



PROJECT

South-east European Co-operation of Innovation & Finance Agencies (SEE IFA Network)

Setting up new Innovation & Finance Agencies (IFAs)

Regione Veneto | Italy

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0- Executive Summary

The European regions have chosen different approaches to design their innovation policy and to set up efficient schemes to support innovation and in particular for SMEs, as foreseen in the Lisbon Strategy.

Nonetheless, several regions have decided to establish the so called **Innovation and Financing Agencies (IFA)**, agencies which play an important role because their mission is directed to boost the economic system, reinforce the innovation infrastructure and accelerate the innovation process for business and research. Their specific services moreover are designed to sustain financially the companies, to foster their innovation activities and to reinforce their skills. Therefore, IFAs give the companies the proper tools to deal with the fast moving markets and global competition.

Examples can be found in differently structured regions (from decentralized to centralized National systems) in Europe. Anyway there is not a unique IFA model but generally speaking IFAs are organizations embedded in the local economic context, working in close cooperation and connection with the regional/national authorities (government) and the other innovation stakeholders.

The work package 6 is fully dedicated to explore the possible development paths, the steps to be taken into account, the models and the most promising range of services needed to set up a new IFA. In the analysis theoretical models, case studies and trend analysis have been included to better structure and enrich the methodology. Anyway a considerable part of the analysis is based on the concrete experience of three partners (AZRA, RDA Banat and UKIM FME) which, assisted by the WP leader (Veneto Region) have, during the project life, assessed the feasibility of setting up a new IFA in their context, analysed in depth their specific innovation system, evaluated the role it could play and the possible service package.

The process started in April 2010 with the first meeting and analysis, it also included the road shows organised in the three areas to share the outcomes with the relevant local stakeholders and pave the way to the implementation phase, and lasted until the end of the project.

During the project implementation the interest raised by two other partners, in Greece and Bulgaria, has been taken into account as well. Nevertheless, due to the project time and budget constraints, it has not been possible to complete also in these cases the whole process of identification of the most suitable solution. However the process started also in these Countries has brought to first results which probably will be further implemented by the interested partners.

This document tracks the concrete paths the partners have done during the project timeframe and therefore it includes the discussions, the feedbacks as well as the view of partners and their stakeholders.

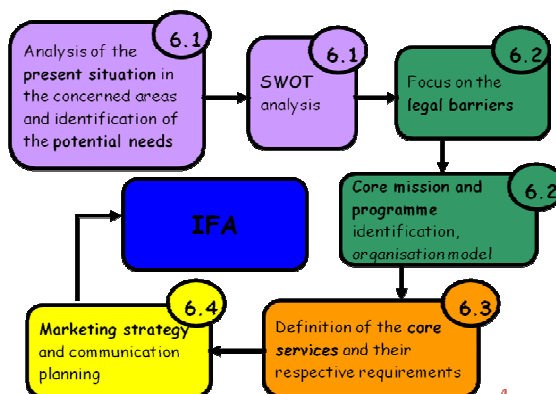
The WP leader (Veneto Region) has backed the involved partners with a structured methodology in order to carry out the analysis according to a step by step approach. Besides, insights on the ongoing European IFA models as well as specific concrete examples have been provided to partners and then included in the analysis to stimulate the discussion and to better focus on the possible options.

The different chapters included in this document therefore present, on one side, the methodology to handle the process to set up a new IFA and, on the other hand, they report the concrete activities the partners involved in this process faced during the project life.

The **first chapter** is dedicated to setting the frame on the three IPAs' different economic and innovation contexts. The main features are summed up in a SWOT , helpful to better select the most feasible scenario.

The **second chapter** deals with the design of the IFAs models. An analysis and several theoretical models give a picture of the IFAs evolution in Europe, the factors and the implications that have to be taken into account in designing an IFA. A different model is then proposed for each of the three contexts analysed.

The **third chapter** is focused on the services package. What are the key competences and the services that an IFA should offer? From the literature some examples are given and, based on



the real experiences and expectations of the partners, three services packages are proposed for three IFAs.

The **fourth chapter** presents the final conclusions of the Work package. The feedbacks of the most involved partners track their different ways to see and implement the suggestions and the actions proposed. In one case a detailed business plan and its concerned marketing strategy has been develop to assure the sustainability if the newly launched IFA and it represent one of the most valuable outputs of this process. In this chapter also the state of the art in the last Countries joining the process is briefly described.

Finally, a rich collection of documents (template, minutes, analysis) is attached to this document to trace the dynamic interactions among the actors involved and to provide useful tips to others, interested into carrying on the same process.

1- Assessment of countries' needs

The specific economic context, the political and administrative situation as well as the relationships among the main innovation players are the crucial elements that are needed to focus on the frame in which a potential IFA might be set up.

The main elements that characterise the three contexts analysed are summed up. A SWOT for each situation is reported as well as some hints concerning the opportunity and the possible way to set up an IFA. Further information, concerning the process started later in Greece and Bulgaria can be find in the annexes.

1.1 – The methodology

In order to assess the partners needs the “country studies” (produced in the WP3) have been taken into account as a first step. Some basic information was collected but it was not enough to give insights on the real context in which the agencies are supposed to operate.

Moreover in two out of the three cases analysed, the geographical scope as well as the actors to be involved are regionally based (while the outputs of WP3 consider the national level). In addition the three cases are rather different and they require specific and detailed input by the local stakeholders in order to define proper and useful strategies.

Therefore, in order to enrich the information available and have the feedback of the relevant players, a questionnaire (“interview guideline” – Annex 1) was set up and distributed to the partners. Meetings or telephone interviews were then arranged by the partners in order to feed the questionnaire properly involving since the beginning their relevant stakeholders (e.g. public authorities, other development agencies, science parks, chambers of commerce, business associations).

In addition specific workshops were organised by the concerned partners (AZRA, RDA Banat and UKIM FME) and the LP (AWS), the WP6 leader (Veneto Region) as well as the WP4 leader (Finlombarda) were able to attend together with the local relevant innovation actors. The workshops were organised as interactive sessions during which the project

goals as well as the WP6 methodology were presented and a discussion, led by a moderator, gathered point of views, experiences and expectations.

The outcomes of such workshops are reported in the following documents included in the Annex.

May 20th 2010 – Meeting in Varazdin (Annex 2)

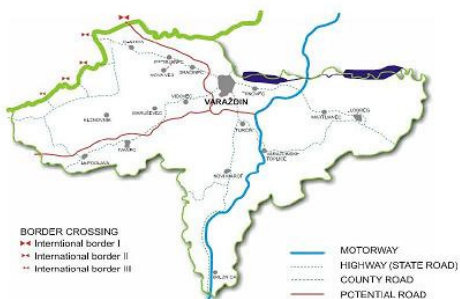
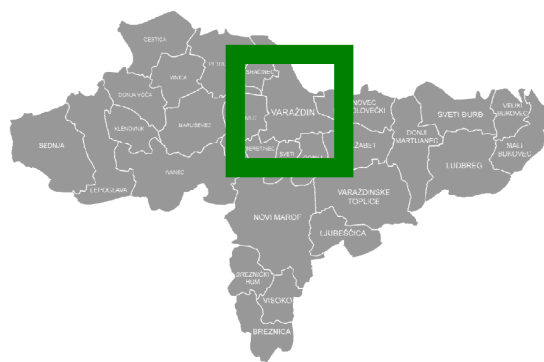
September 14th -15th 2010 – Meeting in Skopje (Annex 3)

December 2nd 2010 - Meeting in Belgrade (Annex 4)

1.2 – Analysis of Varazdin County (Croatia)

The Varaždin County is located in northern Croatia, on the border with Slovenia and near the border with Hungary. It is named after its centre, the city of Varaždin.

The County is situated at the crossroads of European paths, connected through an efficient transport



system: a highway passes through the county, connecting the Hungarian border (in the north) with Zagreb (in the south), other important roads connect Maribor (Slovenia) and Osijek.

The railway allows good connections also with the south (Zagreb), north (Čakovec, Budapest) and east (Koprivnica). The nearest airport is located in Zagreb.

According to the data outlined in the survey, the **economic structure** is well-developed. It is characterized by traditional, work-intensive and export-oriented economy. The figures, despite the current recession period, show a positive and consistent trend: good increase both in real GDP and trend surplus. Unemployment has increased (+12,4% in 2009) but it still below the national average (18,4%).

SMEs are the backbone of the economy since they represent the majority of the companies (99%) as well as they contribute significantly to the County economy (for number of jobs and revenue).

Nonetheless the **level of innovation among SMEs remains relatively low** (this also results from the low level of private expenditure on innovation and R&D and low level of patent application coming from SMEs).

Also some **global companies** are based in Varazdin as for example MICROSOFT and SOLEX. The presence of such big companies is considered positively as they are

stimulating and boosting the development of new high-tech clusters such as ICT and renewable energy. In particular for the ICT sector a number of intermediaries and actors are already operative: the Varazdin Technology Park (focalised in ICT), the student incubator (within the Technology Park – Impulse Center), the Electromechanical School which has a partnership with CISCO systems and has created the Centre for New Technology. At university level, the Faculty of Organisation and Informatics is also connected to the sector and it is an important node to encourage young entrepreneurship.

The **Free Zone** (set up in 2006) is an important engine to attract foreign investment throughout incentives and tax benefits. The zone will end after UE adhesion and it seems that it will be converted into industrial area.

Another important asset of the County is the cultural heritage which, together with the natural resources present in the area (especially thermal water), is starting to be valorised as an important economic source within the tourism industry, which at the moment is still not well developed.

Also according to the Regional Operative Plan, agricultural land, mineral and water resources are the principal natural resources in the County. These form a good basis for other, hitherto insufficiently developed activities, such as specific forms of tourism and some adapted agricultural activities (Floriculture and apiculture). Geothermal wells moreover can be utilised for energy production or a more intensive use of the thermal water in health tourism.

Varazdin is part of the second **administrative level** of Croatia (State, County and Municipalities). Counties are more considered as “part of the system of state administration” than “local-self government units”. At County Level the main institution is the County Department for Entrepreneurship, Regional Development and European Integration. The development of innovation is a topic that is responsibility of both the national government and County governments. For the development of strictly R&D and science programmes, the Ministry of Science, Education, and Sport (MSES) is the responsible body. If a county or local government wants to create a R&D programme of its own to suit its own needs, the county or local government needs to receive permission from MSES.

The following **national institutions** play an important role in the Varazdin economic and innovation context and therefore they should be taken into account and involved:

- the Croatian Bank for Reconstruction and Development (HBOR)
- the Croatian Business and Innovation Centre (BICRO)
- the Croatian Agency for Small and Medium-Sized Enterprise (HAMAG)

HAMAG, in particular, has launched a voucher scheme with the regional level governments to provide SMEs with access to consulting services for innovation (50% discount for consulting services offered via the HAMAG network).

Considering more specifically the **innovation level**, the following **players** provide already some services:

- Croatian Chamber of Commerce (which mainly provide information services)
- Croatian Chamber of Crafts
- Croatian Union of Innovators (which mainly provide innovation promotion services)
- Varazdin Technology Park (founded by BICRO, it provides programmes in particular for the ICT sector)

The most active and dynamical players are nonetheless two:

- AZRA – Varazdin County Development Agency
- GARA – Varazdin County Guarantee Agency

While GARA provides guarantees to SMEs that are seeking loans and credit, AZRA tools indirectly support company creation and growth. Currently, AZRA works with entrepreneurs that are interested in receiving a guarantee from GARA. AZRA staff helps them to improve their business plans, to prepare cost-benefit analyses, and to submit project applications for EU and national level funds. As well, AZRA has recently started a PCM (project management) school in order to teach stakeholders how to prepare and implement projects for national and EU programmes. SMEs and innovators are very important target groups.

1.2.1 – SWOT Analysis¹

Considering the data collected as well as the feedbacks from the actors involved by AZRA, a SWOT analysis is proposed to sum up the relevant focus points.

VARAZDIN SWOT ANALYSIS	
Strengths	Weaknesses
<ul style="list-style-type: none"> ✘ strategic geographical position (crossroads between east and west Europe) ✘ dynamical economic context ✘ high growth in trade surplus ✘ well developed traditional sectors: food, textile, construction ✘ high skills in ICT (in connection to the Microsoft innovation centre, Faculty of Organisation and Informatics and the Varazdin Technology Park) ✘ presence of global companies and foreign investments (mainly due to the Free Zone) ✘ easiness in starting capital to set-up a company 	<ul style="list-style-type: none"> ✘ high presence of work-intensive traditional industry ✘ low aptitude to invest in young companies by banks and financial institutions and difficulties for mature SMEs to get loans or credit to finance ✘ low awareness in SME toward patents and low investment in research and innovation (and companies do not implement innovation management techniques too) ✘ low companies capitalization ✘ low presence of support networks for SMEs ✘ higher education not compliant with business needs.
Opportunities	Threats
<ul style="list-style-type: none"> ✘ good government attitude toward innovation and knowledge economy ✘ interest and attitude at the government level toward cluster policies as a mean to boost innovation. ✘ tourism and cultural heritage as an asset for sustainable development ✘ promising sectors: healthy food, renewable energy (geothermal could be a future asset), ICT ✘ New membership in EU approaching 	<ul style="list-style-type: none"> ✘ still low EU standards usage in SMEs can impact in companies competitiveness ✘ low attitude in internationalization (according to “Roland Berger’s study” export is not yet considered a priority for 43% of the companies) ✘ lack of trust prevents entrepreneurs to reach critical mass through networking

¹ The SWOT is related to the County Level (Varazdin)

1.2.2 – Highlighted needs

In order to focalise the local stakeholders needs, the information collected during the project implementation as well as the one provided during the meeting in Varazdin has been taken into account. The most important aspect arisen is the **strong interest in developing the current situation** working on the competencies and services already in place at local level.

In order to take advantage of the economic dynamism and to facilitate the SMEs access to financial and patenting tools, which seems to be among the main issues for the local companies, the strategy in this case could be to further support the evolution of GARA and work on the most relevant complementarities with AZRA. In fact, reinforcing the offer of financial services and implementing specific tools for intellectual property management, it could easily become an enabler of further local development. This process can only be successful if the other local stakeholders, as well as other players at national level, are involved and bring their knowledge and sustain the course of action.

The creation of another new agency seems useless at this stage, as the existing agencies (GARA and AZRA) offer a complementary and well developed range of services which might be reinforced in the next future.

Therefore, in the next project phase, the efforts will be concentrated in the definition of the necessary steps to assure this evolution and settle on the possible paths to merge concretely or through the **synchronisation of programmes the two agencies** acting as one **“virtual IFA”**.

1.3 – Analysis of FYROM

Macedonia is a country located in the central Balkan peninsula in South-eastern Europe. It is one of the successor states of the former Yugoslavia, from which it declared independence in 1991. It became a member of the United Nations in 1993.

The Republic of Macedonia is bordered by Kosovo to the northwest, Serbia to the north, Bulgaria to the east, Greece to the south and Albania to the west. The country's capital is Skopje, with 506,926 inhabitants. Macedonia is a member of the UN and the Council of Europe. Since December 2005 it has also been a candidate for joining the European Union and has applied for NATO membership.



The territory has a surface of 25.713 km² and the population, according with the 2002 census, counts about 2.022.547 inhabitants.

Macedonia economy is, like many other countries now, facing a **recession period** with a decrease of 0,9% (2009). The low performance of the economic system is due, in particular to structural weaknesses such as the import dependency, the not well developed private sector (state is still an important player in the economy) as well as the low foreign investments (356milUS\$ in 2008).

The structure is based on SMEs (99,8%) and even though there are some big companies (construction sector), **global companies are rather few**.

Nonetheless the **entrepreneurial system is dynamic** with the total number of companies increasing from year to year (in 2009 60.000 active companies). According to the GEM (Global Entrepreneurship Monitor) 2008 survey showed a significant entrepreneurial activity in Macedonia with TEA index of 14,7 and 80% of the population see entrepreneurship as good career development opportunity. The core sectors are in manufacture industry: steal production, food processing and construction.

The market is mainly internal as there is still a **limited number of export** oriented companies and those companies are mostly focused on south east European countries markets.

Companies attitude in cooperating is low even though there are some embryonic clusters which are being fostered (automotive, wine, wood, textile, tool and die).

The **education system** is pretty well established. High Schools offer training modules in business and entrepreneurship. But on the level of tertiary education, only few Faculties within 15 private and public Universities offers Entrepreneurship related courses. Unique case is the Faculty of Mechanical Engineering at Ss. Cyril and Methodius University where the small business management course is obligatory for all students.

It can be considered that in Macedonia **two administrative levels** are in place: central government level and municipalities level.

For **innovation**, the main institutions work at the central level:

- Ministry of Economy of the Republic of Macedonia - MoE– has two sectors that are dealing with innovation: Industry Department and Department for Entrepreneurship and Competitiveness. Last year the Government enacted the Industrial Policy document as an integrative and proactive policy enhancing competitiveness based on knowledge, innovation and collaboration.
- Department for Entrepreneurship and Competitiveness and Agency for Support of Entrepreneurship in the Republic of Macedonia (APPRM) are implementing the Program for development of entrepreneurship, competitiveness and innovation for SMEs 2007-2010. The Program is implemented annually through realization of the measures by the MoE and APPRM respectively. MoE is focused on financing the infrastructure for SMEs development and APPRM works more directly with the companies.
- Ministry of Education and Science is the ministry responsible for the implementation of the Program for development of technical culture and technology development. The Ministry of Education and Science currently is working on a four year Program for technology development. Also, this Ministry has measures related to support

innovative projects for strengthening the cooperation between business and universities.

Other main players related to the issues of innovations are Universities and their research centers, the Macedonian Academy for Sciences and Arts, and the State Office for Intellectual Property.

Nonetheless there is not an integrated policy for what it concerns innovation. The infrastructure is still embryonic. Few actors work as intermediaries to support SMEs in boosting their innovation and competitiveness: Chambers of Commerce, Entrepreneurial Associations, consultancy companies.

APPRM is a member in the consortia of the EEN (Enterprise Europe Network)/EIICM (European Innovation and Information Center for Macedonia), involved in the realisation of the program for module A - business and collaboration as a leader, and for module B - technology and innovation and C - research and development as a stakeholder.

1.3.1 – SWOT Analysis

FYROM SWOT ANALYSIS	
Strengths	Weaknesses
<ul style="list-style-type: none"> ✘ central geographical localisation ✘ Good education system. ✘ Low labor cost (but skilled workforce) ✘ Flexibility of production, tailor made and smaller size series. ✘ Some international brand name recognition in food & beverage industry and dynamic, niche oriented ICT sector. ✘ First successful international market positioning in high-quality market segments (food, wine markets etc.). ✘ ongoing process of standardization (ISO, HASAP and other operational and quality standards) ✘ Favorable corporate tax rates. 	<ul style="list-style-type: none"> ✘ import dependence for raw materials with distant suppliers and volatile prices of inputs. ✘ traditional industries (basic metals, textile, food) with price as the primary driver of competitiveness. ✘ expensive and difficult access to finance, basic financial instruments available, seed and venture capital not available to finance innovative SMEs. ✘ no existence of business angel network, lack of funds for early stage financing decreased private and public investment in R&D ✘ low level of innovative SMEs and technological. Obsolescence, low firm-level technology absorption. ✘ clustering/networking underdeveloped ✘ management, marketing skills underdeveloped. ✘ limited and costly availability of industrial sites enabling further development of business. ✘ higher education not compliant with business needs. ✘ inadequate environment for R&D and innovation activities, low availability of specialized facilities for research.
Opportunities	Threats
<ul style="list-style-type: none"> ✘ possibility to attract business angels ✘ concerted effort of the Government to support industry in its long-term orientation towards higher-value added products and services. ✘ development of strategic relationships with suitable business partners internationally. ✘ effort to establish networks and clusters ✘ increased public awareness of relevance of knowledge and innovation 	<ul style="list-style-type: none"> ✘ high pressures from international low-price competition and consequent loss of business for Macedonian industry. ✘ inadequate and ineffective Governmental response to long-term competitiveness enhancement of industry. ✘ major delays in EU accession process. ✘ continuing decrease of public and private investment in R&D and innovation. ✘ due to non-stimulating working environment, brain-drain of best quality workforce.

1.3.2 – Highlighted needs

In the case of the Republic of Macedonia, the matter of establishing a **new IFA can be treated at a national level**. This is a characteristic aspect, compared with the other two situations in SEE-IFA.

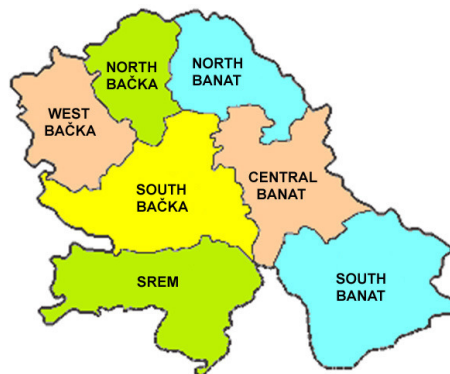
A second important issue is represented by the fact that, currently, **a specific agency supporting innovation development using schemes and tools and financial instruments is not in place**.

The third significant aspect is the presence of the **National Centre for Development of Innovation and Entrepreneurial learning (NCDIEL)**.

This Centre, launched in late 2009 in the framework of an initiative supported by Austrian Development Cooperation, can be considered the first step in the procedure to set up a new IFA. Obviously the linkages already in place at national level shall be reinforced, moreover a new set of capabilities must be integrated in the Centre competencies, in order to become a concrete partner in the implementation of the national innovation strategy. In this case, the main focus shall be on supporting services more than on financial instruments. In fact on one hand this represent the most important role that the Centre can play, on the other the financial support is, at the moment, mainly managed through the National Development Bank. In the future possible synergies between the organisations can be further analysed.

1.4 – Analysis of Vojvodina Province (SERBIA)

Vojvodina, officially called Autonomous Province of Vojvodina, is an autonomous province in the northern part of Serbia (in the Pannonian Plain). The population is about 2 million, about 27% of Serbia's total and its capital is Novi Sad. The Vojvodina area contains multi-ethnic and multi-cultural identities and a number of mechanisms for the promotion of minorities; there are more than 26 ethnic groups in the province, which has six official languages. The largest ethnic groups are Serbs (65%) and Hungarians (14%).



The **economic growth** in the Vojvodina Province is **slowing down** due both to the impact of the global crisis and the specific context. In fact, the regionalisation and decentralisation process, linked to the ratification of EU Stabilisation and Association Agreement, has not yet reached its final aim and the **Country remains very centralised**. Nevertheless most recent data show signs of improvement and this could be a good timing to start up new initiatives aiming to feed the recovery process.

SMEs represent the backbone of the economic structure: they are more than 98% of all companies, employing more than 66% of total employees and contributing to the 55% of GDP and more than 50% of national export. Nevertheless **entrepreneurial culture** and business environment still **need to be improved**: there is room in this field to intervene with development actions needed to boost the innovation milieu.

In addition the FDI, attracted by the privatisation process, seems to have had also a negative impact since investments went mainly to existing companies and the optimisation process started after the acquisitions, caused a **decrease in the number of jobs**. This is also reflected in the value of unemployment rate which is about 18,5%.

Concerning the industrial sectors, the **food industry** still remains a great asset of the Region within the traditional ones, while pharmaceutical, ICT and energy can be considered as the future asset where investments shall be concentrated.

Serbia mainly remains a centralised Country with **one administrative level**. The only **exception is Vojvodina** (Autonomous Province) in which Banat (one of the three regions in the Province) is located. This means that, even if a major level of autonomy is in principle foreseen, it still need to be discussed and approved by the central government.

In any case, the Province Statute foresees the power of establishing new organisations aiming to achieve a balanced regional development. In that framework the establishment of a new IFA is possible even if the major issue remains the identification of proper financing resources.

The main **institutional actors** currently involved in the definition and implementation of policies related to research and innovation are:

- the National Agency for Regional Development;
- the Ministry of Science and Technology Development;
- the National Chamber of Commerce;
- the three Regional Development Agencies;
- The Universities.

The **innovation strategy** is defined at national level by the Ministry of Science and Technology Development. At the moment there is only one Innovation Fund, at the national level but not yet operating. Nevertheless the need for such a system is clearly defined within the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2010 – 2015.

In addition, other active organisations in supporting the innovation processes in companies and Universities are the National Chamber of Commerce, the Entrepreneurial Associations and the **network of RDAs**.

1.4.1 - SWOT Analysis²

VOJVODINA SWOT ANALYSIS	
Strengths	Weaknesses
<ul style="list-style-type: none"> ✘ privatisation process is almost finished ✘ quick procedure to start up a company ✘ strong attitude toward internationalization ✘ free training offered to entrepreneurs 	<ul style="list-style-type: none"> ✘ lack of strategic approach at a political level ✘ economic recession ✘ mortality rate of new companies is very high ✘ entrepreneurial culture is undeveloped ✘ few financial tools for companies
Opportunities	Threats
<ul style="list-style-type: none"> ✘ good propensity in attracting global companies ✘ existence of the Vojvodina Guarantee Fund on provincial level ✘ An IFA is not operating at a national level ✘ The network of RDAs is strong 	<ul style="list-style-type: none"> ✘ global economic crisis. ✘ still state centralised system ✘ level of business cooperation is very low ✘ Naïf approach toward foreign markets

1.4.2 - Highlighted needs

In the case of Vojvodina the need is mainly directed to the setting up of an agency able to operate at the Provincial level. The major constraint derives from the fact that Serbia is still a strongly centralised country and therefore the main instruments supporting research and innovation are decided and managed at central level.

Taking into account the inputs and the feedbacks expressed by the local stakeholders during the technical meeting, as an alternative to the setting up of a new IFA, it can be considered the possible implementation of an **“innovation platform”**. This platform should aggregate, in a **formalised network**, the intermediaries already established in order to offer a **complete range of innovative services** for entrepreneurs.

Obviously it will be necessary considering the role that the central administration would play in it. In any case setting up such a platform at the Provincial level, where a certain amount of self-government is available, it should be easier to cope with the constraints and, at the

² The SWOT is related to the Provincial Level (Vojvodina)

same time,it should be possible to mobilise the critical mass of actors and resources needed to operate.

2 – Legal and organisational framework

The purpose of this chapter is to provide inputs and structured elements to stimulate a thinking process focused to define the mission and the role a new IFA should have. The main features and the differences between the most prominent IFAs' models in Europe are highlighted and, by observing their natural evolution, several considerations are made. A scenario exercise is used as a tool to stimulate the involved partners to think about their actual situation and imagine the possible role of a new IFA. In the final section three different models, for the concerned areas, are hypothesised.

2.1 - Models and trends for Innovation and Finance Agencies in Europe

As the relevance of innovation at both national and regional level was progressively recognized all over Europe, new actors came to play a fundamental role in the formulation and implementation of policies in support of innovation. Since the first generation of Regional Development Agencies in the 1970s and 80s, they evolved to become key actors on the regional system as executors of national/regional programmes and, occasionally, as policy-makers themselves.

The institutional framework for economic development and innovation strategies in European innovative regions has become rather complex and a large variety of profiles and governance models can be found (units of the regional government, non-profit organisations owned by the regional authority, independent entities with the region as major stakeholder, independent entities with regional government as minority stakeholder³). Accordingly to the different economic and territorial backgrounds, RDAs differ from case to case; nonetheless, some common features to the traditional paradigm can be identified.

³ Nauwelaers C., "Governance of Regional Innovation Policy", UNU-MERIT 2008, presentation at OECD/US Council of Competitiveness Experts meeting in Washington, 2 July 2008, slide n. 12
http://www.compete.org/images/uploads/File/RII%20PDF%20Files/UNU-MERIT_Claire%20Nauwelaers.pdf.

Firstly, they share a similar mission: cooperating with institutional partners and companies in their region in order to support the private sector and contribute to create favorable conditions for the regional economic growth.

Furthermore, they:

- ✘ Execute regional policies, thus orientations and priorities are established by the regional authority;
- ✘ Are top-down resources provider with the main role of redistributing funding;
- ✘ Have a territorial rooting and a precise geographical target;
- ✘ Have a permanent structure;
- ✘ Translate their own mission in services for SMEs.

On the contrary, the main elements of differentiation are:

- ✘ Size;
- ✘ Scope of intervention;
- ✘ Target of intervention;
- ✘ Degree of vertical integration;
- ✘ Funding model;
- ✘ Degree of professionalization of services;
- ✘ Sector focus.

In recent years, new trends in RDAs have come along following the arising of new global challenges.

In particular, emerging economies have entered the global market determining a new division of labour, new competitive patterns and the facing up of several million consumers. At the same time, the financial crisis has had negative effects on the access to credit for SMEs, requiring more public intervention with less resources and emphasizing the increasing role of private investors. Innovation activities have been mostly affected by the economic crisis (the decrease in the amount of output determining the decrease in savings and investment), thus causing a slump in competitiveness.

Within this complex and evolving scenario, two different practical examples - United Kingdom and France - have been chosen as relevant cases of IFAs in Europe. Their present structure and future trends are highlighted.

The British and French cases have been selected as prominent cases, as they are characterized by good performance indicators and they offer examples of both centralized and decentralized models. Finally, in both cases it is possible to find exhaustive literature on the evaluation of the models and in the UK case a change in direction concerning the restructuration of the agencies is in process.

UK case... the past

Regional Development Agencies are subnational institutions charged with driving economic development, business efficiency, investment and competitiveness, employment, skills and sustainable development in their regions. They are closely linked to the central government and based on administrative regions. They were set up in 1999 with the aim of

- ✘ furthering economic development and regeneration;
- ✘ promoting business efficiency, investment and competitiveness;
- ✘ promoting employment;
- ✘ enhancing development and application of skill relevant to employment and
- ✘ contributing to sustainable development.

The RDAs' agenda includes regeneration, enhancement of regional competitiveness, taking the lead on inward investment and, working with regional partners, ensuring the development of a skills action plan to ensure that skills training matches the needs of the labour market.

The innovation structure has been based so far on a strong commitment of the central Government in spite of a weak power of the Regions. The RDAs are big organizations with hundreds of employees - 9 RDAs employ about 3.000 staff - offering a wide range of services and funding opportunities (training, technology advise, regional development, business-research facilitation, investment promotion, internationalisation...). Besides their primarily economic duties, RDAs contribute to policy on transport, planning and land use, higher education, crime prevention, housing, public health, tourism, culture and sport. Finally, the RDAs have taken over responsibility from Government Offices for administering EU regional development funds, which are expected to be reduced significantly for the UK from the next programming period.

RDAs draw up and review a 5 to 10-year Regional Economic Strategy in partnership with regional interested parties and stakeholders in the public, private and civil society sectors. This plan details objectives and clear strategies to improve the regional economic performance and it has to be consistent with the national economic development policy and the Treasury economic forecasts.

RDAs receive funding from a single resource pool, called the "Single Pot", to which six central government departments contribute. In addition to this budget, the RDAs manage the European Regional Development Fund (ERDF) and the Rural Development Programme, thus substantially increasing the funds that individual RDAs can utilise to implement the Regional strategies and achieve their objectives.

RDAs are governed by a board of 12 to 15 members appointed by the Government, with the exception of London (the Mayor): they usually belong to the business community, but they can include figures from the voluntary sector, education and local government.

UK case... the future

The "Local Growth White Paper" approved in 2010 has foreseen the closure of RDAs (expected to cease activity by March 2012). The Local Enterprise Partnerships (LEPs) will become the new actors for regional development, acting as "joint local authority-business bodies brought forward by local authorities themselves to promote local economic development". So far, 30 LEPs have been selected by the Government following a call for bids. They will provide strategic leadership to set out local economic priorities, to drive sustainable private sector-led growth and job creation in areas reflecting the natural economic zones of England and not the administrative partitions. Most importantly, they will be directly accountable to local people and local businesses. LEPs will not receive any funding from the central government in contrast to the significant budgets administered by the RDAs. LEPs will fund their own day-to-day running costs leveraging in private sector investment or submitting bids to the Regional Growth Fund. The distinctive feature is that they will not be chasing Government grants.

The restructuring of the regional agencies entails the regional level is downsized to the local level, where, according to the LEP's proposals, special attention is going to be devoted to social inclusion and infrastructure issues. LEPs are intended to rebalance the economy at the sub-national level, and to take strategic lead in local economic growth. They will be business-led, in partnership with local government and other stakeholders.

LEPs main activities will be aiming at:

- ✘ promoting a more entrepreneurial culture (i.e. business engagement in schools and start-up training in further education colleges);
- ✘ encouraging and supporting business start-ups, including in more disadvantaged communities where self-employment can help regenerate communities and build economic activity;
- ✘ helping existing businesses to survive and grow;
- ✘ encouraging networks and mentoring (i.e. local women's business networks);
- ✘ developing the infrastructure for successful business communities;
- ✘ playing a key role in advocacy and relationship partnerships with the national level.

The innovation and economic development of the country will be managed at central level by the Technology Strategy Board, the main

delivery body for supporting business innovation, whose role is going to be strengthened as it will absorb part of the tasks previously discharged by the RDAs.

France case... the past

In France, research and innovation policies have been traditionally managed at central level. RDAs have been set up rather recently (mid 2000s), following a “soft” decentralisation process towards the regions in this domain.

RDAs are co-financed by the regions, the national level and the EU (via the ERDF) but each one of them has its own specificities according to the conformation of the region and the political will. Common features of the French RDAs are the slimness of the organisations (15-20 staff) and the offer of a limited set of services focused on research and innovation and aimed at improving the technology transfer between research and business sectors.

RDAs work in network and act in synergy with OSEO, the French Agency for SME development specialized in financial services, which generally co-finances and co-manages joint initiatives.

The main activities carried out by the French RDAs include:

- ✘ creating a coherent system of technology transfer interface structures;
- ✘ identifying SMEs’ needs and formulating knowledge and competences needs starting from the socio-economic demand;
- ✘ putting companies and competences centres in relation;
- ✘ promotion and dissemination of innovation opportunities for companies;
- ✘ supporting the application process of European projects French companies in order to increase their participation in European programmes.

An unlike experience in France is represented by the J’innove platform in Nord Pas de Calais Region. With its 70 structures (universities, colleges of university level specializing in professional training, grandes écoles, competitiveness clusters, CCI, professional poles), the partnership group provides those companies working on innovative projects with experts, who can support and help their projects to progress until they are finally achieved. It also contributes to promoting research in 300 laboratories in the region through regional, national and international companies. The partnership group has been founded in 2007 as part of the Regional Economic Development Scheme with the aim of supporting innovation and promoting research throughout the region, so as to accomplish the same mission as RDAs do, though by means of a supplier tool. J’innove is not an agency but a web portal⁴, acting as an entryway for finding out what’s happening in innovation in the territorial area. It provides information on what enterprises need to know to carry out innovation projects – such as the availability of financing tools and a database of regional scientific and technological competencies. Regional enterprises can access information on different financial schemes (regional, national or European) to enable them to get involved in innovative projects. The information provided and events organized by J’innove enable networking activities between enterprises and potential partners.

In particular J’innove contributes to:

- ✘ Generating and boosting innovation in all sectors of the regional economy, especially in SMEs;
- ✘ Promoting the science and technological resources of the region;
- ✘ Supporting business innovation projects at every stage of their development.

J’innove services consist of:

- ✘ Providing expertise contacts (market, sectorial and technological intelligence and the region’s scientific and technology resources);
- ✘ Providing expertise contacts from specialized and sectorial networks, the science base, competitiveness clusters and specialized business and science parks);
- ✘ Putting in touch with business support services (project evaluation, IPR and legal assistance);
- ✘ Giving help to access finance for businesses (providing with an overview of possible sources of finance, support with applying for financial support and ongoing assistance).

⁴ More information is available at: <http://www.jinnove.com/>.

France case... the future

The recent experience of French RDAs has already been the object of several analysis aiming at identifying possible improvement for the future. The general outcome is that greater importance has to be given to more specialisation and to the setting up of platforms with local stakeholders in order to create the environment for working together and improving the impact of the agencies.

The French "Conseil d'Analyse Economique" suggests that, taking into consideration the trend in encouraging the sectorial strengths, smart specialisation of local territories is a major competitiveness challenge in a globalised economy. Thus, it considers that specialising agencies in charge of the economic development and innovation of a territory is convenient in order to avoid a risk of weakening powers and to give the ruling class an operational capacity quite independent from the regional authorities. This should allow them to focus efficiently on the long-term issues⁵.

Looking ahead, regions are expected to open up to external knowledge resources, not only attracting high-qualified personnel in research and innovation but also adopting open innovation policies for public and private research centres; refocus the policy on "pôles de compétitivité"; develop a private offering for innovation services and venture capital; give a significant role to developing innovation in the corporate and personal services sectors.

Secondly, priority is given to reinforcing universities and placing them at the heart of territorial dynamics which appear to be the drivers to, and catalysts of, development in regions, and to the reform of the university system which was launched in France in 2007.

Finally, other trends concern:

- ✘ Services: they are meant to orient entrepreneurs towards the right interlocutors. RDAs are encouraged to maintain a first-stop shop model;
- ✘ Federating the stakeholders in a region;
- ✘ Establishing a confidence climate favourable to the development of projects, especially ensuring the link between the economic stakeholders and the research actors with the financing institutions (Region, State, OSEO);
- ✘ Basing regions' competitiveness on the dynamics of exchanges of knowledge;
- ✘ Acquiring a managerial structure and attitude focused on results in terms of developing effective interactions between companies, SMEs and research centres;

Building new and consolidate existing relations and networks between knowledge and innovation stakeholders in order to achieve a boost in joint innovation projects.

2.2 – Implication and challenges in setting up new IFAs

After a 15-years' experience with polyvalent RDAs, the future trend in the United Kingdom implicates a substantial recentralization of powers to the national level. In particular, "responsibility and policy for inward investment, industrial sector leadership, business support, innovation, and access to finance (including venture capital funds), will all be recentralized to Whitehall"⁶. Several analysts foresee the risk for British LEPs to be "toothless tigers" or talking shops⁷, with many potential opportunities of investment and development but with no or very limited powers. Concerns are raised over the capability of "localism" to deliver effective interventions and outcomes, especially on the long term and regarding global challenges.

FEATURES OF THE NEW AGENCY

- ✘ -limited and focused competences
- ✘ -network capacity to build territorial partnership
- ✘ -smart sectorial specialisation
- ✘ -financial engineering skills
- ✘ -service for SMEs innovation
- ✘ -horizontal approach
- ✘ -policy intelligence

⁵ "Il convient donc de spécialiser les agences compétentes pour le développement économique et l'innovation pour éviter ce risque de dissolution des pouvoirs et de donner à leurs dirigeants une capacité opérationnelle suffisamment indépendante des autorités publiques existantes pour leur permettre de se centrer avec efficacité sur les questions de long terme", "Innovation et compétitivité des régions" Madiès Thierry, Prager Jean-Claude, La Documentation française, Paris, 2008, p. 83.

⁶ "The New Local Enterprise Partnerships Memorandum". Evidence submitted to the House of Commons Select Committee on Business, Innovation and Skills, by David Bailey, Paul Bennworth, Mike Danson and Henrik Halkier on behalf of the Regional Studies Association: <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmbis/memo/localent/localent85.htm>.

⁷ Article reporting the Private Sector Partners (PSP) organisation point of view on LEPs, appeared in "The Business Desk.com" <http://www.thebusinessdesk.com/mobile/northwest/news/54684-leps-could-be-toothless-tigers-warns-business-group.html>.

On the contrary, the French experience shows that a progressive decentralization process has taken place quite recently, with the main assumption being that the local level can perceive the needs and offer solutions at a faster pace and more efficiently than the central level. RDAs have been conceived with a set of limited competences, clearly focused on the offer of services to support the growth of the local economy. The specialization of these agencies allows addressing quite efficiently the use of public resources in targeted activities, something which is by far more difficult in polyvalent agencies like the UK's ones.

The two cases presented outline that, notwithstanding the major divergences concerning the future of RDAs and the diverse policy responses, the **overarching goal to build strong regional partnerships for the planning and implementation of local development** is evident for both. Also, whether at the central or at the regional level, development choices and strategic priorities tend to focus on the enhancement of a **smart sectorial specialization** with an innovation profile.

Furthermore, development agencies invest more and more in the offer of services linked to the notion of **financial engineering**, which has emerged as a reaction to an unsatisfactory offer from the private sector. Development agencies are capable of meeting a wide variety of needs: seed and venture capital, guarantees, etc. They can often offer support services to companies as consultancy in business planning, information services to address SMEs to other organizations that offer alternative or complementary forms of financing, sponsor networking for example through business angels, venture capital and guarantees, or granting subsidies for investments that help create jobs and support innovation⁸.

RDAs also provide capacity and expertise to enable businesses to deliver the best solutions for their own local economies in an ever-changing economic environment. Providing SMEs with genuine integrated services and experimenting with new ones aimed at meeting the SMEs' emerging requirements (the internationalisation of SMEs, e-commerce, new business financing opportunities, etc.), concurs in stimulating the development of SMEs. In particular, it has been noticed that "strong regions are typically regions with an effective regional innovation system which are characterized by strong institutions being able to

⁸ Innovation et compétitivité des régions" Madiès Thierry, Prager Jean-Claude, La Documentation française, Paris, 2008, p. 83.

permanently adapt to changing framework conditions and adjust their portfolio of innovation instruments”⁹.

A clear trend for the future of innovation policies and agencies at all governance levels is towards “borderless” innovation whereby several forms of innovation, other than R&D-driven innovation, should be stimulated through **an horizontal approach mixing different policy areas**: education, S&T, environment, infrastructure, etc. Moreover, innovation goes beyond administrative borders, implicating cross-border collaborations should target functional areas and complementarities need to be ensured between policies and instruments at different policy levels¹⁰. Thus, the agencies need to develop a strategic policy intelligence as they are no more conceived as simple “funding distributors” but as “facilitators” acting from within the system.

The new paradigm for RDAs requires more flexibility with policy instruments, as there is no ‘one-size-fits-all’ policy portfolio and the distinctiveness of each territory needs to be taken in the highest consideration. Also, the interaction with other governance levels resulting in a vertical coordination approach is a turning point compared to the traditional “watertight compartments” approach which provided for limited interactions between the different governance levels.

RDAs have thus the task to develop a coherent strategy in place of using a “one-problem one-solution” methodology that provides for single activities detached from the global perspective. Looking ahead with a strong programming capability, establishing substantial and collaborative networks of relations with different stakeholders, acting as a platform for local and national stakeholders with a clear and forward-looking mission, and performing significant measurable results with declining staff and resources are the key challenges for future RDAs in Europe.

To this, it must be added the European contribution through the “Europe 2020” strategy, which has traced the trend for innovation policies in Europe following their evolution in recent years and the future expectations. The strategy has highlighted the importance of production and access to knowledge for enhancing competitiveness and the need to orient

⁹ Regional Innovation Monitor Thematic Paper 1, Conceptual layout of the Regional Innovation Monitor, Fraunhofer ISI, Thomas Stahlecker, Henning Kroll, Elisabeth Baier, October 2010, available at <http://www.rim-europa.eu/index.cfm?q=p.file&r=75c95b91c02322147e0c0ae80f2e83d8>, p.4.

¹⁰ Nauwelaers C., “The challenges for Innovation policy in regions, Regional Policy Development Division OECD, presentation at the Centre d’Analyse Stratégique in Paris, 9 November 2010, slide n. 10, available at www.strategie.gouv.fr/system/files/claire_nauwelaers_cas_09112010.pdf.

national and regional policies for innovation, so as “to foster excellence and smart specialisation, reinforce cooperation between universities, research and business, implement joint programming and enhance cross-border co-operation in areas with EU value”¹¹. Regional authorities and institutions, as part of a wider system of multi-level governance, are urged to collaborate in partnership with national institutions, research actors, companies and civil society in order to accomplish the final aim of a sustainable economic growth.

2.3 –New IFA: the methodological approach

The establishment of a new IFA (or RDA as in the examples mentioned above) is often a top down decision, so that the mission, the organisational model, the services and the linkages with the stakeholders are planned and set up in the framework of a regional/local strategic plan, meeting formal requirements and following strict procedures. Anyway it is sometimes possible that **a new IFA is established not starting from the scratch** but improving, integrating or merging existing entities (e.g previous territorial RDAs, agencies, intermediate entities). In this case there is also room for those existing entities, accordingly to their specific institutional and economical context, to drive the process, **involving into the discussion other key players** and proposing possible scenarios to the decision makers in order to influence somehow the choice.

In order to follow this direction it is quite important:

- ✘ having a clear picture of its own context in order to focus the needs and the goals;
- ✘ opening up a dialogue with the other key-players to position the IFA properly in the innovation context and boost as many synergies as possible;
- ✘ strongly involving into the discussion the decision makers to share the possible scenarios and suggest the most suitable proposals.

The context in which the IFAs have to play their role can vary significantly from one location to another depending mainly on the level of the economic development and the grade of the innovation.

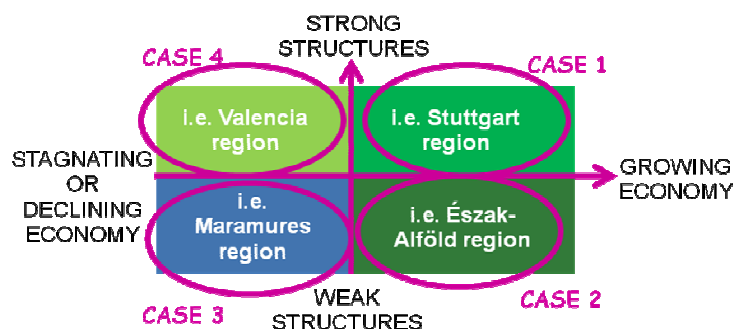
¹¹ Communication from the Commission “EUROPE 2020 A strategy for smart, sustainable and inclusive growth”. COM (2010) 2020, available at http://europa.eu/press_room/pdf/complet_en_barroso_007_-_europe_2020_-_en_version.pdf, p. 11.

Economic performance and innovation in fact are strictly connected: success cases in Europe show that in advanced and flourish economies, based on knowledge-intensive sectors, innovation is key. Moreover the whole ecosystem is favourable to innovation, implementing the relationship among actors and leveraging the capabilities of all the system elements towards the challenges set out in the development plans. The 'innovation-friendly regions' combine elements of leadership, vision, spatial strategy and involvement of all stakeholders, including educational structures, entrepreneurial culture and networks. Nonetheless even innovative milieu have to cope with the structural economic condition of an area and evolving external factors (e.g. economic trends, technological evolution, political situation).

Starting from the current economic performance and the innovation system can be useful to highlight the possible roles and mission of a new IFA.

This is the reason why during a project meeting we used a “scenario exercise” which tries to combine both the dimensions and we used it to arise the discussion¹² among the partners in order to analyse the possible missions and roles of the new IFAs in the IPA regions.

In the following chart different regions are used as an example to show the positioning and connected features. The exercise pretends not to have an academic intention but it is a means to compare different evolving situations and to stimulate the debate with the partners.



In the above matrix four possible situations are exemplified.

The **first case** is the situation of areas with strong and growing economy (all the economic indicators are positive). In these context (in the exercise we put Stuttgart as example) not only the economy is advanced but also the innovation structure is sustaining properly the system. Companies are well connected and dynamical, workforce skilled, research institutes excellent and well known. The local organisations acting as intermediaries are

¹² See Annex 5 “Technical seminar Venice April 2011”

experiences and rooted into the system, incentive schemes and supporting programmes are available for companies and research institutes.

In this case probably a new IFA would have the role to

- ✘ continuing boosting innovation in all sectors
- ✘ anticipating future trends and challenges
- ✘ testing new initiatives and schemes such as those dealing with young entrepreneurship, creativity, emergence of new sectors.

The **second case** is typical for instance of some new EU members states which are constantly growing, catching up rapidly and reaching good economic performance but which have room to reinforce their innovation system (entrepreneurial attitude, networking capacity, international credibility...) even though the administrative structure is also rather new (e.g. in case of newly assigned competences to the regional level).

We took as example an Hungarian region.

In this case an IFA would have the role to

- ✘ position itself in the system (because the roles in the innovation system are not well defined yet)
- ✘ network and exploit synergies with the other players
- ✘ support financially research and innovation
- ✘ provide services to support the internationalisation of the economic system.

The **third case** exemplifies a situation characterized by both stagnating/declining economy and limited or inadequate innovation system. In this situation the economic means are quite scarce, so that incentives or supporting programmes are not available to sustain the business context. In addition the supporting tissue (business associations, intermediaries, chambers of commerce) is still embryonic or not enough developed.

We took as example the region of Maramures in Romania. The regional economy was previously based on the mining sector which is now declining so that all the indicators now show decreasing level of economic performances. The organisations that should be supposed to boost the system to grow are still lacking and the same administrative level is quite depending to the central level so that not many initiatives are active.

In this case the County Council is playing an important role in establishing cooperative relationships with other EU regions and in promoting the creation of regional business network.

In this situation an IFA could have a role in:

- ✘ stimulating and promoting the innovation culture
- ✘ training entrepreneurs to improve their managerial skills and innovation attitude
- ✘ giving incentives for start ups or to sustain SMEs activities
- ✘ enhancing the networking among the intermediaries and the companies.

The **forth case** represents the situation of many regions in Europe that have been deeply affected by the financial crisis. In these context the economic situation is structured: there are mature sectors (that can be in decline), local actors cooperating with a clear division of roles and missions, incentives programmes and supporting initiatives, a good entrepreneurial and innovation attitude. Nonetheless the indicators (especially the unemployment rate) can show the evidences of a stagnating or declining economy.

We took as example Valencia where, in particular, the leading construction sector, seriously hit by the economic crisis, is in strong decline. In the Valencia Region the innovation system is supported by several sound actors (among them the Regional Agency for the development of SMEs) who have changed their vision and mission accordingly to the new situation and the new needs. In particular, they have oriented their action towards helping potential clusters and industries to emerge: good example is the cluster dealing with home automation and design (which uses some of the competences of the construction sector as well).

Therefore an IFA in this situation could act in:

- ✘ sustaining companies affected by the crisis
- ✘ supporting the evolution of traditional sectors and emerging of new industries
- ✘ reinforcing the cooperation among research and business
- ✘ working to promote internationalisation.

2.4 – Mission for the new IFAs

In this section, on the basis of elements emphasised in the previous section and taking into account the discussion risen during the project meetings but also at local level, three different solutions are proposed for each area.

The case of Varazdin County: joining efforts

In the Varazdin County the regional economy is fair, with unexploited potential in the renewable energy sector (100% private owned) and in sustainable tourism. Currently it is still based on traditional industries such as food processing, construction, textile, leather, wood and metal processing. Also the ICT sector is a strategic one, thanks to the presence of foreign companies that invested in the region. Despite the good potentiality, the attitude of companies and universities is quite individualistic: they only join forces if there is possibility to get external funds. The cultural issue is thus a severe obstacle to improvement, as it is the scarce demand for products.

Taking as example the cases above mentioned, this situation can be comparable with Case 2 (growing regions with weak innovation infrastructure).

The **geographic scope of the IFA should be the Varazdin County** since it represents a unit of regional self-government and it has developed its own Regional Operative Programme. Nonetheless as the County is a small territorial area, it is suggested to enlarge the scope of the IFA, also with agreements with similar agencies in other Counties.

In the Varazdin context some players are already providing innovation and financial services. The fragmentation of institutions anyway could prevent mutual collaboration and once more the individualistic attitude makes it difficult to have a consistent impact. Two agencies are working well together: AZRA, the Regional Development Agency and GARA, the Guarantee Agency. A **“virtual IFA” can be realised through a synergic implementation of their respective programmes and services**. The IFA in Varazdin therefore might be in this perspective a sort of **one-stop-shop for companies** willing to improve their competitiveness, providing a selective range of focused innovation and financial services, exploiting all the financial available possibilities, also at national level.

For the development of such structure, the suggestion is to establish a **MOU between the agencies** in order to reciprocally recognise complementarities and roles, to avoid possible overlapping and presenting to the beneficiaries the synergic services offer.

Therefore the role of the IFA should include the following elements:

- ✘ accreditation at national level: even though the IFA above proposed consists of a cooperation among two existing local agencies, it is encouraged the effort to extend the operational level of the IFA to the national level. The reasons are double: on one side the regional context is too narrow and secondly there is the need to increase the reputation toward the national level in order to reinforce the financial tools available(see the following point).
- ✘ improving incentives for start-ups and mature SMEs, in strong connection with the national level (in collaboration with the Croatian Bank for Reconstruction and Development).
- ✘ acquire a role in the support toward the internationalisation of the economic system.

The actions proposed at local level to implement such proposal are the following:

- ⇒ Focalise at a regional level the main synergies among the two agencies
- ⇒ Start to lobby the Regional Authority to introduce specific measures in the next ROP to support the implementation of the IFA programmes
- ⇒ Work in network with the other agencies in Croatia to be recognised as a valuable actor in the innovation scenario and in order to start negotiation with the national level
- ⇒ Approach the national level to reinforce the financial tools available.

The case of Vojvodina Province: an innovation platform to support economic development

The economic situation of the Province shows a very high unemployment rate and an overall slowing down of the economic growth. Nonetheless, some recovery can be noticed in the traditional food industry as well as in new promising sectors (pharmaceutical, ICT and energy).

The innovation system is still underdeveloped, the local innovation stakeholders are missing since the system is still centralized and the entrepreneurial culture is weak. The situation is therefore similar to the one exemplified in Case 3 (weak economic context, poor innovation infrastructure).

The **geographic scope of the IFA should be the Vojvodina Province** since the synergies among the three regions seem very promising as well as the commitment of the three RDAs to work together.

At the moment no potential IFA exists. Anyway the Regional Development Agency of Banat is very active and it has started a process to involve into a common action the other RDAs and the innovation network of Vojvodina¹³.

The **IFA should be an institutional reference point** to build the innovation tissue of the Province, enhancing the entrepreneurial culture and strengthening the efforts of the existing players.

Therefore the role of the IFA should include the following elements:

- ✘ stimulating and promoting the innovation culture
- ✘ training entrepreneurs to improve their managerial skills and innovation attitude
- ✘ providing information on the existing funding possibilities
- ✘ enhancing the networking among the intermediaries and the companies.

As it is too early to establish an IFA, it can be worth to set up an **innovation platform bringing together all the players involved** (RDAs, Vojvodina government, financial institutions, Universities, incubators) and pushing their commit to develop and implement a common plan formalised in a cooperation protocol.

The first steps to pave the way for the IFA establishment are the following:

- ⇒ Involve the players and map their competences in order to discuss together the respective roles
- ⇒ Commit the agencies in the animation of local organizations in order to create a relevant critical mass toward the decision makers

¹³ See Annex 6 "Meeting September 29th 2011, Novi Sad"

- ⇒ Draft a cooperation agreement between the Government of the Autonomous Province of Vojvodina, the University of Novi Sad and the three regional development agencies of the Province
- ⇒ Launch a committee to manage the governance of the platform, the standards and the common procedures

The case of FYROM: development paths for a new Agency

In FYROM the national economy is weak, the private sector is not enough developed and foreign investments are still low. Nonetheless embryonic clusters are already in place as well as a presence of potential business angels. The education system has a good reputation and shows good connections and links with the entrepreneurial system.

The situation of FYROM could be compared to the above mentioned Case 3 (weak economic context, poor innovation infrastructure) even though it has to be noticed that the Country is rushing toward a more advanced system.

Considering the Country dimension the **geographic scope of the IFA should be national**.

The initial phase for the establishment of an IFA is already started since the National Centre for Development of Innovation and Entrepreneurial Learning (NCDIEL) has newly been established with a matching mission.

The IFA should promote, support and develop innovation and entrepreneurial culture in FYROM, in order to decrease unemployment through the creation of new innovative businesses and strengthen the existing SMEs.

Therefore the role of the IFA should include the following elements:

- ✘ providing support to the decision makers in the research and innovation policy definition
- ✘ stimulating and promoting the entrepreneurial attitude and supporting new entrepreneurs to implement their business ideas
- ✘ boosting SMEs to innovate and cooperate with the research community
- ✘ promoting the cooperation with other institutions and regions at European level.

Currently the NCDIEL is a non-profit, non-governmental association, but a stronger legal status is suggested, especially in order to manage financial instruments. To this aim a business plan has been developed to ensure the IFA sustainability, its acknowledgment by the main stakeholders as well as to include the outputs and the insights elaborated in the SEE-IFA. The business plan, carried out through a process which has been characterised by a strong involvement of external experts and local stakeholders, will pave the way to the further advance of the initiative and to its further recognition within the national innovation system.

3 – Design of IFA’s portfolio and instruments

The purpose of this chapter is to suggest suitable approaches in the definition of the IFA service portfolio and instruments. First the factors affecting this selection are described and a general strategy is presented. Afterwards, on the basis of the specific situations of the SEE-IFA areas, a specific path is proposed and, where possible, a service portfolio is outlined taking into account the local peculiarities, the existing and operating actors and innovation stakeholders as well as the already running services and instruments. In particular this is necessary in order to avoid overlapping and to focus the limited available resources on the most promising actions.

3.1 Setting up the service portfolio

Accordingly to the activities planned in the WP6 and focused on the setting up of the new IFA’s model, this task was devoted in particular to explore and define the portfolio of services the new agency should incorporate and provide.

The needs and the situation of the three IPA partners involved in the project have been specifically taken into account in order to suggest a feasible proposal of services that can be implemented in each different context.

To this aim meetings with the interested partners and their stakeholders were organised in order to share and discuss the possible options as well as to raise the debate in each specific context at a broader level.

As a preliminary consideration and as analysed in the 6.2 “Setting up a new IFA”, there is **no one-size-fits all successful model** to define a comprehensive services portfolio, since each IFA is rooted in specific economic and innovation contexts. Moreover, as seen, the same agency’s mission and role is the outcome of a negotiation with the main stakeholders involved, especially policy makers, and can evolve during the time in parallel of the emerging needs of the economic tissue and the strategic visions at a policy level.

Anyway, a recommendation, valuable for all the IFAs, is to incorporate in the services portfolio tools and methodologies to consistently **assess the effectiveness** of their actions (performance, achievements, impact). This is important not only to enhance the IFA performance but moreover, on one side, to be able to detect time after time the changes in the innovation system (and modify the services accordingly) and, on the other side, to build a strong accreditation and reputation toward the funders.

Concerning the specific set of services to be defined, each IFA should take into account:

Some exogenous factors:

- The **policy goals** to which the agency's actions should contribute: in some cases for instance the agency might have a mandate addressed to a specific action (e.g. setting up the innovation infrastructure) or a specific target (support innovative young companies). It has also to be considered whether the regional authority gives the agency the role of funding manager.
- The **structure of the local innovation system** (including the weaknesses and competitive advantages): in some cases might be relevant dedicating personnel and services in accordance with the regional/local priority sectors (e.g. dedicated consultancy services for ICT sector) or to fine-tune activities aiming to close a specific gap (training services to increase the innovation attitude);
- The availability of other services offered by other public or private providers: the agency should consider the other actors in the innovation system and try to avoid problems of competitiveness or **overlapping**.

Some endogenous factors:

- The opportunity to boost **internal synergies** across the services packages: if the agency plans to focus on a specific target (e.g. start-ups) and has a specific mission (e.g. support the development of innovative young companies) it might be useful to focus on a package of services that, with reasonable costs, can offer a comprehensive range of support on a specific field (e.g. training on business plan, link with investors, incubators infrastructure etc.);

- The internal **competences** of the agency to set up the activity effectively: it has to be analyse the kind of expertise of the human resources and the need/possibility to recruit new trained staff.

Starting from these general considerations, the specific services portfolio can be structured.

Below a table (proposed by OECD) shows the different type of services accordingly to the field of action of the agency.

Types of support	
Soft support to firms	<i>Generic support</i> Information provision Awareness raising Training Stimulation and /or running of networks and clusters Promotion of internationalisation Promotion of foreign investors <i>Individual support</i> Coaching, advice Training Needs assessment, audit Support for start-ups Access to finance, intermediary with business angels Science and technology services
Finance	Delivery of public subsidies and loans
Infrastructure provision	Incubators Science parks
Support to policy	Support to policy design (e.g. Structural Funds programmes in EU) Monitoring and evaluation of regional policies Acting as a node for regional partnership Acting as co-ordinating body for a network of innovation support actors Regional marketing
Source: OECD, "Regional innovation agencies",2010	

In the next sections, the specific cases analysed in the previous stages of the projects are taken into account.

In order to suggest the services portfolio for the new IFAs, the considerations mentioned above (exogenous and endogenous factors) will be included as well as the specific conditions and roles of the analysed agencies.

3.2 – The case of Varazdin County: joining efforts

As highlighted in the 6.2, instead of a new IFA, in Varazdin the role of the two existing agencies, AZRA and GARA, should be reinforced and the reciprocal complementarities exploited. As a consequence also the services portfolio might be structured in order to provide a broad range of integrated innovation services.

The role of the two agencies seems clear: both are owned and funded by the Varazdin County in order to boost the SMEs development, assist municipalities and cities and promote foreign investments.

Nonetheless at a regional level a strong recognised role is still to be reinforced and moreover, to enlarge the scope of the activity, the aim to be accredited at a national level is also to be pursued.

Even if ICT is a good developed sector, the economy is still based on traditional industries. Sustainable tourism is another promising sector which could also be linked to other sectors such as food, wellness and even renewable energy. Thanks to the good conditions that can be provided (especially skilled workforce and fiscal incentives of the Free Zone) the attraction of foreign investments is a good potentiality as well. The main weaknesses are linked to the cultural dimension of the business sector which is quite reluctant toward innovation and cooperation with other companies.

In the Varazdin context some players are already providing innovation and financial services and it is necessary to take them into consideration to avoid overlapping risks.

In particular the Varazdin Technology Park is an important player for what it concerns the companies support in the ICT field. The Technology Park is also supported by BICRO (Business Innovation Center of Croatia) which manages, at national level, technology development and innovation support programs.

During the analysis process, internal synergies between GARA and AZRA have been identified.

GARA and AZRA provide business services for companies, especially for SMEs. Together they have already developed complementary services which could be even more linked in order to present the agencies as one-stop-shop for companies. In particular concerning

communication and marketing it should be recommended to work in synergies and to develop a joint marketing plan targeted to increase the awareness of both the agencies.

The competences needed are already in place since both GARA and AZRA have experienced staff dedicated to the services.

Even if there might be room to develop dedicated services for specific established (ICT) or promising (sustainable tourism) sectors, the presence of regional actors already providing sectorial services (like the Technology Park) and the small dimension of the agencies, push toward the consolidation of services targeting **all industrial sectors**.

Moreover considering the services which AZRA and GARA are already collectively providing (information on incentive funds, business consulting services, regional development management, guarantees provision for SMEs) the “virtual IFA” would provide in Varazdin a comprehensive range of services to support innovation.

Beyond the services already provided, the ones that can be further exploited are:

- **Stimulation and /or running of networks and clusters:** since the individualistic attitude together with the small dimension of companies is a weak point of the system, it shall be recommended to develop a service dedicated to stimulate the creation of networks of companies. The service can have a wide range of activities: from the promotion of the advantages of clusters and networks to the development of common projects (AZRA). Moreover the possibility to create financial schemes (GARA) to support clusters and networks can also be investigated, on the basis, for instance, of the model of the Italian network agreements or some regional specific approaches.
- **Financial services:** in accordance to the already developed competences of GARA, the creation of new wider financial instruments for SMEs should be advised. The ongoing initiative to create a guarantee fund in collaboration with the Croatian Bank for Reconstruction and Development and other County agencies goes in this direction. Moreover the Croatia accession process to the EU and the next availability of structural funds might be a good opportunity to qualify GARA and AZRA as funding agencies for innovation and research.

3.3 – The case of Vojvodina Province: an innovation platform to support economic development

As highlighted in the 6.2, in the case of Vojvodina, instead of setting up a new IFA (3 RDAs are already in place) it was proposed to set up an innovation platform that, at the provincial level, can pull together the innovation players involved and commit them to support innovative SMEs together.

At the political level, the AP Vojvodina Government has been involved by the BANAT RDA and is giving the institutional umbrella to the establishment of the platform as well as is taking the responsibility to set up a common plan formalised in a cooperation protocol. The topic of this agreement is the support toward the economic development and the promotion of innovation in the Autonomous Province of Vojvodina.

The local innovation system, as previously analysed, is still underdeveloped because of the economic situation as well as the unripe entrepreneurial culture. In addition, at institutional level, the attitude toward centralism is still strong and prevent especially the establishment of financial support measures managed at regional level.

The public funds available are scarce and not much synchronised: Vojvodina Development Bank, Development Fund of Vojvodina, the Guarantee Fund of APV.

Nonetheless some promising (but embryonic) sectors like ICT, pharmaceutical, food and energy can be further developed. Moreover the joint commitment of innovation supporting actors (like the RDAs) might facilitate a smooth and quick recovery of the system.

As said at the Vojvodina level, several actors are already providing support for innovation (RDAs beyond RDA Banat, financial institutions, Universities, incubators..). Anyway the idea to set up an “innovation platform” regulated by a formal agreement should avoid duplication of services and moreover should be useful to clarify to the SMEs the type of service available and the service provider in the region.

The platform is the best organisational model to take advantage of the synergies since a comprehensive range of services toward innovation can be jointly offered to companies. The recommendation is to firstly create a good mapping of the available services in order to set up dedicated packages tailor-made for the needs (e.g. research, technology, financial support) and the type of client (e.g. start ups, established company, micro company).

Moreover, in order to cooperate in an efficient way and to take advantage as much as possible of the reciprocal competences, a clear definition of “who does what” is needed.

Since in the concept of the platform each institution involved is required to provide the services strictly linked to their expertise and core business, the overall competences available should be higher and should cover the whole innovation chain. It has to be underlined that all the providers or, if agreed, only the RDAs, need to have skilled people able to perform an audit in order to identify the companies’ gaps.

The mission of the platform is broad and, at least for its early stage, there is no sectorial approach that is strongly required nor a specific focus needed. Therefore it is suggested to have an horizontal and transversal perspective in order to target as many companies as possible to increase the innovation culture in the Province.

Whether is up to the actors involved to agree on the services to be offered and include them in the agreement, it is recommended to take into account that the platform can offer:

Information services and innovation promotion: since the innovation attitude of the companies is low and it happens that companies are not aware of the active providers and available support, it is mandatory to set up a consistent information flow. The service can be jointly provided and offered using online tools. Nonetheless it should be worth organising coordinated events to promote the innovation services (e.g. info days on the funding available) in order to raise the awareness of the companies.

Needs assessment/audit: to be able to identify the companies needs, an audit service has to be provided. A standard methodology and procedures has to be established in order to have a consistent approach.

Business support and coaching advices: thanks to the synergic contribution of all the actors engaged, a comprehensive package of activities can be offered: advices on innovation (product, process and organisation), training modules or seminars for entrepreneurs (like the ones offered by RDA Banat), support for Science and Technology Transfer (in cooperation with the Universities).

Delivery of public subsidies and loans: companies need to be supported also with financial incentives. Since the RDAs at the moment do not have availability of funds, the financial institutions of the Province should be involved in the platform. The expertise

related to assessment of the eligibility of applicants and the technical evaluation of the proposal should be complemented.

Monitoring and **observatory** of the innovation context evolution: since the platform should act as catalyst for both the innovation demand and offer, it is recommended to set up a service able to collect all the relevant information and deliver periodical report useful to improve the services offered by the platform as well as the design of the innovation policies.

3.4 – The case of FYROM: development paths for a new Agency

As highlighted in the 6.2, in the case of FYROM, it was proposed to set up an IFA that, at a national level, can be launched on the basis of an existing organisation: the National Centre for Development of Innovation and Entrepreneurial Learning (NCDIEL).

The political mandate is not enough clear. There is no formal accreditation even if the relationship with the concerned Ministries is good but still based on trust and excellent personal relationship. The fact that the NCDIEL has been contracted to perform studies and assessment on the innovation policies for the OECD and the European Commission gives room to position the centre as a relevant think-tank.

The local innovation system is still weak because the economy is having difficulty getting off the ground. Moreover the entrepreneurial culture needs to be improved, the private sector is not enough developed and the foreign investments are still low even if some innovation providers are active in the territory (e.g. Universities and the Agency for Promotion of Entrepreneurship of the Republic of Macedonia - APPRM).

APPRM is the national institute which has the mandate to promote entrepreneurship through financial and non-financial forms of support. Moreover it provides technology transfer services as node of the Enterprise Europe Network. The NCDIEL has developed good networking relationship with the agency but, in order to be accredited as IFA and to avoid overlapping risks, it needs to focus on complementary competences.

NCDIEL can build strong synergies with the Business Start Up centre which offers incubator infrastructure and services.

Furthermore the NCDIEL staff has a good experience in supporting wannabe entrepreneurs in writing their business plans and coaching start-ups but no or small competence is, for the moment, available on financial services (investors relationship, seed fund management etc.). The close relationship with the University allows to outsource qualified external resources for project evaluation as well as to perform survey, reports and analysis. The establishment of an IFA anyway requires to hire a reasonable number of skilled permanent staff.

As already mentioned, the IFA in FYROM should promote, support and develop innovation and entrepreneurial culture in the Country, in order to decrease unemployment through the creation of new innovative businesses. In this case, therefore, the clear focus of the IFA is the support to **young entrepreneurship and start-ups**.

The services, connected to this mission that need to be in the portfolio include:

Training: development of dedicated modules to improve the culture and the attitude of potential entrepreneurs as well as technical training related to the needed skills to run a company.

Coaching for start-ups: consultancy services to accompany wannabe entrepreneurs into defining the business plan, building a network of partners/clients, valorising their strengths in view of presentation with investors (e.g. elevator pitches), organising business plan competitions.

Think Tank: support to decision makers and institutions (e.g. OECD) through the preparation of surveys, studies and research in the field of innovation and economic development.

International Promotion: cooperation with other institutions and regions at European level. Promotion of the research potentialities abroad.

4 – Feedback and conclusions

At the end of WP6, the final documents has been shared with the partnership and presented during the final project meeting held in Wien.

A final feedback has also been requested to the involved partners, in order to collect a firsthand response on the results achieved. Obviously in the different cases the implementation phase has been different and brought to different results. In the cases of Varazdin, Vojvodina and Fyrom a more complete process has been implemented and, in these three cases, specific results has been obtained by local partners comparing the initial expectations with the real situation and the possible developments. Nevertheless also in Western Greece and Bulgaria, where the process started later, some initial interesting objectives have been reached which were not foreseen in the initial plans.

In the case of FYROM, a well structured plan for the development of the National centre for development of innovation and entrepreneurial learning (NCDIEL) has been prepared since it was decided that the best solution for Macedonia is to strengthen the capacities of the NCDIEL in direction of establishing it as the new IFA for Macedonia.

National centre for development of innovation and entrepreneurial learning had already some services developed in the frames of its activities. These activities and programs were developed as a response to the perceived needs of the Macedonian innovation support system, which is still pretty weak. The main problems which the Centre aims to address are:

- the lack of support for young entrepreneurs, in terms of training, coaching and funding, and
- the need of policy makers for support in research and creation of innovation policies

In the course of the project implementation, several services, connected to the mission of promoting, supporting and developing innovation and entrepreneurial culture in the country, in order to decrease unemployment through the creation of new innovative businesses, were proposed to be in the NCDIEL portfolio.

In the case of Varazdin County, although it was proposed to create an IFA in Croatia, it was regarded as unnecessary by the local stakeholders. However, the project allowed the innovation actors to identify the main reasons for this decision:

- 1) the presence of **multiple agencies**, technology parks and other bodies focusing on enhancing innovation and competitiveness.
- 2) considering the budget constraints and current economic conditions, it was regarded as **too costly** to establish an IFA at the regional level in Varazdin County.
- 3) Similar **services already available** in Varazdin County for SMEs and innovators.

Due to these conditions, it was determined by AZRA, GARA and the Varazdin County government that the best approach for improving the innovation environment regionally was by modifying and joining previous efforts.

The opinion of various stakeholders regarding the establishment of a new IFA have been assessed through Local Support Group meetings and the technical meeting in Varazdin in May 2010.

Based on the inputs from stakeholders, available public financing, and previous experience, GARA took the following actions in the project:

- i. Establishing cooperation between itself and other RDAs
- ii. Establishing a Technical Vouchers system

In the future, the following actions are foreseen:

- i. Lobbying for funding for technical vouchers
- ii. Establishing a micro-loan scheme in cooperation with other regional development agencies

Concerning Vojvodina, based on the analysis of existing mechanisms and as proposed during the SEE-IFA project meeting in Belgrade, an innovation platform to sustain innovation in Vojvodina was developed within WP6 and signed by 12 members (provincial, financial, scientific & research, and development institutions & funds).

The goal of the platform is mutual cooperation, to create favourable conditions for the development of a competitive economy based on knowledge, new technologies and

innovation. This primarily entails the coordination and cohesion of activities of all members, emphasis will also be put on the creation of new support mechanisms with existing resources as proposed in WP4, on finding new financial resources, as well as on a common marketing strategy.

Negotiations between the members regarding the internal organisation (setting up of internal procedures, communication, competences, defining of priorities, establishment of working groups, creation of models of support, preparation of an action plan) as well as the implementation of an instrument are on-going.

Also in the other cases examined, important results has been achieved, such as the need assessment compiled for the Western Greece Region, which highlighted the need for such an institution at regional level and the study visit and subsequent initiatives implemented in Bulgaria, which were the starting point for the definition of the Innovation Platform Initiative that will be launched as an Internet Platform, promoted by the Euro-Perspectives Foundation and run by a Steering Committee bringing together seven representatives of the Local Support Groups.

Detailed information can be found in Annexes.



5 – List of annexes

- Annex 1 Technical and Stakeholders Meeting – Varazdin May 2010 Agenda
- Annex 2 Technical and Stakeholders Meeting – Varazdin May 2010 Minutes
- Annex 3 Technical and Stakeholders Meeting – Varazdin May 2010 Participants
- Annex 4 Technical and Stakeholders Meeting – Varazdin May 2010 Methodology
- Annex 5 Technical and Stakeholders Meeting – Skopje July 2010 Agenda
- Annex 6a Technical Meeting – Skopje July 2010 Minutes
- Annex 6b Stakeholders Meeting – Skopje July 2010 Minutes
- Annex 7 Stakeholders Meeting – Skopje July 2010 NCDIEL presentation
- Annex 8 Stakeholders Meeting – Skopje July 2010 Participants
- Annex 9 Technical Meeting – Belgrade December 2012 Agenda
- Annex 10 Technical and Stakeholders Meeting – Belgrade December 2010 Minutes
- Annex 11 Steering and foresight exercise – Venice 2011 Agenda
- Annex 12 Steering and foresight exercise – Venice 2011 Minutes
- Annex 13 Stakeholders Meeting – Sofia 2011 Agenda
- Annex 14 Stakeholders Meeting – Sofia 2011 Veneto Region presentation
- Annex 15 Stakeholders Meeting – Sofia 2011 Report
- Annex 16 Technical and Stakeholders Meeting- Skopje 2011 Agenda
- Annex 17 Technical and Stakeholders Meeting- Skopje 2011 Minutes
- Annex 18 Stakeholders Meeting- Novi Sad 2011 Agenda
- Annex 19 Stakeholders Meeting- Novi Sad 2011 Presentation Veneto Region
- Annex 20 Stakeholders Meeting- Novi Sad 2011 Presentation RDA Banat
- Annex 21 Stakeholders Meeting- Novi Sad 2011 Report
- Annex 22 WP6 Feedback from Varazdin County
- Annex 23 WP6 Feedback from Banat
- Annex 24 WP6 Feedback from FYROM
- Annex 25 NCDIEL Business Plan including Marketing approach
- Annex 26 WP6 Feedback from Bulgaria
- Annex 27 Assessment Needs Interview – Western Greece