recall the objectives of the Inno Partnering Forum as laid down in the call for proposals:

- Providing an open platform for mutual learning and partnering between national and regional innovation agencies;
- Exploring ways to foster synergies and complementarities between regional, national and European level in support of innovation;
- The identification of emerging needs to improve existing innovation support schemes or develop new instruments and approaches.

Back in 2008 the proposed approach for the pilots involved testing two new tools for partnering: Peer reviewing between innovation agencies; and Exchange of good practices among innovation agencies.

The objective and focus of the Peer Review was defined as to:

- Improve the service level in innovation support;
- Foster mutual learning and exchange of experiences;
- Stimulate a policy evaluation culture.

The original emphasis was on 3 thematical categories:

- Innovation vouchers;
- Support to the internationalization of innovative SMEs;
- Support to high growth innovative SMEs.

Based on the replies received from the agencies the theme of 'support to internationalization of innovative SMEs' was dropped from this list. With a Call on the Pro-inno website agencies were ask to express and motivate their interest for the pilot activities. From the responses a selection and match of peers was made. Following the majority of the reactions to the call the selection resulted in an emphasis on 'innovation voucher-like' schemes.

## 2 Preparation of the Peer Review as Inno Partnering Forum pilot

### 2.1 *Lessons from past practices in peer review*

There have been numerous policy projects promoting the transnational learning in innovation policy within Europe, but most of these activities are limited to presenting your own policy practice and listening how others 'sell' theirs. Although peer review is not a new tool for policy learning, not many past practices are well documented. In the paper "Learning from practice in peer reviews: preparing for peer reviews among agencies in innovation policy", some past and current experiences are discussed (e.g: OECD peer reviews<sup>1</sup>; ERIK Study Visits Exchange Programme<sup>2</sup>; FUTURREG; RAPIDE<sup>3</sup>; CREST 3% OMC Policy Mix Peer Review).

A peer review is an evaluation, an assessment by people who are experts on the subject. The expertise of the peer and the reviewed are on the same level, they can be colleagues, partners and in a way they can be competitors. A typical example is the peer review system by which scientific articles which are send in to Journals for publication. But, it is often a 'blind' review, since the name of the reviewer and the reviewed remains secret. The 'blind' aspect of this kind of peer reviewing may increase the objectivity of the assessment, but it also limits the opportunities for interaction and learning. Therefore, as a tool to promote policy learning the 'blind' aspect is not appropriate.

Commonalities among the various existing experiences in peer reviews point to the following characteristics of peer reviews:

- Voluntary engagement, both reviewers and reviewed have genuine interest;
- Goal-oriented: the aim is to improve practices, go beyond pure analysis;
- Reciprocity: peers are considered equal, so it is not a 'teacher-student' relationship. The same actors could act as reviewed or reviewers at different occasions;
- Presence of an intermediary, a neutral facilitator who organises, prepares and reports on the review activities;
- A three-phase process: consisting in a preparation phase (background analysis), a consultation phase (dialogue and analysis between reviewers and reviewed), and a recommendation phase (adoption and diffusion of the peer review report).

The typical output of peer reviews is an evaluation report, describing the situation, the areas of strengths and weaknesses and proposing recommendations for progress. Peer reviews constitute an interesting method of enhancing trans-national policy learning in innovation, but it has advantages and disadvantages:

A first advantage lies in the quality of the review. Due to the similarities as 'in-siders' it is more easy to communicate among peers: they understand each others language and can relate to the subject.

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<sup>1</sup> See Aubert (1997)

<sup>2</sup> ERIK Network (2007)

<sup>3</sup> See [www.rapidenetwork.eu](http://www.rapidenetwork.eu)

A second, subsequent advantage is in the credibility of recommendations produced by (external, foreign) peers. The credibility can also result from so-called 'peer pressure'. Since peers are engaged in similar activities at the same level and have experience and expertise in solving similar problems, the result of their assessments are highly valued. Peers are more likely to be intelligible and the results of the review are more likely to be directly applicable.

Third, the dialogue created between reviewers and reviewed helps to foster an understanding of the working of a system, agency or programme which is being reviewed, taking into account the tacit knowledge held by reviewed policy-makers. The learning process can therefore become multilateral rather than unilateral: those involved get to know each other and this also helps to build trust and develop further cooperation practices beyond the peer review itself.

However, there are also limitations in peer reviews as a method for trans-national policy learning in innovation policy. The main one relates to the difficulty that reviewers have in gaining sufficient knowledge of the context of the programme, agency or region which is being reviewed. Practical difficulties also arise, such as the heavy time investment needed to carry out the exercise properly and the difficulty in finding experienced policy-makers and practitioners to invest the necessary time.

Experience in conducting peer reviews in Europe<sup>4</sup> point to the following critical success factors:

- The choice of reviewers is a key issue since the incorporation of lessons from foreign experience will occur through their own capacity for applying such lessons to the particular context of the reviewed;
- Agreement on the topics and the process;
- The level of trust between those involved from the reviewer and reviewed agencies and the strength of the commitment to the exercise are important determinants of the quality of the exercise;
- The quality of the internal dialogue existing within the reviewed entity (agency, region, programme, country) between the involved actors and the capacity to take up the results and bring about change are pre-conditions of success;
- The existence of previous analyses, self-assessments and evaluations of the topics subject to peer review is another success condition;
- The professional support in organising, analysing and reporting the activities.

## **2.2 Matching peers**

Agencies were called to express their interest in participating in the Peer Review pilot or the Good Practise Transfer pilot. In their Expression of interest they were asked to motivate their interest. For the Peer Review pilot there were several potential candidates and it was decided to match the call to be reviewed by the National Office for Research and Technology Hungary (NKTH) with two offers to serve as reviewers: IWT (Belgium) and Senter Novem (The Netherlands). Both the reviewers have good experiences with their own Voucher schemes. In addition to the matching of peers also an external facilitator was selected on the basis of a call, namely: Andrea Di Anselmo from META Group.

The NKTH motivated their application for the peer exercise. The INNOCSEKK Innovation Voucher was the support measure they would like to be reviewed, in particular:

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<sup>4</sup> See also: Aubert (1997), Wintjes & Nauwelaers (2002), Nauwelaers & Wintjes (2008).

- The key aspects in the design and delivery phases of the measure, with the aim to increase the efficiency of the voucher scheme;
- The portfolio of services to be supported, in order to better meet the needs of the companies;
- The procedures for the quality assessment and certification of the services rendered by the regional suppliers;
- The procedure for the evaluation of the impact (after 4 years of running).

Since a formal evaluation was lacking, more information had to be collected by facilitator Andrea Di Anselmo to feed the review. The review visit was preceded by an intense preparatory activity to set a common base of understanding on the review process, circulate preliminary information on the “Innocsekk” voucher scheme (Background paper) and coach the peers from NKTH (Preliminary visit on April the 8th). During this preparatory visit it appeared to be important to also involve the regional agencies which are engaged in implementing the Innocsekk scheme.

### 3 The peer review activities

The Peer Review Visit is described in the report written by the facilitator Andrea Di Anselmo from META Group. The visit took place the 5th of May 2009 in Budapest, Hungary, at the premises of the Nemzeti Kutatási és Technológiai Hivatal, (NKTH), the National Office for Research and Technology Hungary. NKTH is in charge of the INNOCSEKK - Innovation voucher, the innovation support measure selected for this peer review exercise. The visiting peer organizations were two European innovation agencies:

- SenterNovem, The Netherland (Mr. Eelco Denekamp);
- IWT Vlaanderen, Belgium (Mr. Jeroen Fiers).

The review exercise was assisted by Rene Wintjes from UNU-MERIT, acting as observer and Andrea Di Anselmo from META Group, external expert for the ILP, with the twofold role of facilitator and responsible for the Peer Review Pilot Exercise. Following the agenda of the peer review visit, we give a short description on INNOCSEKK, the concerning support measure to be reviewed, but also of the measures run by the reviewing peers.

The peer review visit meeting started after a word of welcome and explanation of the agenda with a presentation of the NKTH by Tivadar Lippényi (vice president), their activities and especially the support measure INNOCSEKK, and the motivation for applying for the peer review pilot.

#### 3.1 **INNOCSEKK**

As with other vouchers the INNOCSEKK is a bridging tool that combines serving two types of beneficiaries: the firms who are given the 'cheque or voucher' and the knowledge or service providing organizations where the firms can 'cash their 'cheque/voucher'. In Hungary innovation capabilities of micro and small firms need to be strengthened as well as the capability of service providing institutes to provide specific services to support innovation based projects. This conclusion was also drawn by the OECD Review of Hungarian Innovation Policy (Government's mid-term STI policy strategy). As the innovation activity level in the many small firms is very low, building innovation capacities is vital for their survival and growth. Moreover, the majority of Hungarian SMEs have limited financial means and competences to engage in innovative activities, so they are in need of services delivered in a transparent manner, with speed, and low administrative burden. The Innovation voucher scheme has been designed to provide an answer to the above mentioned needs supplying SMEs with grants to promote their demand for innovation services and to promote the use and improvement of the existing service providers.

The scheme has been running since 2005. In 2008 a new edition of the voucher scheme was launched, with some modifications. The measure is managed by NKTH, and is supported by EU Structural Funds. Prior to 2007, the Regional Development Agencies and the Regional Innovation Agencies were in charge of the operative tasks related to the application and selection process. The programme is implemented via calls for proposals. Applications, which involve quite a lot of 'paperwork' to proof 'eligibility', may be submitted continuously until 30 June 2011, or until all funds available have been allocated. Support is provided via non-refundable grants (covering up to 100% of eligible costs). Applications may be submitted in one region for one of the following activities or thematic areas:

- 1) an appraisal of the project concept (max. 12,000 EUR);
- 2) product development (max. 120,000 EUR);

- 3) development of process innovation (max 12,000 EUR);
- 4) development of organizational innovation (24,000 EUR).

The size of the financial support per project ranges from a minimum value of 2 million HUF (ca. 6.500,00 EUR) to a maximum of 25 million HUF (ca. 81.250,00 EUR). Projects must be completed within 24 months from the funding decision. Eligible beneficiaries are micro- and small-sized enterprise – settled in Hungary with or without legal entity – having site in the given region.

The applications are assessed versus formal, eligibility criteria. All eligible applicants receive funding, but the President of the NKTH makes the formal funding decision. The application can be submitted only in one region. The applications are evaluated according to the following areas:

- A. innovation content of the project (0 to 30 points);
- B. professional and technical feasibility of the project (0 to 30 points);
- C. reasonableness of the estimated purchases, orders and services, realism of their planned costs (0 to 20 points);
- 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).

The subsidy can be requested for the following activities:

- a) purchase of the know-how (intellectual product) needed for the realization of the innovation idea;
- b) making use of any R&D service; of technological background services needed for producing, testing, certifying a prototype;
- c) making use of project management services; of any innovation marketing service;
- d) completion of feasibility study to promote the improvement of the innovation project;
- e) completion of market research and market survey studies and marketing studies;
- f) making use of technological consulting; consultancy about protection of industrial law and copyright;
- g) making use of consultancy about entrepreneurial management;
- h) making use of consultancy about productivity;
- i) audit of novelty and patent research;
- j) making use of any incubation service (only for new enterprises, or for starting a new line of business!);
- k) domestic copyright protection registration of patent, trademark, usage and design.

The subsidy can be granted only for services available in the region. If the service demanded is not available in the region, specific exemption from this obligation might be issued, according to a subsequent decision of the Subsidy Donor.

Although no official evaluation is publicly available, there is not doubt that the scheme is very popular, as all available resources had been used well ahead of schedule. The number of applicants as well as the amounts applied far exceeded available funds (five-fold in 2006). Based on this popularity, the feedbacks from beneficiaries and other stakeholders, and on

the directions of the Hungarian National Innovation Strategy, the OECD Review of Hungarian Innovation Policy (2008) recommended the continuation of the measure after 2008.

Since its launch 1300 project proposals have been submitted, out of which 360 have received grants for a total of 6,4 B HUF (ca. 20.767.084 EUR, with an average value per grant of about 57.700 EUR). The measure has been very attractive to firms and has been extended for 4 more years.

Next on the agenda of the peer review visit were the brief presentations by the reviewing peers on the experience with their vouchers schemes.

### **3.2 *The voucher schemes of the reviewing peers: SenterNovem and IWT***

#### **Innovation Vouchers (SenterNovem, the Netherlands)**

Eelco Denekamp (SenterNovem) explained the Innovation Voucher scheme in the Netherlands, which SenterNovem has been running since 2004. Since then they have been renewed several times and in March 2009 a new regulation was adopted with an expected availability of 7000 vouchers.

The innovation voucher has been launched to connect SMEs and Universities/Research centers, overcoming the lack of communication and contacts between these two groups of actors in the Dutch innovation system. Thanks to this scheme entrepreneurs willing to innovate have the possibility to benefit from knowledge generated by scientific, public funded research. The voucher is addressed to an SME, that can use the voucher to buy services (research, advice, patents). The Innovation voucher can also be used for payment of costs for Dutch or European patent applications.

Although, all Vouchers are of rather small value, there are two different size of vouchers available for either: i) Knowledge Transfer and ii) Patent Application. The small voucher is worth € 2.500 (granted for 100%, and the large one € 7.500 (granted for 67%). The Vouchers can be spent at universities, (semi-) public knowledge institutions, higher education and R&D departments of some large companies. Since a few years the vouchers are not only valid in The Netherlands, but can also be 'cashed' abroad in other EU countries. The eligible 'Knowledge providers' are selected and listed on the Agency website. Vouchers are not valid for other activities such as selling, marketing, promotion, supply of products, support, and courses.

The procedure for Knowledge Transfer and Patent Application is similar. The only difference is that in the Patent Application scheme the SME pays the Patent Agent and it is then reimbursed by the Agency, while in the Knowledge Transfer scheme the knowledge institute is paid by SenterNovem.

The Innovation Voucher procedure runs as follows:

1. the SME applies in paper or digitally through internet; the SME phrases the research question and state that the results will be directly applicable, but the Voucher application may actually come before having a clear research question. The application form is only one-page;
2. A first selection is made by the Agency; the answer is simply either yes, or no. The Agency responds to application in days (digital) or within six weeks (paper). Voucher stands valid for 12 months;
3. The SME selects the Knowledge Institute;
4. SME and Knowledge Institute find agreement on the contents of the operation;

5. SME transfers voucher to Knowledge Institute;
6. Knowledge Institute bills the Agency. The Knowledge Institute may subcontract up to 50 %.

A first evaluation of the Innovation vouchers was made in 2006. It showed that 55 % of vouchers were used. The outcome was positive in the sense that 90 % of the firms had evaluated the Vouchers as 'valuable', with a 7-10 appreciation score of users. The highest appreciation scores were recorded for non-R&D performing SMEs. The larger vouchers were used mainly for product innovation, small vouchers mainly for innovation in services. The evaluation clearly detected a gap-reduction between the SMEs and the Knowledge Institutes. SMEs are enthusiastic; in particular they appreciate the simplicity and speed of the procedure. These SMEs represent for half of the Agency's new clients. So, indeed as in line with the objective, Vouchers are a support tool to address specifically the share of SMEs in the Netherlands which are relatively less innovative.

### **IWT – Voucher Scheme (Flanders, Belgium)**

Jeroen Fiers of IWT Vlaanderen explained that the Innovation Voucher scheme run in Belgium by IWT, has been created for two purposes:

- i) to build links between knowledge providers and SMEs;
- ii) to introduce SMEs to innovation.

The scheme covers different costs/activities, not only innovation is supported, but also training, advice and internationalization-services. The voucher system foresees a maximum contribution to the company of € 15.000 per year. The subsidy percentage ranges from 50% up to 75%. The support is articulated as follows:

- Training: up to 2.500€, with a subsidy of 50% of eligible costs;
- Advising: 5.000€, with a subsidy of 50%;
- Innovation (technology exploration): 10.000€, with a subsidy of 75%;
- Internationalization: 5.000€, with a subsidy of 50%.

In any case, the sum of different headings cannot exceed €15.000.

The total overall budget allocated by IWT for the measure is 43M€ (1 M€ for innovation). Only SMEs, according to the European definition of SME, are allowed to benefit from the scheme. Subsidies are granted in respect of the principle "first come-first served".

Only certified knowledge providers can be addressed by SMEs. Knowledge providers can be both public and private organizations, excepted for Innovation and technology exploration where only not-for-profit organizations are allowed.

The application procedure is based on an Interactive web-based system for online application. During the process there is no interaction with IWT. SMEs are requested to pay their own contribution in advance, and are reimbursed later.

The quality of the service is insured by an ex-post eligibility check. Therefore, knowledge providers are the subjects bearing the risk of unsuccessful operations.

### **3.3 Questions and discussion**

Next on the agenda of the Peer Review visit was a first round of questions and discussion. One of the questions of the reviewers was to show again the slide which showed the place of INNOCSEKK within the wider policy mix of support measures. Other questions concerned: the procedure to evaluate and award applications, and the foreseen impact evaluation. A last

'reviewing' item on the agenda was the face to face meeting with regional stakeholders, that is, representatives of two regional agencies which are engaged in implementing the INNOCSEKK activities. It appeared to be a good decision to involve them in the review as it added insights from a different, more user-oriented angle.

Then the two reviewing peers had an 'internal meeting' where they exchanged their observations and formulated remaining questions, which were posed at the subsequent plenary meeting where the peers discussed the strengths and weaknesses of the INNOCSEKK scheme and identified areas of improvements, resulting in a consensus on the first comments from the Dutch and Flemish reviewers to the Hungarian agency and its reviewed INNOCSEKK measure. After the Hungarian reaction, some first suggestions about how to improve the measure were discussed.

## 4 Results of the pilot

### 4.1 *INNOCSEKK is more a grant than a voucher*

Innocsekk has been extremely successful in terms of companies reached and funds allocated, as in its first implementation period 360 project proposals received grants for a total of 20.767.084 EUR. For the first time a demand driven support scheme was available in Hungary and the contribution of such a scheme to the reinforcement of the regional innovation systems has been fully recognized by the stakeholders.

In this framework the review process highlighted some critical issues in terms of effectiveness and efficiency of the scheme. The main comments revolved around the observation that the Innocsekk Voucher scheme actually contains features of two different support mechanisms, and in fact the present INNOCSEKK has more features of a grant than of a voucher scheme. This was explained by stating some differences between a grant and a voucher mechanism:

- A grant scheme calls for quality of content and service providers, while a voucher scheme, to be successful, typically requires speed and low administrative burdens;
- Grants target innovative companies, while vouchers usually target “all” SMEs, or even especially the less- or not innovative ones;
- Grants finance proposed projects, while Vouchers are given to companies;

These differences were characterized by the statement: “Spread pollen not make honey”. Many small subsidies in the form of Vouchers would fit the option to ‘spread pollen’, or to let many ‘flowers blossom’. The grants schemes involve more public interference in terms of selecting the best proposals and allocating the relatively large subsidies to only the best performing applicants, which would fit the search for, or making of ‘honey’.

The beneficiaries and stakeholders reported that the level of the administrative workload requested from companies for the application created a sort of entrance barrier. Part of this paper workload is related to the use of funding from EU Structural Funds.

The comparison with the Dutch and Belgian experience with the time needed for the overall application process (from the date of filing in the demand till the moment the response from the managing authority is received by the SME) showed a big difference: 6 months is required by Innocsekk, against a few days to maximum 1,5 month by SenterNovem and IWT. Since speed can be seen as one of the benchmarks to assess the performance of a Voucher scheme, the periode of six months needs to be shortened considerably.

Furthermore, even if the new Innocsekk+ program included organizational and process innovation, the scheme is not yet an ‘inno-check one’, but still mostly a ‘techno-check’ with the need of a better balance between market research and technological development product development and process development.

According to the visiting peers, the effect of the above described critique was that Innocsekk resulted mainly in promoting access of innovative SMEs to knowledge and services providers based on an existing, and well developed innovative idea, instead of supporting “all” SMEs in developing innovation intentions. As it was mentioned during the review, one of the recommendations of the OECD in the „Review of the Hungarian Innovation Policy” was to: „Put more emphasis on measures to reinforce the innovation capabilities of SMEs, taking into account their specific and varied needs.” Innocsekk, as it is now, only partially meets such a

request, as it is mostly addressing the more innovative SMEs while the bulk of Hungarian SMEs are relatively less innovation and less technology or R&D oriented.

Putting together the two “souls” of both a grant and a voucher scheme has induced some inefficiency preventing the full match of the two goals of:

- broadening the base of companies accessing to knowledge providers, facilitating access of SMEs to innovation providers;
- increasing the quality of the support given by service/knowledge providers.

### The review at a glance: strengths, weaknesses and possible improvements

<i>Strengths:</i>	
	– Well functioning organisation and motivated staff;
	– Good capability for reaching SMEs (directly and through Regional Development Agencies) to broaden the exposure of the INNOCSEKK measure;
	– Good potential for promoting an extensive range of innovative services;
	– Good intentions for a thorough evaluation of Innocsekk in 2010;
	– Open and positive attitude to changes.
<i>Weaknesses:</i>	
	– Objectives are not well translated into the design of the scheme;
	– The project-based evaluation of applications does not fit with the voucher-concept, it is more consistent with a grant scheme;
	– Application procedures are heavy and long (6-month cycles);
	– Complexity of the overall innovation support system calls for a clear definition of the role of the regional dimension in implementation, and improved links between policy objectives and responsibilities;
	– Absence of a monitoring/evaluation procedure of the quality of the services.
<i>Areas of Improvement:</i>	
	– a) develop a ‘real’ voucher system (easy access; quick; lower value; implement regionally; targeted at less-innovative SMEs) for knowledge questions within a broad definition of innovation;
	– b) enhance Innocsekk into a measure to support SME – Knowledge Institutes co-operation projects (more competitive and more quality oriented application procedure; implement at national level; competitive on quality of proposals);
	– link to policy objectives;
	– use Vouchers as a marketing tool for Regional Development Agencies to enhance their positioning and enlarge their portfolio of potential clients;
	– Develop a quality check for knowledge Institutes and their services;
	– Encourage SMEs to grow from applicant to Vouchers to applicants of grants; use communication tools and financial incentives;
	– Build a closer co-operation between regional agencies and NKTH to better match INNOCSEKK with other existing innovation support measures;

	<ul style="list-style-type: none"> <li>– NKTH should put itself more in the position of its SME customers and possibly set up a customer reflection group;</li> <li>– Upcoming evaluation of Innocsekk will be a good starting point for system changes, an overview of the instruments and their interrelationships (policy-mix) would be of help;</li> <li>– Performance indicators to be defined and evaluation methodology to be developed and tested soon;</li> <li>– Promote working visits to or short internships at longstanding innovation support agencies in other EU member states to accelerate change and its implementation.</li> </ul>
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## 4.2 Recommendation of reviewers

Based on the discussions during the review (including the experience of the visiting peers and the information collected during the exercise), the strategic objectives set for Innocsekk may be better served by splitting the current innovation support measure into 2 schemes: Innocsekk Light, and an Innovation grant.

The rationale for proposing an ‘**Innocsekk Light**’ is mainly referring to the “heavy” and “long” application process. This has created barriers that prevented the measure to fully serve the objective of extending the number of companies using innovation related services. A lighter, smaller scheme, with a lower administrative burden, quicker response, similar to the Dutch or the Belgian one, to be spent on “off the shelf” knowledge and solutions instead of facilitating the full development of an innovation, will more effectively and efficiently bring “all” SMEs in contact with knowledge providers and better allow the exploitation of already available “solutions” by the regional innovation networks. A light version will have the objective to shake and motivate the broader population of potential innovation actors, serving as an awareness raising action for the benefit of a larger number of SMEs. Not necessarily to develop new “products”, but, first of all to foster a cultural, mental or behavioural change. The ‘non-innovative’ SMEs, who apparently are not convinced of the benefit for the firm to engage in innovation, can be persuaded to follow this path by offering them a learning experience with a voucher, showing the benefits of an innovative approach. The second objective is served by showing the SMEs the way to, and opening the doors of, knowledge and service providing organizations.

In the discussion it was proposed that this lighter version could have 2 intervention strands:

- for traditional “SMEs”, open to all forms of innovation, with the purpose to access service providers, diffuse and better valorize the knowledge and technical expertise available within the regional innovation networks;
- for knowledge intensive start-ups (or would be entrepreneurs) and high growth SMEs, focusing on technological innovation, to raise awareness on a market led, profit driven approach, with the aim to promote access to market intelligence, business partnerships and technical expertise.

The implementation of this lighter scheme, providing an relatively small, but open voucher rather than a larger grant for a well defined project proposal, can be totally de-centralized to the regional level giving the full responsibility of the measure to Regional Development Agencies. The good contacts that regional agencies have with local SMEs is also beneficiary to solving the issue of ‘problem identification and definition’. As the experience in the Netherlands shows, SMEs are eager to apply for a voucher, but since quite a number of vouchers are never used/cashed, the SMEs do not always know for what they should use it

or how to articulate their problem or question to a knowledge or service provider. During the normal interactions between advisors of regional agencies and SMEs, all kind of practical issues emerge, and based on their experience the agency advisors can suggest which of these issues would be appropriate to tackle with a voucher.

Separate from this vouch scheme there still seems need for an Innovation grant scheme. Besides the need of broadening the access to innovation related services, the review also identified the need of raising the level of quality of services provided and companies' projects. A different scheme: project based, more structured, with a larger grant and a content related proposal assessment, will better serve the strategic objective of a higher qualitative level of both demand and supply. This grant scheme, aiming at SMEs who already are aware of the fruits of innovation and who have already focused innovation ambitions, would still be managed by NKTH with an evaluation done at central level with the objective of rewarding quality.

## 5 Lessons for future peer reviews

Besides the above mentioned results of the review, we also point to some lessons on how to organise peer reviews in the future; what worked well (drivers for the review process) and what did not work that well (barriers to the review process). In this respect we see some of the lessons derived from past practices confirmed.

As the main **drivers for a good review process** the pilot points to the importance of:

- High quality communication: As colleagues it is easier to communicate, peers understand each other's language and can relate to the subject;
- Credible and applicable recommendations produced by peers;
- Those involved get to know each other, build trust which could lead to partnering beyond the peer review itself.

Regarding the **barriers** this pilot pointed at:

- The difficulty reviewers have in gaining sufficient knowledge of the context of the programme or agency which is being reviewed;
- Lack of previous analyses, self-assessments and evaluations of the topics subject to peer review;
- The capacity to take up the results and bring about change, persuade other stakeholders (those not involved in the review).

Further conceptual and methodological **lessons** concerning peer review as a learning tool:

- It is not easy to standardise the 'match-making' between the supply of reviewers and the demand of those that want to be reviewed;
- It is very important to prepare a review visit (depending on the available documentation) in order to focus and structure the peer review visit. The time-frame for the pilots was short, maybe even too short, given the lack of an existing evaluation of Innocsekk;
- The changed subject from review of an agency to a review of scheme (in this case: Innocsekk) showed that it is often difficult to separate reviewing the scheme and reviewing the way an agency works. However, starting the review focusing on one particular measure brings focus in the exercise. While reviewing other relevant contextual aspects enter the discussions, not only the main responsible agency, but also the situation of the wider innovation (policy) system.
- The three phases identified in past peer reviews (preparation, consultation, recommendation) would ideally need more than one round. It shows the importance of intensive communication with several feed-back-loops. Such feed-back loops where incorporated in the agenda that structured the peer review visit, but furthering the results of the peer review towards actual take up of recommendations for change would need more time between feed-back loops, e.g. in the form of a second meeting.
- Due to the match-making procedure this learning exercise was more than a review, and the result goes beyond the generated review report. However, the desire and relevance of exchanging and improving practices is no guarantee that the results of the review will actually result in better practice. Some possible follow-up activities were discussed, but without concrete actions and agreements there is a high chance

that no further concrete follow-up activities between the involved agencies will be pursued.

Based on the above, a first **recommendation** is to organise peer reviews systematically as a useful tool to promote policy learning which improves practices and is helpful in enhancing the quality of innovation agencies. Besides including peer reviews under the Inno Partnering Forum, it is recommended to include a budget line for peer reviews in every innovation policy scheme or programme. As it has become widely accepted to include evaluation and impact assessment of policy projects as part of a programme budget, it should also be promoted to include peer reviews.

A second recommendation is to organize a follow-up of this pilot in a few months time in order to fine-tune and steer the implementation of possible changes in Hungary. In the form of a pilot follow-up this would also be a test of how to exit this publicly funded intervention of organizing a peer review.

A third recommendation is to disseminate the results of this peer review to other agencies. Not only the insights regarding the reviewed scheme (and the schemes of the reviewers) could be interesting for certain agencies, but also the practice of organizing a peer review could be helpful as a guide to others not involved in this pilot.

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