



PRO INNO EUROPE

INNO LEARNING PLATFORM

Twinning for Good Practice Transfer, synthesizing results and lessons

3rd 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). Drawing on our own observations, and reports written by Irini Efthimiadou who organized and facilitated the meetings, this report synthesizes the results and lessons concerning the pilot on Twinning for Good Practice Transfer which involved agencies from Lithuania and Sweden.

The objectives of Twinning for Good Practice Transfer as defined in 2008 involved:

- Wider uptake of state-of-the-art innovation support services;
- Assess transferability and facilitate transfer of practices;
- Foster inter-agency cooperation and partnering.

With a Call on the Pro-inno website agencies were asked to express and motivate their interest for the pilot activities. The twinning partners which have been selected for this Good Practice Transfer pilot are VINNOVA in Sweden and the Lithuanian Innovation Centre LIC. The good practice selected for the pilot was the “Research & Growth” Programme of VINNOVA. This Swedish programme has some Voucher-characteristics and the Lithuanian Ministry of Economy was interested to develop an “Innovation Voucher” type of scheme. The first Good Practice Transfer visit was organised and hosted by VINNOVA in Sweden in order to analyse their good practice and to identify and discuss issues of transferability to Lithuania. It was a two-day visit that took place on 28 and 29 April 2009.

The “Research & Growth” programme aims at strengthening the competitiveness of Swedish SMEs in the global market by means of a product related research grant. Three types of research activities are supported:

- Identification and analysis of the problem: involving market research activities for requirements analysis. The duration is 1-3 months. The funding level for this type of activity is 10,500 Euro maximum and it is a 100% grant;
- Feasibility study: involving activities for identifying the proof of concept, both technically and commercially. The duration is 3-6 months. The funding level for this type of activity is 52,500 Euro maximum and it is a 100% grant;
- R&D implementation project: involving internal or extra-mural R&D activities. having duration of 6-18 months, The funding level for this type of activity 525,000 Euro maximum and it is 50% grant and 50% own contribution.

The eligible costs for which direct funding is provided are: labour costs; equipment; training; and costs of external expertise.

The competitive application and allocation mechanism is based on submission of proposals, which are evaluated by internal as well as external experts. In the 2006-2008 period, 2300 SMEs applied and 360 (16%) of the applications were selected. The evaluation decision from the time of application is reached within 6 weeks. The main good practice features of the ‘Research and Growth’ scheme are:

- Simple and effective administrative procedures, including simplicity and use-friendly application procedures and very quick evaluation;

- Successful projects in terms of solutions delivered and satisfaction of beneficiaries as they tackle specific problems by having the freedom to choose both the project content and (if needed) the knowledge provider.

The presented good practices regarding the 'Research and Growth' programme would especially be interesting in relation to similar existing schemes in Lithuania which share similar objectives, namely IDEA-LT and INTELEKTAS – LT (and INTELEKTAS-plus - LT). These schemes cover two of the three activities of the "Research & Growth" Programme, namely: 'supporting technical feasibility studies' and 'industrial R&D projects' respectively. The third, 'lightest' module of 'Research & Growth' regarding 'the Identification and analysis of the problem' (or 'pre-feasibility phase) does not have a corresponding scheme in Lithuania. Adding such a light version to the existing schemes in Lithuania could be an interesting option.

The existing, corresponding schemes are:

- IDEA-LT: a scheme to support technical feasibility studies (TFS) for future industrial R&D, addressed to SMEs only, providing a grant to cover 75 % of TFS costs for industrial research activities and 50 % of TFS costs for experimental development activities, ranging from 6,000 Euro to 44,000 Euro;
- INTELEKTAS - LT: a scheme to support new products or services (industrial R&D), addressed to all companies involving consortia with research organisations, providing a grant ranging from about 29,000 Euro – 870,000 Euro, 50% for industrial research activities, 25%-45% for experimental development activities, depending on company size;
- INTELEKTAS – LT+: a scheme to support investments in industrial R&D facilities in companies, addressed to all companies, providing a 50% - 70% grant depending on company size, ranging from 14,000 Euro to 5,800,000 Euro.

Prior to the second visit to Lithuania, the LIC team arranged internal meetings with the key persons from the Ministry of Economy in Lithuania, who are responsible for the development of innovation policies and support schemes. Since the Ministry has to decide on adopting new practices, it was important to involve them into the twinning process. The visit was organised by LIC and hosted by the Ministry of Economy in Lithuania on 12 June 2009 with a preparatory meeting between LIC and VINNOVA team in the afternoon of the previous day.

The main recommendation that was well received during the discussion between VINNOVA, LIC and Lithuanian Ministry of Economy, is to add a 'lighter' module (or separate new scheme) to the existing schemes, with a relatively low budget for identification and analysis of the (R&D or technological) problem of the SME. Such 'pre-feasibility' support for 'problem identification and needs articulation' is not covered by the existing, similar R&D schemes (IDEA-LT, and INTELEKTAS – LT), but it can be complementary to those.

The target group of the adopted and adapted practice would remain SMEs, but with a particular focus on small enterprises that don't have previous R&D experience.

Also the interest expressed by LIC in the practice of VINNOVA in project appraisal and application selection was confirmed by the Ministry. For both existing and new schemes it was considered important to adopt a more competitive application procedure. The general focus should be on reducing formal administrative requirements for project selection and adopting a more content- and result-oriented evaluation.

The implementation structure and operational rules of the 'Research and Growth' scheme are to a certain extent context specific, which calls for adaptations and additional changes in terms of pre-implementation conditions. The main context specific issues are:

- Operational rules in Lithuania follow the EU Structural Fund rules, which are more complicated and demanding than the state aid rules of Sweden;
- The management structure of the business support schemes are more complicated, including the Ministry of Economy at the management level and the Lithuanian Business Support Agency at the administrative level;
- There may be a need to offer specialised services to SMEs to prepare them for the scheme in order to ensure enough applications of good quality and in order to secure the project pipeline;
- Trust is missing among SMEs regarding the proposal evaluation in competitive calls, so the evaluation process needs to be very transparent, and should include a threshold.

Because of these contextual differences important good practice features of the 'Research and Growth' programme (such as the simple and user-friendly application procedures, and the very quick but high quality proposal evaluation) will be difficult to transfer without further changes in the governance infrastructure.

The new scheme of smaller budget and duration could also include transfer of existing knowledge for solving identified problems of less-innovative SME's, as in the case of the innovation voucher schemes in the Netherlands and Belgium. However, the Lithuanian Ministry of Economy mentioned they were interested to opt for having both, but separately: a more R&D promoting scheme for the more innovative SMEs (adopting some features of the 'Research & Growth' grant programme), and a more classical Voucher scheme for the less-innovative SMEs. Concerning the latter, they have already been investigating Innovation Voucher schemes as implemented in the Netherlands and Belgium.

It has proven useful to start the twinning process by focussing on one specific scheme. Without such a pre-defined target, the results would have been less concrete and the chance is high that the exercise is just a case of networking. However, during the process it is quite natural to broaden the scope of the exchange of good practices. It is therefore recommended that also in the future exchange of experience during the twinning process should be allowed to expand from one 'good practice scheme' towards improving the quality, efficiency and effectiveness of ways of work of the twinning agencies. For that purpose, the conceptual framework and self-assessment tool for adding value in the ways of work of agencies (which was briefly introduced by VINNOVA during the preparatory meeting), can be used in future exchange visits.

It proved to be successful to involve the Lithuanian Ministry of Economy into the pilot, since they are deciding on the development and possible transfer and adoption concerning the policies and schemes. It may prove to be difficult to involve policy makers in each case of Twinning, and it is not a pre-requisite, but when appropriate and possible, it is likely to increase results.

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 our own observations, and reports written by Iriini Efthimiadou who organized and facilitated the meetings, this report synthesizes the results and lessons concerning the pilot on Twinning for Good Practice Transfer which involved agencies from Lithuania and Sweden. The main objective of the pilot has been to find out what Lithuania can learn from the good practice of the Research & Growth programme managed by the agency VINNOVA in Sweden, and how these lessons can improve the innovation policy practices in Lithuania. Besides coming to a conclusion regarding the achievement of that objective, this report will also evaluate the methodology to promote twinning and the process of good practice analysis and transfer.

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 Review among innovation agencies; and Good Practice Transfer.

The objective and focus of Twinning for Good Practice Transfer are:

- Wider uptake of state-of-the-art innovation support services;
- Assess transferability and facilitate transfer of practices;
- Foster inter-agency cooperation and partnering.

The main steps taken in running this pilot in 2009 are:

- Prepare good practice exchange methodologies;
- Launch a call for innovation agencies to express interest in participating;
- Organise visits for good practice exchange;
- Produce Inno Partnering Forum guidelines for exchange of good practices.

The original emphasis was on 3 thematical categories:

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

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 of good practice and match of twinning partners was made. Based on the reactions to the call the emphasis has been put on 'innovation voucher-like' schemes.

In paragraph 2 the preparation activities of the pilot are presented. The analysis of the Swedish “Research and Growth” scheme is summarised in paragraph 3. Subsequently we address the results of this pilot (paragraph 4) and the lessons for future Twinning for Good Practice transfer (in paragraph 5).

2 Preparation of Twinning for Good Practice Transfer as Inno Partnering Forum pilot

2.1 Lessons from past practices in Good Practice Transfer

In order to prepare for the twinning pilot some previous experiences in exchange of good practice have been analysed. What is meant by ‘good practice’ and how can it be transferred in a twinning setting between innovation agencies? The meaning of the concept is not fixed, but it appears that the concept of ‘good practice’ is still central in many approaches of policy learning. Especially the European Commission has advocated benchmarking and funded many projects to promote exchange of ‘good practice’ among Member States. Since the EU has no competence in formulating an integrated innovation policy at European level, it can only promote convergence in innovation policy by persuading national agencies to adopt each others ‘good practice’. However, a ‘one-size-fits-all’ policy or policy measure does not exist. Due to the large diversity of national and regional specific contexts there is no single best policy measure, which would be best to all on all possible aspects of the concerning policy. Moreover, it is difficult to assess which practices are good or bad, since policies and agencies (and their impact and value added) are not always evaluated and when they are, it is seldom done in a comparable way. The main type of policy learning is probably learning from own experiences (“learning-by-doing”), but this can be complemented by learning from the practices of others (“learning-by-interacting”).

There are several motives and mechanisms for trans-national policy convergence, which explains why and how some type of innovation policy practice become more widely adopted (see table 1). This brings us to several ways in which good practice might be transferred. The stimulus can be the identification of a certain problem ‘at home’ for which a solution is searched for, found and transferred from elsewhere. In case the same problem is also identified in other countries, this could lead to cooperation and a joint development of a new or renewed policy model. In another situation one could be persuaded (e.g. by a benchmarking exercise) to import a new, increasingly popular model used elsewhere (e.g. in the case of Vouchers), or one could be persuaded to improve the existing practice at home by adopting elements of an other policy which is considered to be a better practice.

Table 1 Mechanisms of policy convergence and policy transfer

Trans-national Mechanism	Stimulus	Response
Lesson drawing	Problem pressure	Transfer of model found elsewhere
Trans-national problem-solving	Parallel problem pressure	Adoption of commonly developed model
Emulation	Desire for conformity	Copying of widely used model
International policy promotion	Legitimacy pressure	Adoption of recommended model
Independent problem-solving	Parallel problem pressure	Independent similar response

Source: Adapted after Holzinger and Knill (2005)

In order to solve unique problems, or to address system-specific failures, policy measures have to be developed ‘bottom-up’ or practices from elsewhere have to be tailored, and adjusted to meet the specific objectives. This implies that assessing the appropriateness of policy transfer becomes more difficult when the concerning contexts show more differences, and for instance the involved agencies are less similar (e.g. in terms of competencies, capabilities and resources). But, regarding the concept of transferring good practice we do

not limit ourselves to the transfer of an exact full copy of a certain policy model, instrument, programme, or other agency practice. It also refers to the use at home of specific lessons based on certain (good or bad) elements or features in a foreign practice.

In a very practical way, Rose¹ (2001, 2002) outlines and describes ten steps that must be taken in order to transfer good practice in policy. It goes beyond drawing lessons from experiences in other countries, because he also addresses what to do with what is learned after returning home:

- diagnosing your problem;
- deciding where to look for a lesson;
- investigating how a programme works there;
- abstracting a cause-and-effect model for export;
- designing a lesson;
- deciding whether to import;
- dealing with resource requirements and constraints;
- handling the problem of context;
- bounding speculation through prospective evaluation;
- and using foreign countries as positive or negative symbols.

One of the main conclusions drawn by Rose is that a simple ‘cut and paste’ does not work. A transferability assessment of the lessons learned is a critical success factor. It involves de-contextualisation and subsequently re-contextualisation of good practices, which calls for a high level of policy intelligence.

Most past examples regarding good practices in innovation policy are about exchange, but not many examples have been found that really work towards the actual ‘transfer’. Some interesting past and present examples of good practice analyses and transfer between innovation agencies (which have been described in a preparatory ‘state of the art’ document) are: The INTERREG IVC Programme, ERRIN, Baltic Sea Knowledge Region project, Innovating Regions in Europe (IRE) projects (including IMPACTSCAN), PAXIS Regions of Excellence, INNO Trendchart, RAPIDE, and ERIK Action. Regarding this last mentioned example, the former project did not lead to many actual cases of transfer, therefore in the current activities more transfer actions are planned (see box 1).

Since there is a high quality of communication needed the pilot is framed in a ‘twinning’ setting. Good practice transfer between agencies takes more than one or two visits, and it includes the ambition that also after the subsidized visits the partnering will extent into other aspects of the agencies performance.

¹ Rose, R. (2001), ‘Ten steps in learning lessons from abroad’, Future Governance Discussion Paper 1, London, UK: ESRC Future Governance Programme; Rose, R. (2002), ‘When all other conditions are not equal: the context for drawing lessons’, in C. Jones Finer (ed.), Social Policy Reform in Socialist Market China: Lessons for and from Abroad, Aldershot, UK: Ashgate.

Box 1 Good Practice selection and transfer activities within ERIK Action

- Selection of Good Practices (GPs):
 - Inter-regional exchange within ERIK NETWORK and ERIK DATABASE;
 - Decision on regional GPs to offer for transfer;
 - Transfer Matching Session to select GPs for transfer;
 - Training sessions on key factors for firms' innovation;
 - Stakeholder Involvement Plan.
- Development of transfer actions:
 - Transfer workshops for selected GPs;
 - Study visits;
 - Help desks;
 - Staff exchange.
- Individual regional action plans by every partner:
 - Description of intended inter-regional transfer, incl. resources;
 - Approved & signed by the managing authority.
- Concrete GP transfer and tool implementation / improvement.

Source: ERIK Action 2009

The twinning concept for transfer of good practices is based on cooperation between the participating organizations to support one another in good practice exchanges and transfer processes. The idea is to establish a partnership between the involved organizations, in order to channel expertise and knowledge between each other. Visits are essential to start such contacts between colleagues on both sides.

2.2 The matched twinning partners and the selected good practice

A main difference between our pilot and the above mentioned ERIK Action initiative is the process of selection of good practices. Due to time and resource constraints of this pilot the process to select the Good Practice innovation policy measures, and the way 'supply and demand' are matched, have been of a less interactive nature.

Agencies were called to express their interest in participating in the Good Practice Transfer pilot. In their Expression of Interest they were asked to motivate their application. The twinning partners which have been selected for this Good Practice Transfer pilot are VINNOVA and the Lithuanian Innovation Centre LIC. The good practice selected for the pilot was the "Research & Growth" Programma of VINNOVA. This Swedish programme has some Voucher-characteristics and the Lithuanian Ministry of Economy intends to develop an "Innovation Voucher" type of scheme. Below we provide some background information on the two involved agencies and the selected Good Practice.

VINNOVA (Swedish Governmental Agency for Innovation Systems) is a state authority that designs and manages programmes and funds for needs-driven research for the benefit of a competitive business sector and a flourishing society. Compared to many other agencies in Europe it has a quite high level of autonomy, in the sense that it is not only implementing policy, but that it also has responsibilities for policy development and design. VINNOVA falls under the Ministry of Enterprise, Energy and Communication and was formed in 2001 following a reorganisation of the Swedish research funding system. VINNOVA's particular area of responsibility is to fund R&D and to promote R&D based innovations. In 2007

VINNOVA funded R&D for about EUR 186 million (SEK 1 750 million), of which some 20 % was allocated to SMEs.

Swedish innovation policy is not driven top-down by overall visions formulated in strategic documents, but the R&D and innovation policy mix has changed since 2006. Generic measures, such as those addressing framework conditions have been favoured, while those dedicated to specific sectors or actors have received less attention. VINNOVA is active on the following policy fields:

- Financing of needs-driven research;
- Regional network of Centres of Excellence for Research and Innovation;
- Valorisation/ Commercialisation of research results;
- Research and Innovation in SMEs;
- International cooperation;
- EU Research Framework Programme;
- Research Institutes.

The involvement of SMEs in R&D is considered to be important for the performance of the national innovation system. Sweden's high rate in terms of R&D intensity is caused by a handful of R&D intensive multinational companies with a long history of activities in Sweden. The composition of this 'old' group of large R&D intensive firms did not change, as no new R&D intensive firms have grown into similar large size. The "Research & Growth" programme, managed by VINNOVA, is one of the measures aiming at increasing the investment rates of R&D among SMEs. But, the "Research and Growth" programme also aims at growth of these SMEs into larger firms, in the hope to finally expand the small group of large R&D intensive firms.

Lithuanian Innovation Centre (LIC) is a public, non-profit organisation providing innovation support services to enterprises, research institutions, industry associations and business support organizations. The mission of LIC is provision of innovation support services by implementing Lithuanian innovation policy. The main, overall goal of LIC is to increase the international competitiveness of Lithuania by stimulating innovations in the business sector. This overall goal is divided into the following strategic objectives:

- To foster capabilities of the companies to develop and implement innovations;
- To accelerate commercialization of achievements of advanced sciences;
- To decrease the risk of innovation implementation.

LIC is mostly engaged in policy implementation and providing advice and support to companies. Since the Ministry of Economy is responsible for the development of industrial R&D and innovation policy and corresponding schemes, it was important to involve them at a later stage in the twinning process, in order to increase the chance of bringing about real policy changes and policy transfer.

In Lithuania, the Structural Funds department of the Ministry of Economy is responsible for the development of most innovation and R&D support schemes, which are currently being implemented under the main general goal of improving the competitiveness of the economy (Economic Growth Operational Programme) and the priority of "Research and Development for Competitiveness and Growth of the Economy". The management and implementation of the innovation support schemes in Lithuania involves several actors:

- The Ministry of Economy is in charge of the development and management of innovation policy and the corresponding support schemes, of which more than 90% is based on ERDF funding.

- The Lithuanian Business Support Agency mostly performs administrative tasks and does not have responsibilities concerning instrument design or planning, but is mainly engaged in the calls, proposal evaluation, contracts, deliverables-based project monitoring and evaluation.
- The Lithuanian Innovation Centre (LIC), which is an implementing agency and advisory network operating across the entire territory of Lithuania to raise awareness and “secure” project pipelines.

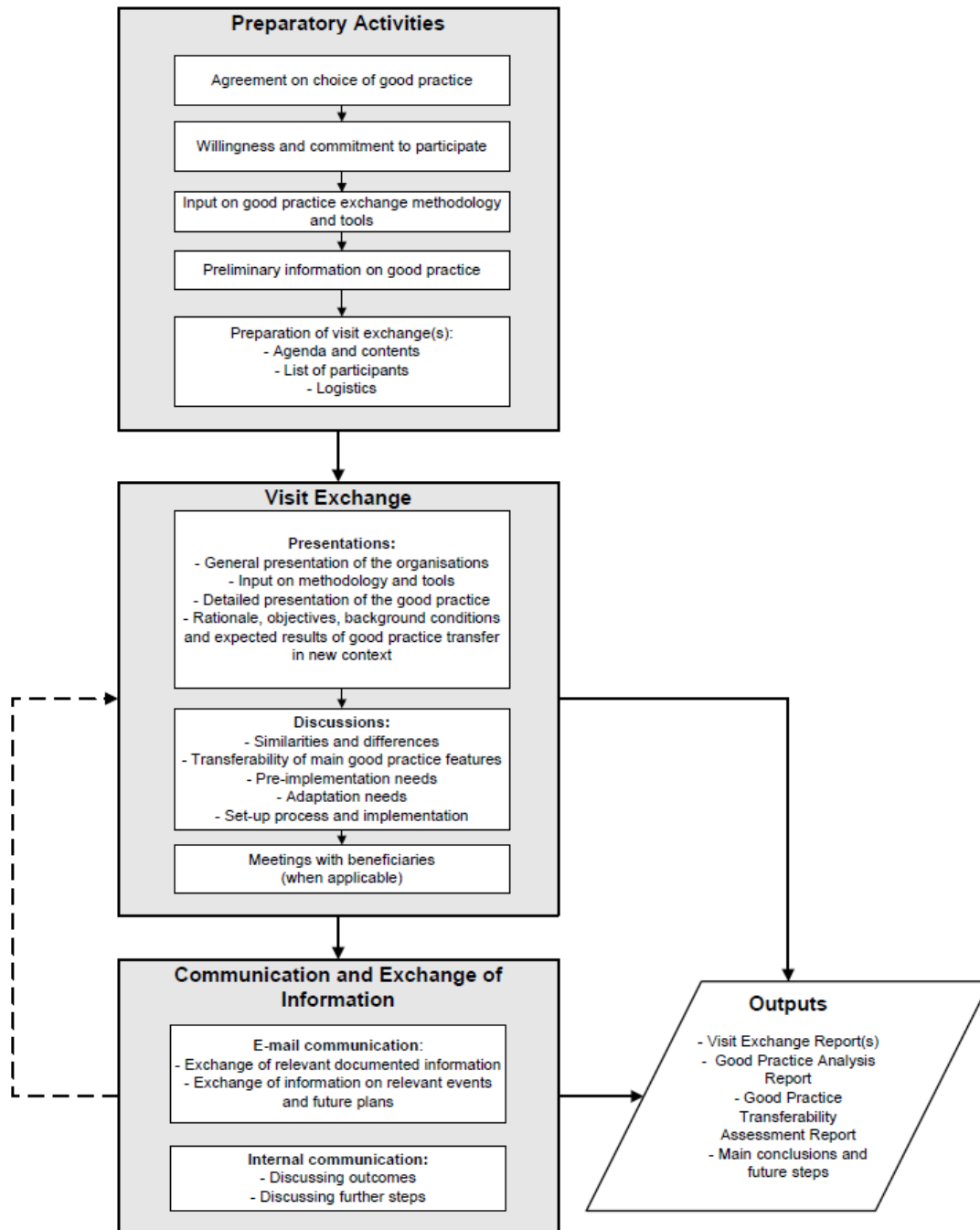
Due to the above governance structure and the importance of the Structural Funds (and corresponding procedures), the development and implementation of innovation support schemes is quite a bureaucratic process, focusing on the administrative aspects.

A general strength of the Lithuanian system of innovation is the well developed higher education sector, with a strong science and technology research tradition and engineering orientation. On the other hand, the Lithuanian business sector suffers from an extremely low R&D intensity. Enhancing R&D capabilities in enterprises is therefore a major challenge. Moreover, the linkages between science and industry are also weak. Except for a few large R&D performers (in chemistry and pharmaceuticals), and some SMEs in laser- and biotechnologies, companies in Lithuania have difficulties in co-operating with the public R&D sector.

3 Analysis of the Good Practice

In this paragraph we summarise the exchanged information and discussions concerning the Good Practice, which took place especially during the first visit (see also figure 1).

Figure 1 Overview of the Twinning for Good Practice Transfer process



Source: Efthimiadou (2009)

The second visit, which took place in Vilnius, served basically as a feed-back mechanism: the discussion and results of the first meeting were put in a wider perspective of twinning and policy learning between Sweden and Lithuania and in this second round the responsible Ministry was involved into the twinning for good practice transfer process. In this paragraph we mainly focus on the exchanges at the visit, which mainly served to analyse the Good Practice of VINNOVA: the 'Research and Growth' programme. The discussions on the second day mainly provided input to paragraph 4.

The first Good Practice Transfer visit was organised and hosted by VINNOVA in Sweden in order to analyse their good practice and to identify and discuss issues of transferability to Lithuania. It was a two-day visit that took place on 28 and 29 April 2009. The first day of the visit started with a series of presentations in the morning. The after-noon was devoted to discussions, mainly on those aspects and features of the Good Practice that were of most interest to the Lithuanian agency. During the second day of the visit, meetings were organised with a number of beneficiaries at their premises, in order to collect additional information regarding the "Research & Growth" results and impact from the point of view of the beneficiaries. The chosen beneficiaries were two SMEs that participated in the programme and one research organisation that provided R&D solutions to at least two SME beneficiaries of the programme.

The first two presentations provided the necessary background information on VINNOVA, (its strategic directions and activities) and on the approach towards commercialisation of R&D. A next presentation discussed the pilot methodology and proposed activities, see also figure 1. In this report we structure the information exchange by first presenting the Swedish side, focusing on the characteristics of the 'Research and Growth' programme (in 3.1) and subsequently address (in 3.2) the Lithuanian side of the exchange and discussion regarding the good practice.

3.1 The "Research & Growth" programme

The "Research & Growth" programme aims at strengthening the competitiveness of Swedish SMEs in the global market by means of a product related research grant. The programme is aimed primarily at SMEs in need of R&D and/or need to increase their own R&D activities in order to generate innovative products, services and processes which will strengthen their competitiveness. The company must have an established business activity and show a clear intention to develop further, and show a strong ambition to grow. The programme shares some characteristics of Innovation Voucher Schemes, e.g.: the SMEs have quite some freedom in deciding on how to spend the involved funds; and the fast application. It mainly differs from the other corresponding schemes in EU as to the type and range of activities that it supports and the quantity of funding.

Three **types of research activities** are supported:

- Identification and analysis of the problem: involving market research activities for requirements analysis. The duration is 1-3 months. The funding level for this type of activity is 10,500 Euro maximum and it is a 100% grant;
- Feasibility study: involving activities for identifying the proof of concept, both technically and commercially. The duration is 3-6 months. The funding level for this type of activity is 52,500 Euro maximum and it is a 100% grant;
- R&D implementation project: involving internal or extra-mural R&D activities. having duration of 6-18 months, The funding level for this type of activity 525,000 Euro maximum and it is 50% grant and 50% own contribution.

VINNOVA has been commissioned by the Swedish government to carry out this programme and Dr Jenni Nordborg has been assigned as the programme director. The programme was inspired by several international examples of good practice in countries such as United States and Finland. The programme started in 2005, but no end-date is planned. The overall budget of the programme is 12 Million EURO per year and this amount will be received on an annual basis.

The programme aims at stimulating R&D in innovative small and medium-sized (SME) companies. The main **objectives** are:

- Increase knowledge content in bringing forward new products, services and processes, by increasing R&D competence and knowledge in SMEs and strengthening their IP strategies;
- Strengthen and stimulate R&D in SMEs, by strengthening their IPR knowledge, technical and market verification and setting up R&D projects showing how competences increase their competitive edge;
- Reach new markets and business opportunities by introducing new product development processes in SMEs based on R&D projects.

Besides new jobs and increased innovativeness and competitiveness of SMEs, the expected impacts of the projects funded by the programme also include enhanced networking between SMEs and other actors, and an increase in the participation of SMEs in international cooperation.

The Research & Growth programme is **part of a broader policy mix** supporting innovation in Sweden. The current mix has been around for some years, but in reaction to policy debates some slight changes/trends have emerged in this policy mix. E.g. the emphasis has shifted from 'pure' R&D to more commercialisation-related issues. Also a reduction of administrative burden has become more important, as well as the aspect of support for internationalisation. Such trends, or slight shifts in priorities, can also be witnessed within the Research and Growth Programme.

Within the policy mix of VINNOVA there are several programmes related to the Research & Growth Programme. Here we mention: VINN Verification and VINN NU. VINN Verification, offers the possibility to conduct a more comprehensive commercial and technical verification, as well as a validation of research results with commercial potential. VINN NU is a competition for new companies that base their operations on R&D results. The aim of VINN NU is to make it easier for new R&D based companies to prepare and clarify commercially interesting development projects at an early stage so that they can progress, find subsequent funding and grow.

In the programme Research & Growth there are discussions between the Managing Organisation and the Swedish Export Council to support more explicitly the internationalisation of the companies in the programme. A pilot will be launched where companies in Research & Growth will be given additional financing in order to take part in the services provided by the Swedish Trade Council. The objective is to identify and address potential obstacles that SMEs face when they are in the process of entering international markets and multi-national activities. Another pilot deals with IPR-related matters. The pilot will be an offering to companies in the programme Research & Growth and other similar measures and involves a strategic analysis of the IP in the company.

The formal **target group** of beneficiaries is Swedish SMEs (independent enterprises limited by shares, with less than 250 employees, in all industrial sectors). Indirect beneficiaries are

the research organizations selected by the SMEs as collaborators. They can be universities, research institutes or other types of organisations, depending on the needs and objectives of the SME in the concerning project. The SMEs have to nominate their research collaborators as sub-contractors at the application stage in order to be considered during the proposal evaluation. However, it is not mandatory for the SMEs to have an external research service provider as collaborator, if they can demonstrate that they have (or are able to develop) the capacity to do the research themselves.

The **eligible costs** for which direct funding is provided are:

- Labour costs (including overheads);
- Equipment;
- Training (including study trips);
- External expertise (consultants, studies, etc.).

The **application** and allocation mechanism is based on submission of proposals, which are evaluated by internal as well as external experts. The Managing Organisation reaches the formal decision, based on recommendations given by the evaluators. In 2006 the decisions were taken at four different occasions. In the 2006-2008 period, 2300 SMEs applied and 360 (16%) of the applications were selected. In total a group of about 55 persons, both internal and external experts, are involved in the proposal evaluating process. The evaluation decision from the time of application is reached within 6 weeks, which is considered to be very quick for a competitive procedure.

The **proposal evaluation criteria** are:

- **Relevance:** The proposal's ability to contribute to the objectives of the programme, including ability of the SME to grow and increase its competitiveness, market potential, customers, and risk analysis;
- **Quality:** The quality of the proposal, including knowledge, quality of research, "level of innovation", relation to state-of-the-art, development potential;
- **Implementation:** The ability to carry out the project, including team capabilities and IPR, business environment and approach, realism in budget and time schedule;
- **Exploitation:** Ability and commitment to utilise/commercialise the project results in relation to market, customers, competition, and management team.

Based on the available budget, 360 SMEs received EURO 35 million in the 2006-2008 period. There was a geographical distribution throughout Sweden and both R&D intensive SMEs and SMEs without prior experienced in R&D were involved. Most funded activities were R&D Implementation Projects for which there was 10% success in applications. The least funded activities were those related to problem identification and analysis for which there was 50% success in applications.

The selected projects also undergo one or two on-going evaluations and one final evaluation. There will also be ex-post evaluations in one, three or five years after the end of the projects, and they will focus on the impact on the company rather than the project as such. VINNOVA will also use a control group (a group of companies that have not received the grant) to check results.

Two to three calls per year are launched for the "Feasibility Study" and "R&D Implementation Project" activities. The "Identification and Analysis" possibility is continuously open. The application procedure is short and efficient, but highly competitive. The proposals consist of

only a few pages per activity (2 pages application for identification and analysis, 5 pages application for a Feasibility Study, and 10 pages application for a R&D Implementation Project). During each application period, the SMEs can apply only once and for only one type of activity, but this also implies that firms who had not been selected can send in a new application.

The main **good practice features** of the scheme, as identified by both the managing organisation VINNOVA and the beneficiaries are:

- Simple and effective administrative procedures, including simplicity and use-friendly application procedures and very quick evaluation;
- Successful projects in terms of solutions delivered and satisfaction of beneficiaries as they tackle specific problems by having the freedom to choose both the project content and (if needed) the knowledge provider.

When benchmarked against similar European practices, the following characteristics are observed:

- The scheme has the same objectives as similar practices in Europe, with specific focus on innovative SMEs and their growth;
- The scheme supports a wider range of research activities than most similar practices in Europe, as its approach is more integrated and focused on needs driven research;
- Even though the supported activities can be of a wider scope and with higher budget, the implementation of the scheme is still simple and effective, including easy application and final reporting procedures;
- The bottom-up, needs driven research approach leads to less restrictive procedures regarding choice of project content and type of SME collaboration;
- Even though the project content and type of SME collaboration is open, successful results are based on highly competitive proposal evaluation, focusing on criteria of innovation and growth potential for the applying SMEs.
- The scheme includes possibilities for support to internationalization activities, which is quite new and interesting as it meets an increased need among client companies all over Europe.

3.2 The Lithuanian quest for Good Practices

After the presentations by VINNOVA at the visit in Stockholm the situation and background of Lithuania and the LIC was presented. Based on an international comparison of indicators such as business R&D intensity and the shares of innovative SMEs (see also table 2), the question was raised whether Lithuania should focus more on supporting the relatively small share of SMEs which are performing R&D ('pulling at the top of the innovation pyramid'). Or would the aim of increasing competitiveness of Lithuania perhaps be more served with supporting the relatively large target group of less innovative SMEs, e.g. with funding non-R&D innovation expenditures? ('pushing the base of the innovation pyramid'). Or both?

Although it may not be the responsibility of agencies to come up with an answer to such national strategic policy questions, it is indeed important to note that before considering to transfer (elements of) a good practice policy, one should assess whether the objectives are (equally) relevant for both countries.

Table 2 Research and innovation indicators for Lithuania and Sweden

	Lithuania		Sweden	
	2006	2007	2006	2007
Business R&D expenditures (% of GDP)	0.22	0.23	2.79	2.64
Non-R&D innovation expenditures	0.64	--	0.66	--
Product/process innovators (% of SMEs)	19.7	--	40.7	--

Source: INNO-METRICS, European Innovation Scoreboard 2008

The presented good practices regarding the 'Research and Growth' programme would especially be interesting in relation to similar existing schemes in Lithuania which share similar objectives, namely IDEA-LT and INTELEKTAS – LT (and INTELEKTAS-plus - LT). These schemes cover two of the three activities of the "Research & Growth" Programme, namely: 'supporting technical feasibility studies' and 'industrial R&D projects' respectively. The third, 'lightest' module of 'Research & Growth' regarding 'the Identification and analysis of the problem' (or 'pre-feasibility phase) does not have a corresponding scheme in Lithuania. Adding such a light version to the existing schemes in Lithuania could be an interesting option.

The existing, corresponding schemes are:

- IDEA-LT: a scheme to support technical feasibility studies (TFS) for future industrial R&D, addressed to SMEs only, providing a grant to cover 75 % of TFS costs for industrial research activities and 50 % of TFS costs for experimental development activities, ranging from 6,000 Euro to 44,000 Euro;
- INTELEKTAS - LT: a scheme to support new products or services (industrial R&D), addressed to all companies involving consortia with research organisations, providing a grant ranging from about 29,000 Euro – 870,000 Euro, 50% for industrial research activities, 25%-45% for experimental development activities, depending on company size;
- INTELEKTAS – LT+: a scheme to support investments in industrial R&D facilities in companies, addressed to all companies, providing a 50% - 70% grant depending on company size, ranging from 14,000 Euro to 5,800,000 Euro.

What followed at the visit in Stockholm was a number of questions for clarification and discussion addressing the main points of interest of LIC with regard to the Swedish "Research & Growth" programme. In this discussion the main similarities and differences were identified which lead to statements on the transferability options and the needs in terms of pre-implementation conditions and recommended adaptations, which could increase the opportunities for successful transfer and improvement of the policy in Lithuania. We mention some examples of the issues discussed:

- Given the difference of the Lithuanian context with many SMEs having no previous experience with R&D, the main objective of the scheme should be to stimulate not only R&D, but also other competences in SMEs, and to focus on those that don't have previous R&D experience;
- The LIC asked the VINNOVA team how it is possible that the programme remains so popular, while only 10% of the applications have been awarded? The Lithuanian agency was very interested in the high quality proposal appraisal and selection process, since even a motivated reaction can be seen as a value adding activity of the agency. The LIC would be in favour of adopting a combination of internal and external evaluators and focusing more on content-based and result-oriented requirements, but there are several barriers to transfer such a competitive approach to the Lithuanian context, e.g. the firms would not trust the objectivity in case only 1

out of 10 applications would be awarded. Secondly, agencies such as LIC lack the resources and capabilities to adopt such a high quality proposal evaluation, even if part of it would be done by external experts. Moreover, the rules on Structural Funds are very demanding in terms of administrative procedures.

- Besides the difference in scale and for instance the experience in competitive application evaluations, there is also a difference in the formal responsibilities and competencies: whereas LIC only has a task in implementing policy schemes, VINNOVA also has responsibilities regarding policy development. This implies that LIC can not decide on changing the policy measures, but could perhaps persuade its Ministry to do so. Therefore the Ministry was involved in the twinning process during the second visit, which took place in Vilnius.

In the next paragraph we will present the results of these discussions.

4 Results of the pilot: towards transfer and adoption of practices

Prior to the second visit to Lithuania, the LIC team arranged internal meetings with the key persons from the Ministry of Economy in Lithuania, who are responsible for the development of innovation policies and support schemes. Since the Ministry has to decide on adopting new practices, it was important to involve them into the twinning process. The visit was organised by LIC and hosted by the Ministry of Economy in Lithuania. The visit took place on 12 June 2009 with a preparatory meeting between LIC and VINNOVA team in the afternoon of the previous day.

During the preparatory meeting, the agenda of the official visit was discussed and the VINNOVA team introduced a conceptual framework and self-assessment tool for assessing the performance of an agency in terms of adding value. Besides exchanging very practical details of certain schemes, it is perhaps even more important to learn from each others way of thinking and ways of working. Such conceptual tools could facilitate exchanging experiences and views for improving the quality, efficiency and effectiveness of ways of working. Apart from discussing good practice features that can be transferred regarding the specific “Research & Growth” scheme, exchanging experiences and comparing innovation policies at more general level was considered important, in view of establishing more permanent collaboration between Sweden and Lithuania regarding innovation policies and practices.

During the official visit the lessons learned from the first visit were presented at the Ministry of Economy of Lithuania. The Director of the EU Structural Support Department of the Ministry outlined the main policy schemes in Lithuania supporting R&D and innovation in SMEs. After recalling the observed similarities and differences between the two countries, there was a discussion on the good practice features of the “Research and Growth” programme which could be transferred, adopted and incorporated into the existing practices in Lithuania. During the visit there was also a brief meeting with Mindaugas Petrauskas, advisor to the Minister of Economy and responsible for Innovation policy. The overall conclusion is that the Ministry is very eager to learn from twinning with VINNOVA, and they are interested in more practices than just the selected good practice scheme, e.g. the Ministry inquired about the relation between VINNOVA and the Swedish Ministry, because Lithuania is about to change their governance structures and the role of agencies and the ministry concerning R&D and innovation policy.

The conclusions drawn during the second visit have been analysed by the external expert Irini Efthimiadou and presented in the Good Practice Transferability Assessment report, from where we extract the main conclusions and recommendations:

The main recommendation that was well received during the discussion between VINNOVA, LIC and Lithuanian Ministry of Economy, is to add a ‘lighter’ module (or separate new scheme) to the existing schemes, with a relatively low budget for identification and analysis of the (R&D or technological) problem of the SME. Such ‘pre-feasibility’ support for ‘problem identification and needs articulation’ is not covered by the existing, similar R&D schemes (IDEA-LT, and INTELEKTAS – LT), but it can be complementary to those.

The target group of the adopted and adapted practice would remain SMEs, but with a particular focus on small enterprises that don't have previous R&D experience. The existing scheme in Lithuania does not give as much freedom to the SME beneficiaries as in the case of "Research & Growth". E.g., the existing approach consists of compulsory use of a R&D provider for solving R&D related problems of small enterprises that don't have any R&D experience, as it also aims to make R&D providers focus their R&D activities on SME needs and to strengthen their relations with SMEs. The VINNOVA approach is more open since it gives the freedom to SMEs to do research on their own if they wish to, without forcing them to do any networking with R&D providers. VINNOVA argues that if the participation of R&D providers is compulsory, there may be a risk of getting projects that are supply driven (by the R&D provider) and not needs driven (by the SME).

Also the interest in the practice of VINNOVA in project appraisal and application selection was confirmed. For both existing and new schemes it was considered important to adopt a more competitive application procedure. The experience of VINNOVA has inspired Lithuania. The general focus should be on reducing formal administrative requirements for project selection and adopting a more content- and result-oriented evaluation. It is for instance important that the proposed project is related to the core business of the company and that the company has the capability to implement it. The use of a combination of internal and external evaluations can be taken into consideration, but it may be needed to study the application evaluation process more in detail before integrating it into the context of Lithuania, e.g.: the recourses, competencies and capabilities at the agencies should be developed accordingly.

The implementation structure and operational rules of the 'Research and Growth' scheme are to a certain extent context specific, which calls for adaptations and additional changes in terms of pre-implementation conditions. The main context specific issues are:

- Operational rules in Lithuania follow the EU Structural Fund rules, which are more complicated and demanding than the state aid rules of Sweden;
- The management structure of the business support schemes are more complicated, including the Ministry of Economy at the management level and the Lithuanian Business Support Agency at the administrative level;
- There may be a need to offer specialised services to SMEs to prepare them for the scheme in order to ensure enough applications of good quality and in order to secure the project pipeline;
- Trust is missing among SMEs regarding the proposal evaluation in competitive calls, so the evaluation process needs to be very transparent, and should include a threshold.

Because of these contextual differences important good practice features of the 'Research and Growth' programme (such as the simple and user-friendly application procedures, and the very quick but high quality proposal evaluation) will be difficult to transfer without further changes in the governance infrastructure.

One option could be to outsource certain procedures, such as the proposals evaluation, to an external agency. The Lithuanian Innovation Centre (LIC), which currently acts as an advisory network across Lithuania, raising awareness and securing the project pipeline, could undertake this activity. Furthermore, its future role could be programme manager for business support schemes or a scheme operator in/under a future innovation agency. However, such major changes are time consuming. Therefore, a pilot phase may be considered in the mean time, as a first test in implementing the scheme, involving LIC not only for the proposals evaluation, but for the management of the whole implementation process.

One major challenge for the successful implementation of the adopted/adapted scheme in Lithuania is securing the project pipeline. It is considered important to promote the scheme to the target group (SMEs) and to promote sharing the risk of R&D activities rather than simply providing financial support. Part of the scheme promotion procedures could be to give a corresponding course for educational purposes. It is important to inform the beneficiaries on the whole portfolio of available schemes, so they can apply for the scheme that is most suitable to their needs. In this respect, the VINNOVA practice in providing feedback to rejected applications can also be adopted in Lithuania. Apart from receiving the official evaluation letter, the applicants should be able to contact the corresponding expert evaluator to get further feedback, which can have a positive impact on the quality of future applications.

The main objective of the scheme should be to stimulate R&D and technological competence in small and medium enterprises. Consequently, the main target group of the scheme are SMEs that don't have previous R&D experience.

The recommended scheme would be similar to one module of the "Research and Growth" programme. It would offer the possibility to apply for funding a pre-feasibility phase or 'problem identification and analysis', activities which are not funded under the similar existing schemes (IDEA-LT, INTELEKTAS – LT). Complementary to these existing R&D schemes, the new scheme or module would focus on:

- Identifying what the R&D, technology or knowledge related problem of the SME is and/or identifying corresponding needs;
- Identifying the problem from the business point of view rather than the technical point of view, involving needs analysis or market analysis;
- Starting collaboration with a knowledge/service provider to get the expert knowledge needed to solve the corresponding problem.

Alternatively the new scheme of smaller budget and duration could also include transfer of existing knowledge for solving identified problems of less-innovative SME's, as in the case of the innovation voucher schemes in the Netherlands and Belgium. However, the Lithuanian Ministry of Economy mentioned they were interested to opt for having both, but separately: a more R&D promoting scheme for the more innovative SMEs (adopting some features of the 'Research & Growth' grant programme), and a more classical Voucher scheme for the less-innovative SMEs. Concerning the latter, they have already been investigating Innovation Voucher schemes as implemented in the Netherlands and Belgium.

5 Lessons for future Twinning for Good Practice Transfer

Starting a twinning for good practice transfer with a focus on one good functioning scheme, in this case the “Research & Growth” Programme, serves to get a good, in-depth insight into the main differences between the two twinning partners, in a relatively short time. However, improving the performance of agencies involves more than improving the quality of one scheme. Other good practices (or a shared lack of practices regarding a new, shared problem) draw the attention during the process. With this pilot that started with a focus on one scheme of VINNOVA has led to exchanges of many other or related practices. To give one example: before the visit to Vilnius, the Ministry of Economy of Lithuania has asked if it would be possible that the person at VINNOVA who is dealing with EUREKA could join the visit and meet with the corresponding EUREKA expert in Lithuania. In this respect Good Practice exchanges lead to twinning, and vice-versa.

It has proven useful to start the twinning process by focussing on one specific scheme. Without such a pre-defined target, the results would have been less concrete and the chance is high that the exercise is just a case of networking. However, during the process it is quite natural to broaden the scope of the exchange of good practices. The contextual differences observed are closely related to process dynamics and quality issues of more strategic level rather than being specific to the examined scheme. It is therefore recommended that future exchange of experience during the twinning process should be allowed to expand from one ‘good practice scheme’ towards improving the quality, efficiency and effectiveness of ways of work of the twinning agencies more in general, e.g. concerning programme design, management and implementation processes, project & proposal selection, and impact assessments. For that purpose, the conceptual framework and self-assessment tool for adding value in the ways of work of agencies (which was briefly introduced by VINNOVA during the preparatory meeting), can be used in future exchange visits.

The VINNOVA team is willing and capable of exchanging further their knowledge and experience for the transfer of the good practice to Lithuania, and LIC and the Ministry of Economy of Lithuania are eager to continue as partners as well. Not only in the framework of this project, but also because both are participating in the Baltic Sea Region (BSR) Strategy programme, which can offer a platform for continued collaboration. This good twinning prospect is also based on the matching procedure, since both the parties had shown interest in each other (and not just only in the concerning good practice scheme) before the actual match was implemented.

It proved to be successful to involve the Lithuanian Ministry of Economy into the pilot, since they are deciding on the development and possible transfer and adoption concerning the policies and schemes. For future Twinning for Good Practice Transfer projects it should be considered at the start who could possibly be worth while to involve. In this respect we could think for the future to also involve beneficiaries or other parties (e.g. the R&D/service providing organisations) in working towards implementing the changes. It may prove to be difficult to involve policy makers in each case of Twinning, and it is not a pre-requisite, but when appropriate and possible, it is likely to increase results.

Although the twinning agencies may differ in many ways (as in this pilot with VINNOVA and LIC), and although this may be balanced somehow by involving the Ministry in Lithuania, equal commitment of both sides (Sweden and Lithuania) in terms of human resources and effort during the twinning process is considered very important for the efficient

implementation of exchange visits, leading to mutual benefits and useful outcomes for both parts. The involvement should also consist of people at different level and roles within the involved agency. E.g.: when also junior people are involved from the start, the possibility for longer working visits exchanges are easier to realise, since an agency director would probably not have the time to come to VINNOVA for a few weeks to see and learn how for instance their process of proposal evaluations works in practice.

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