



Cambra de Comerç  
de Barcelona



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## **BENCHMARKING ANALYSIS ON VOUCHER INITIATIVES AND SCHEMES**

Methodological framework for the FAD-INS project



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## **INTRODUCTION**

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The present report has been produced by the Foundation for Development Innovation and Technology (FUNDITEC) upon request from the Chamber of Commerce of Barcelona and is aimed at drawing a clear picture of successful innovation vouchers initiatives developed in Europe and to build the proper methodological framework as the basis for the FAD-INS project pilot test.

The report will be divided in three main sections: the initial phase will show the results of the benchmarking study on innovation vouchers-based international experiences that will be used as a reference for the development of the project's pilot test.

A second phase will produce, based on the previous results, a set of methodological recommendations for the implementation of the pilot test.

Finally, and as a synthesis of the previous sections, a third chapter will include specific recommendations for the replication of the initiative and its implementation as a more institutionalised and consolidated line of public funding.

## **RATIONALE BEHIND THE REPORT**

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The present report is part of the Fashion Audiovisual Design Industries Innovation Scheme (FAD-INS) project, coordinated by the Chamber of Commerce of Barcelona in the Framework of the European Creative Industries Alliance, Action 2: 2/G/ENT/CIP/N03C011, strand 6, Concrete Actions on Service Innovation Support for Innovative Creative Industries.

The aim of the FAD-INS project is to promote service innovation in creative industries, designing an action plan for the delivery of type A innovation vouchers, and implementing service innovation actions through a pilot project addressing creative SMEs in the region of Catalonia, with particular attention being paid to the Fashion Design, Industrial Design and Audiovisual sectors.

The purpose of the FAD-INS project is to build a consistent methodological framework for the delivery of innovation voucher schemes, based on a benchmarking study of successful innovation voucher initiatives developed at EU level. From the conclusions gathered in this report, the project will design an action plan to lay down the requirements, specifications and terms of reference to be assessed by means of a pilot test initiative.



## **METHODOLOGY OF THE BENCHMARKING STUDY**

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In order to develop a solid methodological and conceptual framework upon which to execute and design the innovation vouchers delivery action, the authors consider that it is necessary to draw a clear picture of the current implementation of innovation vouchers in Europe as well as to compare already existing experiences (undertaken both in similar or different areas of activity); this will be performed bearing two objectives in mind: a) to identify key aspects for effective voucher-based tools, and b) to highlight the procedural and operational elements that will guarantee an effective and result-oriented implementation plan (both for the pilot test and for a more institutionalised future initiative).

To gather the information needed to produce the present report, the authors have used three different channels:

- a) Analysis and compilation of information freely accessible on the web related to the identified initiatives.
- b) Interviews and formal contacts with representatives of the initiatives identified.
- c) Interviews with entrepreneurial associations and innovation service providers aimed at understanding their requirements and expectations.

It must be noted that the current report must be analysed in parallel with the regional analysis of the creative industries also performed as part of the work package n<sup>o</sup>2 of the FAD-INS project.



## PART I

### 1.1 INTRODUCTION TO THE INNOVATION VOUCHERS

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In the current context of economic globalisation, companies from all sectors face the need to produce better products and services than their competitors thus, allowing for a more effective and efficient access to the market.

This is especially true for European, and by extent, Catalan companies. If these firms want to maintain or enhance their competitiveness, they must introduce improvements in the production processes or in their products/services. To achieve this it is impending for these companies to embrace the concepts and practices of innovation and technology enhancement.

Aware of these needs and of the difficulties experienced by SMEs to introduce innovative solutions (bear in mind the difficulties experienced by creative industries in terms of investment and product innovation), public authorities have, during the last decade, strongly encouraged the development of frameworks of innovation support and have promoted interactions between technology/innovation agents and businesses. The results of these initiatives have shown variegated results, ranging from successful to not so satisfactory, and therefore a constant need for alternative and innovative solutions has pervaded the public and entrepreneurial arena.

And it is in this context for alternative solutions that Innovation Vouchers appeared. They were first developed in the Dutch province of Limburg in 1997 as a public funding mechanism that eliminated the main obstacles hampering the access of firms to public funding. The initiative was understood as a service-voucher for a limited fund amount, that reduced the administrative and bureaucratic requirements of traditional tools and that helped firms identifying and making use of the services provided by technology and innovation agents of the region.

The important success of this initiative prompted the development of subsequent innovation vouchers initiatives in other regions of the Netherlands, that were positively received by entrepreneurial agents, causing innovation vouchers to rapidly spread all over Europe with similar results.

From then on, many European regions have already implemented innovation vouchers initiatives, with many other already starting to define and design their own initiatives.



All these efforts prompted the signing by the European Union Member States of the Riga Declaration, in 2006. This declaration proposed general guidelines for the planning and design of Innovation Voucher Programmes by Member States and regions highlighting the potential of small and micro-grant schemes for the promotion of SME's innovation capacities.

This growing interest for the implementation of innovation vouchers initiatives have consolidated this mechanisms as one of the most valuable tools for enhancing small and medium firms innovation capacities and triggering interaction between the former and innovation and technology services providers.

By 2011, 21 innovation voucher initiatives could be identified within the European Union, with its number reaching 25 by the time this report is being developed. As it will be seen in the next chapters these initiatives are implemented both by national / regional and European structural and cohesion funds.

Moreover, the very same nature of innovation vouchers has experienced a significant change. The first innovation vouchers were aimed at supporting technology-based cooperation between SMEs and research centres of the regions. These initiatives have been labelled by some experts "1<sup>st</sup> generation innovation vouchers".

However, during the last decades and triggered by EU promoted initiatives such as the European Commission's Europe Innova Programme, the action has been redirected towards more service-specific vouchers. These, known as "2<sup>nd</sup> generation innovation vouchers" have widened the previous technology-oriented approach to include a wider range of innovation actions and have extended the collaboration of SMEs to a larger number of innovation agents. This new trend towards more service-specific vouchers is the natural response to the growing demand for flexibility of the initiatives, according to which it is important to allow the final users to play an important role in the identification of the service they want to receive.

The more service-oriented innovation voucher schemes have also reinforced the business orientation of the schemes, with more efforts being implemented towards ensuring the access of SMEs products and services to the market.

This service-oriented model of innovation vouchers has resulted also in a definition of more sector-specific actions, as can be seen in the FAD-INS project sector of activity. In this sense, the FAD-INS project is part of a larger initiative aimed at



promoting the use of innovation vouchers mechanisms within the sectors of creativity and design supported by the European Alliance of Creative Industries.

This initiative is aimed, as mentioned in the project web, at designing and implementing innovation voucher schemes to provide business support to creative Industries and to stimulate a greater uptake of creative industries services, capabilities and knowledge by other industries.

Other sectors, such as green services, have also started to implement activity-specific innovation vouchers schemes and the trend seems to indicate that this will be way to follow by other sectors and industries.

Another trend that has been experienced recently is that towards a more internationalised approach of innovation voucher schemes. Whereas, up until now, the initiatives have promoted cooperation between SMEs and technology and innovation agents within the same region/country, a new perspective has appeared advocating for more interregional experiences, in which SMEs are allowed to cooperate with innovation agents of different nationality. Innovation vouchers schemes in France can be seen as an example of this growing trend.

Notwithstanding, and as it will be discussed below, internationalised innovation vouchers schemes pose important costs both for the participating firms and the implementing agents that can hamper the success of the initiatives.

Among the initiatives that have been analysed in the development of the present report it is important to mention:

| <b>REGION / COUNTRY</b> | <b>IMPLEMENTING AGENT</b>   |
|-------------------------|---|
| Valencia / Spain        | Institute for Small and Medium Enterprises of Valencia (IMPIVA)   |
| Basque Country / Spain  | Department of Innovation and Economic Promotion of the Foral Council of Bizkaya - Agency for Innovation Promotion |
| Lombardy / Italy        | SERVITEC SRL. Regional Association for the promotion of Science and Technology, Province of Bergamo               |



|  |  |
|--|--|
| Netherland                                       | Public agency for Development and Innovation of the Netherlands                      |
| Limburg / Netherland                             | NV Industriebank LIOF<br>Regional Development and Industrial Company of Limburg      |
| South Region / Netherlands                       | Regional Agencies from the participant provinces of the Netherlands South Region     |
| Ireland (in collaboration with Northern Ireland) | Enterprise Ireland   |
| Wallonia / Belgium                               | Agency for Technologic Development of Wallonia                                       |
| Middle Benelux / Netherlands, Belgium, Luxemburg | NV Industriebank LIOF<br>Regional Development and Industrial Company of Limburg      |
| France   | OSEO France  |
| West Midlands / United Kingdom                   | Ministries of Economy, Science and Agency for the Development of the West Midlands   |
| United Kingdom                                   | London Development Agency (in collaboration with two private agencies)               |
| North West Region / United Kingdom               | Northwest Regional Development Agency  |
| Estonia  | Enterprise Estonia<br>Ministry of Economy - Public Agency for Innovation and Science |
| Finland  | Finish Funding Agency for Technology and Innovation                                  |
| South Moravia / Czech Republic                   | South Moravian Innovation Centre   |
| Denmark  | The Danish Agency for Science Technology and Innovation                              |





|                    |  |
|--------------------|--|
| Flanders / Belgium | Agentschap Ondernemen<br>Enterprise Flanders   |
| Hungary            | National Office for Research and<br>Technology |

## 1.2 WHY INNOVATION VOUCHERS?

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Innovation vouchers have experienced a boost during the last decade both inside and outside the European Union and have become one of the priority lines of action for most regional, national and international public bodies. What is, however the reason why innovation vouchers have become so popular?

Perhaps, the answer can be seen in the way the fast and simple way they achieve their main objective, namely, to introduce external expertise in small and medium enterprise in order for the latter to introduce innovative actions in their products, services or processes.

This very same objective is already set in the strategic approach upon which innovation vouchers schemes are based; this include the following specific objectives and have managed to establish the necessary mechanism to achieve them:

- ✓ To provide funding tools adapted to the **real** needs of small and medium enterprises.
- ✓ To offer firms an **easy-to-access** funding mechanism for their innovation and technology-upgrading needs.
- ✓ To offer an answer an **immediate** answer to their pressing needs.
- ✓ To enhance **mutual knowledge** between firms and providers of technology and innovation services.
- ✓ To promote the development of **high-impact** innovation and technology-enhancement projects.
- ✓ To promote **competitiveness** among innovation and technology service providers.
- ✓ To enhance the **business** capacities of the participant firms.



Moreover, it must not be forgotten that SMEs are the backbone of national and European economies and that innovation vouchers provide a reliable answer to some of the needs faced by them.

### **1.3 KEY ELEMENTS OF INNOVATION VOUCHERS**

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The following section will present, based on the information gathered from the different schemes analysed, the key elements at the basis of any innovation voucher, and the main agents involved in their implementation.

As a matter of introduction, the following table shows the elements that every innovation voucher scheme must take into consideration:

| <b>Governing Authority / Managing Authority</b> |
|---|
| Services  |
| Beneficiaries                                   |
| Providers                                       |
| Funding   |
| Administrative Process                          |

### **1.4 GOVERNING AUTHORITY / MANAGING AUTHORITY**

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The Governing authority is the organism in charge of defining the methodological and operational framework according to which the scheme will be implemented. Moreover, the governing authority will be responsible for the control and assessment of the activities undertaken during the initiative.

The Managing authority is the agent responsible for the daily implementation of the scheme as defined by the Governing authority. In almost all the cases analysed by this report the role of the Governing Authority and the Managing Authority have been hold by the sane agent (with significant exceptions).

It is important to stress that the role of Governing Authority will always be in charge of a public administration body, whereas private agents will be allowed to act as Managing Authority following the appropriate process of public procurement.



## 1.5 SERVICES

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One of the responsibilities of the Governing Authority is to define which services she considers of special interest for the sector and for which the innovation voucher scheme will provide specific funding. A list and description of these services will need to be produced during the initial stages of the initiative so as to communicate the interested parties what actions will be eligible for funding.

From the comparative analysis of previous experiences, the authors have identified a list of the services considered eligible in most cases, as well as a list of those commonly excluded:

### *Funded services:*

- ✓ Development of new product/process/service
- ✓ Studies for the development of new business models
- ✓ Protection of knowledge actives
- ✓ Innovation and technology upgrading diagnostics
- ✓ Innovation management
- ✓ Technology audits

### *Excluded services:*

Some services are seldom funded in previous innovation voucher initiatives; however, this does not mean that they should not be considered as eligible for future initiatives. This is particularly the case for the funding of internationalisation activities (one of the most problematic issues for creative industries as identified by the FAD-INS project):

- × Purchase of equipment
- × Purchase or software
- × Training activities
- × Internationalisation activities
- × Marketing actions
- × Internship and traineeship expenses



## 1. 6 BENEFICIARIES

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Beneficiaries are here understood as those institutions eligible to take part on the activities funded by the schemes. The beneficiaries will thus be granted a financial provision in the form of innovation vouchers that they will be able to exchange for the required innovation service.

When discussing the nature of the beneficiaries it is important to take into consideration to relevant issues that will have important consequences for the future implementation of the initiative:

- a) The requirements for an institution to be entitled as beneficiary.
- b) The candidates' selection process

### *Definition and requirements*

In most of the experiences analysed in this report, the threshold used to entitle a firm to be beneficiary of the innovation vouchers, is their recognition as SME. According to the 2003 European Commission definition (and validated in 2005) any company has to fulfil the following requirements to be considered small or medium enterprise:

- Have less than 250 employees
- Have a business volume inferior to 50 million Euros or a balance not superior to 43 million Euros.
- No company that does not comply with the above mentioned requirements holds more than 25% of the shares of the firm.

It has been observed that some regions have introduced further limitations for firms to become eligible; among such limitations it can be mentioned the condition for firms to have between 6 and 100 or to consider unipersonal firms as ineligible.

Moreover, some regions have introduced additional limitations, based on ERDF – funding related reasons (to be discussed further down). Among this exclusion criteria it can be mentioned the following:

- Sector-based: Firms from specific economic sectors are excluded from innovation voucher funding mechanisms.
- Bankruptcy: Bankrupt firms are in all cases considered ineligible.



Another significant feature identified in some initiatives is the exclusion of those firms that have already implemented innovation projects in collaboration with the identified service providers or that have received funding for the implementation of innovation projects.

Finally, it must be reminded that in all the cases analysed by the report, and in accordance with ERDF requirements, all firms must be subject to the de minimis rule.

### *Candidate selection*

This is one of the aspects at which it is important to pay special attention in terms of the operational development of any innovation voucher scheme.

Two main selection processes have been identified from previous initiatives:

Open call: Following this selection process calls are open for a term no shorter than 3 months (that will depend on the implementation time line of the initiative), and the coupons are delivered on a first come, first served basis (with a limitation of the vouchers that can be received by each firm). In this sense, by the time that the call is closed all the vouchers must have been delivered. This process of vouchers delivery can take two forms:

- a) Delivery by reception, and
- b) Drawing lots conducted every few days. The drawing lots systems can be also used in cases where the demand is far higher than the amount of coupons available for a specific period.

Closed call: In the experiences that have implemented this selection procedure, from two to three calls are open for a specific period of time (generally up to a year). During the indicated period in which the call is open the interested firms can submit their application for funding. The assessment of the applications is performed once the call is closed with the coupons being awarded no later than a month after the call has been closed.

In general terms, the closed call method has proven to be the most widely used among the initiatives analysed, with the use of the open call selection process lagging far behind.



Before moving to the next section it is important to mention a few words about the specific application process to be used by the interested parties.

Considering that the main objective of innovation vouchers schemes is to provide fast and efficient answers to SMEs needs, it is important to ensure that the application process can be fulfilled and submitted in the shortest and easiest way. For this reason, the application forms analysed can be completed in an average of half an hour / an hour time by using online supported tools. The simplicity of the application form must be seen as a paramount condition for the success of the initiative.

### **1.7 SERVICE PROVIDERS**

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The main objective of innovation vouchers is to introduce external expertise into SMEs and to enhance cooperation between both parts. It is for this reason that the identification of innovation services-providers is a fundamental for a successful vouchers-based initiative.

One of the main responsibilities of the initiative Governing Authority is to identify those agents better qualified to provide the service required by the beneficiaries and that will be funded by the vouchers.

Again, as it already happened with the beneficiaries two issues must be considered here:

- a) Requirements for an institution to be accepted as service provider.
- b) Candidates' selection process.

#### *Definition and requirements*

When identifying the potential candidates for offering the service required the Governing Authority must ensure that the former have the technical and operational capacities to effectively implement the services required by the beneficiary.

The typology of service providers identified in previous experiences includes:

- Public research organisms, such as innovation and technology centres
- Private non-profit research organisms



- Public and private universities
- Other non-profit institutions, such as Foundations, offering similar services.

In some of the cases analysed, private firms and individuals have also been eligible as service providers (although the number of such cases is smaller and restricted mostly to the provision of consultancy services).

### *Candidates' Selection*

It is important to clearly define the process through which services providers will be listed as eligible by the Governing Authority since this has an important impact on the operational structures of the initiative.

As with beneficiaries two main selection processes have been identified:

*Open list:* In this category service providers have to comply with certain requirements set by the Governing Authority, although the eligible agents do not have to be registered in a closed list. Therefore, beneficiaries can choose to collaborate with a particular service provider that will have to be later accepted by the managing authority. (This method is mainly used when the beneficiary needs to collaborate with international service providers.)

*Closed list:* Service providers are agents recognised as eligible by the managing agent and registered in a closed and usually non modifiable list. In relation to this method, there exist to sub-categories:

- *Pre-existent closed list:* In this case the service providers selected by the Governing Authority do form part of a pre-existent network with which the Governing Authority does already cooperate. This is mainly the case with public universities, innovation and technology centres, etc. This method is widely used since it significantly reduces the administrative burden related to selection and validation process.
- *Closed list created ad-hoc for the call:* Following the publication of an open call by the Governing Authority, those agents willing to take part as service providers fulfil and submit an application form proving proof of their qualification to act as service providers. The Governing Authority, thus, selects the most appropriate agents among the applications received, and publishes a closed list of providers. This



method has been mainly observed in those cases where pre-existent networks of potential providers do not exist or when a wide and diversified range of funded services exist.

Finally, it is important to mention that in any case, whether closed or open list, no juridical relation can exist between the service provider and the beneficiary.

In order to ensure the quality of the initiative and to set the operational structures on the onset of the process the Governing Authority must provide a list of definitive service providers (*closed list*) or of their eligibility criteria (*open list*) prior to the provision of the services.

## 1.8 FUNDING

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The following section analyses the nature of the funding mechanism of previous initiatives, based on the vouchers typology, the amount funded, the funding intensity and the coupons period of validity.

### *Vouchers typologies*

Not all innovation vouchers have the same characteristics, but rather, rather two main coupon typologies have been identified among the initiatives analysed:

Single Vouchers: This method is based on the provision of a single innovation voucher, regardless of the service to be implemented and of the nature of the beneficiary. Single vouchers do usually include the reference "innovation voucher for a limited amount of X €" since the pecuniary amount will depend on conditions set previously by the Governing Authority.

Multiple vouchers: This method consists of producing different vouchers based on different criteria, with three main cases identified:

- **Service**: According to this method different vouchers are produced depending on the characteristics of the service to be implemented. This method is the most appropriate to ensure best match between the amount funded and the service implemented
- **Beneficiary**: Not widely used, according to this method different vouchers are produced depending on the nature of the beneficiaries.
- **Funding amount and intensity**: Different vouchers are distributed based on the amount and the intensity of the service that they fund.





It must be noted that some initiatives allow for the combination of the three methods mentioned above.

### *Amount and intensity*

The funding amount and intensity is one of the most important issues to be considered when defining a vouchers-based initiative; not for anything, it is mainly upon these two concepts that the attractiveness of the initiative will rely.

In relation to these issues it is important to note that a very different scenario must be foreseen whether the funding mechanisms are based on ERDF, national or regional provisions (these issues will be further described in the following section).

#### Amount

In almost all analysed experiences the funding amount was comprised between 2.500€ and 10.000€, although specific cases present higher and smaller amounts ranging between 500€ and 66000€.

It is important to note that the amount of funding will depend on the following issues: a) the administrative requirements related to public funding, b) the provided amount is in most cases related to the typology of service offered/received; c) the grant intensity and d) the very same nature of the initiative.

#### Intensity

The intensity of the fund refers to the percentage of public provision devoted to fund the services implemented by the firms. This intensity will always be complemented with a maximum amount (see paragraph above) and can be divided in:

- **Total:** In this case the 100% of the service costs are covered by the public subsidy (taxes excluded). It is important to note that 100% intensity funds are only viable when the managing authority makes use of alternative sources to ERDF (these only covering for the 75% of public grants). Therefore, 100% intensity grants will depend on the use of the governing authority's own resources.
- **Partial:** Public funds only cover a certain percentage of the service costs with the rest of the costs being the responsibility of the eligible firms. By making the company responsible for the payment of part of the costs the



government authority will make them more accountable, and as it is expected, more interested in taking real advantage of the initiative.

As a general trend, larger vouchers require larger amounts of co-financing, although exceptions are observed.

#### *Vouchers limitation*

When designing a vouchers-based initiative it is important to consider the maximum number of innovation vouchers that can be granted to each firm. Bearing in mind that the aim of innovation vouchers is to foster cooperation between firms and service providers, it is advisable to restrict the number of vouchers granted to a firm (thus, allowing for more companies to participate in the initiative).

#### *Vouchers Grouping*

In some of the cases analysed by the authors, a group of companies is allowed to assemble their coupons with the purpose to receive a joint service from a specific service provider. Although not recommended for the FAD-INS project, the implementation of such initiatives require from stricter control mechanism in order to avoid legal infractions or conflicts with already existing initiatives.

### **1.9 FUNDING SOURCES**

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As with all initiatives aimed at the promotion and development of entrepreneurial activity it is important to analyse in depth what are the sources of funding for its implementation, since their nature will have relevant legal and operational implications.

In the case of innovation vouchers, three different sources of funding have been identified:

#### *European Regional Development Funds (ERDF)*

One of the main sources of funding for innovation vouchers initiatives is the European Regional Development Funds. In most cases the use of ERDF is complemented by national or regional funds.

However, some initiatives are exclusively funded with ERDF provisions; when this is the case, it is necessary to comply with certain legal and regulatory requirements set up by the European Commission and to pay particular attention to the grants' intensity and the nature of the beneficiaries.



Thus, when ERDF resources are used, the grant intensity must not exceed the 75% of the service costs and the managing authority will have to conduct an auditing process over some of the firms that take part in the initiative.

#### *National / Regional sources*

In this case the initiative is funded with regional and national funds, and no ERDF provision is used. Thus, these initiatives will be regulated by regional and national legal frameworks and so will be their intensity and thresholds requirements.

#### *Mixed / Combined (ERDF + National funds)*

In mixed cases vouchers are partially funded with ERDF provisions, while the remaining amount is subsidised via national or regional funds. This is the most widely used model among the cases analysed by the authors; the main reason for its success is that this option allows the managing authority to use ERDF funds (reducing its own contribution) while increasing the level of the intensity of the aid (that can reach the 100% through the provision of own funds).

### **1.10 VALIDITY**

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The validity of the vouchers refers to the period of time within which the firm needs to implement the service subsidised by the coupons.

As it has been said, the rationale behind vouchers systems is to provide an answer to the “urgent” needs faced by the firms, and it is therefore necessary to reflect this when defining the validity of the vouchers.

It is important to note that in the cases where innovation vouchers are not used by the end of their validity period, they are retrieved and awarded during the next open call.

### **1.11 ADMINISTRATIVE PROCESS**

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The administrative and operational structures guiding the implementation of innovation vouchers systems are fundamental, and their definition and implementation fall under the responsibility of the governing and the managing authority.

Although the main roles of these agents have already been describe above, they will be described in further detail in this section.



### *Governing authority*

The Governing authority will be responsible for the definition of the basic characteristics of the system (beneficiaries, providers, service typology, intensity and amount, selection processes, control systems, etc) as well as of its final implementation. The legal nature of the Governing Authority can be:

- Public: since the implementation of innovation vouchers are always public-promoted initiatives, the managing authority in all the cases analysed was of a public nature (whether regional or national).
- Private: Although in none of the cases analysed in this report a private entity has been responsible for the managing of an innovation vouchers initiative, in particular cases a private entity took an active part in the definition and management of the system.

### *Managing Authority*

The managing authority is the agent responsible for the implementation of the vouchers scheme, and therefore, she must guarantee that the interaction among the involved actors is conducted within the legal framework set up by the governing authority.

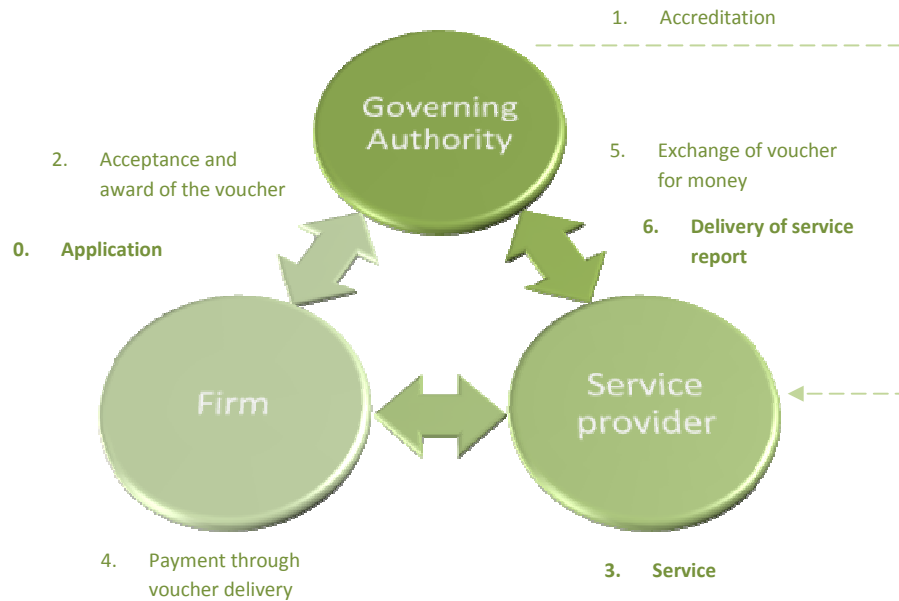
The managing authority acts under direct control of the governing authority, although in the majority of the cases it is role its hold by the same institution. Again, two types can be described based on their legal nature:

- Public: In the majority of the cases analysed by the report the governing authority (always public) does also act as managing authority of the innovation vouchers system.
- Private: An innovation vouchers initiative can have a private managing authority provided that the governing body does open a public call for collaboration. As it has already been mentioned there are very few cases in which the managing authority is a private body (only the case of the West Midlands responds to these characteristics).

## **1.12 IMPLEMENTATION PROCEDURES AND CONTROL SYSTEM**

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Throughout the cases analysed in this report a common structure of implementation has been identified, including the following stages:



### 1.13 IMPLEMENTATION PROCESS

- Accreditation of the service providers by the Governing Authority following the requirements set up in the call for service providers.
- Following the publication of the of the Innovation Vouchers call by the Governing Authority the potential candidates fulfil an individual application, indicating the service they wish to implement and the provider they want to collaborate with.
- Once the application has been received by the Governing Authority, a specific team is set up to assess the quality of applications (based on the methodological process already approved). The acceptance of the application will be followed by a communication to the firm awarded with information on the characteristics and use of the voucher. Current trends show that the time lapse between the submittal of the application form to its acceptance has been reduced to days rather than weeks.
- The firms are awarded with a voucher submit a formal petition to the already accredited service provider to receive the service.
- Once the service is completed, the firm makes a payment (for the amount of the service not covered by the voucher) and handles the voucher to the service provider.



- f) The service provider sends a report on the service offered to the Managing Authority that will evaluate the work done in relation to the initial application form.
- g) If the service is positively evaluated, the Managing Authority makes the payment to the service provider for the amount stipulated in the voucher.

#### **1.14 CONTROL SYSTEM**

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Since innovation vouchers initiatives are funded with public money the governing/managing authority must guarantee the implementation of a series of control mechanisms on the services received by the firms. From the cases analysed the authors have identified two potential control processes:

- Ex-Ante: This is the most widely used control system in public calls; in this system the Governing/Managing Authority evaluates and assesses the applicant's application prior to the implementation of the action. The acceptance or rejection of the application will depend on this initial evaluation. The evaluation will be coupled with the assessment of the service provided at the end of the process, in order to ensure that it complies with the request set in the initial application.

This process requires an important amount of human (administrative and technical) and time resources, and it slows down the process (by increasing the time lapse between application submittal and acceptance).

- Ex-Post: In this control method, the exhaustive assessment is performed once the service is completed and based on the results of the initiative (rather than in the expectation as in the ex-ante method). It is only after the service evaluation is completed that the service provider will be paid for the amount mentioned in the voucher.

This method has the advantage that the recipient of the service does only need to fulfil a brief application form, with very simple and easy to introduce information. Moreover, this system reduces the amount of time between the submittal of the application and the award of the voucher. Considering the increasing pressure to reduce the timing for application approval this method seems to be the most appropriate.



### **1.15 LEGAL RELATION BETWEEN THE ACTORS INVOLVED IN THE SYSTEM**

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The use of public funds (mainly ERDF) in the implementation of the initiatives poses important requirements that need to be taken into consideration when analysing the legal relation between the agents involved. In this sense, the use of ERDF funds makes it compulsory to perform regular audits on the initiative's final beneficiaries; it is for this reason important to define who the final beneficiary of the ERDF provision is in order to conduct efficient audit processes.

Although in operational terms it has explained that the firms act as the final beneficiaries, in a more conceptual way another possibility can be observed (and that can have an important impact for the implementation of the initiative)

- Subsidy System: This system is based on the traditional public subsidy system, and it is usually linked to the ex-ante control mechanism, in which the "beneficiary" is the agent applies for the service (namely, SMEs).

In this model the audits required for the use of ERDF funds would be directed to the SMEs recipient of the public grant. Therefore, the number of agents to be audited will depend on the number of beneficiaries of the initiative. Therefore, the existence of an important number of beneficiaries will result in significant auditing costs and control mechanisms (with its related administrative burdens for the firms and that might constitute a disincentive for its implementation).

- Subcontracting System: According to this system, the Governing Authority is considered to be the "beneficiary" of the action (not the SMEs) and being endowed with the funds it does provide specific services to the applicant firms (via subcontracts with the service providers). Thus, in this system, the firms apply for a service to the Governing Authority that the later will subcontract to the agents she considers most qualified for the tasks.

In this sense, the Governing Authority will perform the control over the subcontracted service providers and not over the firms; this method will thus be associated to an "Ex-post control" model where the auditing requirements fall over the few (service providers) rather than over the more (firms).



This method will significantly reduce the administrative burden of the process, and in particular for SMEs, that once having received the service will not be expected to comply with any additional administrative requirement.

Although aware of the advantages offered by the subcontracting system, most of the cases analysed in this report have implemented a subsidy-based system, since this is closer to the traditional structures of public funding.





## PART II

### 2.1 RECOMMENDATIONS FOR THE FAD-INS PILOT TEST INITIATIVE

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The analysis of previous experiences in the implementation of innovation voucher-based initiatives allows us to offer a set of recommendations for the development of the FAD-INS project pilot action.

According to the nature of the sector addressed by the project (to be analysed in further detail in the Regional Analysis of Creative Industries) and the indicators observed in previous initiatives the authors would recommend to the governing/managing authority to consider the following aspects:

### 2.2 SERVICES COVERED BY THE INNOVATION VOUCHERS

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Due to the nature of the target industries, the services provided in the framework of the FAD - INS project will need to consider the delivery of two types of services (based on their level of intensity and the state of development of the applicant firms).

As per their level of intensity the vouchers schemes will be ranked by using the following categories: **low**, **medium** and **high** intensity.

The services considered as **low intensity** level will comprise:

- ✓ Introduction to fundamental principles of management and marketing and their application to design and creative industries.
- ✓ Professional skills (self-management, presentation skills, team work coordination, etc.)
- ✓ Design process planning tools

The services included in the category **medium intensity** will comprise, among others:

- ✓ Extended knowledge in key areas such as Industrial Design, Audiovisual Production, product concept, product life cycle, etc.
- ✓ Strategic approaches and concepts (project management, Information Technology issues, LCA management, etc.)
- ✓ State of the art analysis



Finally, among the **high intensity** services it could be mentioned:

- ✓ Advice and guidance on new innovation initiatives
- ✓ Product development and improvement
- ✓ Design and implementation of strategic plans
- ✓ Project design and development
- ✓ Enhancement of the business model

All the services mentioned above are coherent with the needs faced by the target sector and are provided by qualified agents of the region following the highest standards of quality and innovation.

On the other hand, the following list of services should be excluded from funding via the use of innovation vouchers:

- × Purchase of equipment
- × Purchase of software
- × IT Consulting
- × E-Business development
- × Training activities (understood here as standard training)
- × Internationalisation and export activities
- × Marketing activities
- × Costs related to internship and traineeship activities

Different reasons can be argued for not including these services in the pilot test initiative for the FAD-INS project. Among these reasons is the fact that they are already being addressed by other funding initiatives in the region or that previous experiences have shown that their inclusion is not recommended in terms of the return they provide to the efforts invested in their development.

In order to ensure the effective implementation of the actions it is important to produce a clearly detailed description of the services considered eligible avoiding a too vague description of the former.



| <b>ELIGIBLE SERVICES</b>  |  |  |
|---|--|--|
| <b>Low Intensity</b>  | <b>Medium Intensity</b>  | <b>High Intensity</b>  |
| <ul style="list-style-type: none"> <li>- Fundamental principles of management and marketing</li> <li>- Professional skills</li> <li>- Design process planning</li> </ul>  | <ul style="list-style-type: none"> <li>- Extended knowledge in key areas</li> <li>- Strategic approaches and concepts</li> <li>- State of the art studies</li> </ul> | <ul style="list-style-type: none"> <li>- Advice on new innovation initiatives</li> <li>- Product development and improvement</li> <li>- Strategic plans</li> <li>- Project design and development</li> <li>- Business model enhancement</li> </ul> |
| <b>NON-ELIGIBLE SERVICES</b>  |  |  |
| Purchase of Equipment<br>Purchase of Software<br>IT Consulting<br>E-Business development<br>Training activities<br>Internationalisation and Export Activities<br>Marketing Activities<br>Costs related to internship and traineeship activities |  |  |

### **2.3 BENEFICIARIES**

As it has been mentioned above it is impending when designing an innovation voucher to clearly define the nature, role and responsibility of the beneficiaries, since this will have an important impact for the control and assessment requirements of the project. Retaking the previous description there exist two possible typologies of beneficiary:

- a) Beneficiary as the recipient of the subsidised service
- b) Beneficiary as the recipient of the financial provision for the service implementation

#### *Beneficiary as the recipient of the subsidised service*

The FAD-INS project application form already identified some of the requirements imposed to those firms applying for the innovation vouchers. In this sense, the project pilot test seeks to award at least **25** SMEs (using the definition provided by the European Commission) of the Fashion, Industrial Design and Audiovisual



sectors, with particular attention being paid to young companies with less than 5 employees.

The authors of this report consider that a maximum number of employees should also be set up in order to simplify the application procedures for the pilot test. This number could be subsequently increased if the project is further extended to a long term initiative.

Moreover, unipersonal companies should not be considered eligible since the return rate of implementing the above mentioned services will not be worth the economic and operational efforts required.

Moreover, the authors suggest that those firms already being granted other funding provision to be considered non-eligible, so as to allow the participation of firms that do not currently receive public subsidies.

Finally, the authors recommend to the governing / managing authority to make use of their formal networks to communicate the opportunities offered by innovation vouchers, and thus enhance the visibility and effectiveness of the project.

#### *Beneficiary as the recipient of the financial provision*

As it has been mentioned above, two agents can assume the role of the recipient of the financial provision: the governing authority or the service-recipient SME's (case described above). Bestowing one or another agent with this responsibility will set specific conditions for the operational and control mechanisms of the project (mainly related to the use of ERDF, National or Regional funding for the innovation vouchers initiative).

This is even truer when considering that the pilot test conducted in the framework of the FAD-INS project it is expected to be replicated as a long term initiative set in a context-specific operational framework.

Although it seems obvious that the first system is likely to be the most effective during the implementation of the pilot test, the authors suggest to the implementing authority to consider the nature of the beneficiaries in the definition of a long term innovation vouchers initiative.

#### *Candidates' selection*

Another issue to be described prior to the implementation of the pilot test is the selection process for the beneficiaries. The field study conducted by the authors



has proved the existence of two selection methods: a) open calls and b) closed calls, being the latter the most widely used.

Due to the nature and the time constraints faced by the pilot initiative, it is important that the call for applicants is conducted in the fastest and most efficient way. For this reason a **single closed call** for applicants must be seen as the most appropriate mechanism for the development of the pilot test. As set in the project time line the opening date would be set in September 2012 with the final decision being published no later than one/two months later (it is important to remind that innovation vouchers are conceived to provide fast answer to the firms' needs) and that efforts must be made to ensure that a final decision is reached within days (aiming a future target of 15 days).

The process for acceptance of the candidates' application and the award of the grant during the pilot test would benefit from the implementation of a first come, first service system (provided that the applications received comply with the requirements set by the governing/managing authority).

It is important to guarantee that the application form is easy to fulfil and that it can be completed in the shortest time as possible by the candidate firms. For this reason, and based on the analysis of previous experiences the authors recommend the length of the application form not to be superior to 4 pages.

Provided that the initiative is successfully replicated in a more consolidated long term form, the timings for open calls could be set up at a rate of *five annual closed calls*. The reason for this is that closed calls have proved to be more efficient than open calls in the cases analysed in this report and that its process is similar to most of the initiatives already under way in the region. Moreover, by implementing different calls throughout the year, it is possible to respond more efficiently to the constant needs experienced by the regional entrepreneurial network. Finally, it is important to note that the dates in which calls would be opened should be notified at the start of each year.

## **2.4 PROVIDERS**

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As it has been mentioned above the services that will be covered by the FAD-INS initiative are offered in the region with high standards of quality.

For this reason it is very important that the governing / managing authority identifies those agents with better capacities to provide the services. However,



aware of the time constraints faced by the pilot test, the authors recommend that the governing authority takes advantage of its formal networks to identify suitable service providers.

The use of already existing networks of collaboration reduces the administrative burden of accreditation, since their members do already comply with a set of quality standards required by the governing authority. Moreover, the use of agents from already existent networks facilitates their subsequent control during the implementation phase.

Again, from the analysis of previous experiences and predicting the consolidation of the pilot test into a long-term initiative, it must be noted that almost every experience has been based on a closed list system (that in most of the cases use pre-existing networks). For practical reasons, this call for providers is always opened prior to the announcement of the innovation vouchers call.

Foreign services providers are not recommended to be considered eligible for the pilot test. If considering the implementation of a long term initiative, the authors advocate for developing a regional oriented approach and not consider the inclusion of foreign services providers until the initiative has been consolidated.

It is not recommended to include private agents as potential provider candidates, especially during the development of the pilot test and the first stages of a long-term initiative.

In this sense, it must be mentioned that risks of underperformance increases when unknown providers are accepted as eligible.

## **2.5 VOUCHERS MODELS**

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The previous phase of this report has shown two major typologies of innovation vouchers, namely single and combined coupons. In the majority of the cases analysed the preferred option has been the single coupon.

For the implementation of the pilot test it is recommended to make use of the single voucher method since it will set clear requirements on the use and provision of the services simplifying the comprehension of the process.

## **2.6 INTENSITY AND AMOUNT OF THE PROVISION**

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From the analysis of previous experiences the authors have identified multiple combinations in terms of amount and intensity of the vouchers, although in all the



cases the intensity ranges between the 60% and the 100% (VAT excluded) of the service costs, and the maximum amount is set between 2500€ and 10000€.

In the case analysed here, it is recommended to implement a single voucher system, with a maximum funding amount of 6000€ per voucher. However, and in order to allow the firms to implement the solutions and services they reckon necessary (regardless of their final costs), the authors recommend the governing agent not to set up any maximum budget for the services to be implemented.

However, it is to be reminded that when using ERDF funds, the public contribution cannot be superior to 75% of the total costs (VAT excluded).

The maximum amount of 6000€ per voucher has been established by considering the typology of the services and their average costs (estimations based on previous experiences and contacts with service providers.) In this sense, the average costs for consultancy service have been calculated at 700-800€ per day. Considering the typology of services described above.

Ensuring that a certain amount of the costs are co-financed by the participant firm will also ensure that the former will be interested in making the most of the service received.

## **2.7 SOURCES OF FUNDING**

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As it has been mentioned above the use of ERDF resources will have important consequences for the implementation of the initiative (maximum of 75% costs grant, auditing requirements, etc).

Moreover, although the official regulations applied to similar initiatives responds to the use of ERDF funds, Funditec suggests to the governing authority to foresee an operational framework not only dependent on ERDF provisions.

The reason for this is to ensure the viability of the initiative by using alternative mechanisms and funding sources and thus allowing the governing authority additional leeway in implementing the initiative.

## **2.8 VOUCHERS LIMITS AND COMBINATION**

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All the cases analysed in the course of the report have set limitations in the number of vouchers that can be received by a particular firm. Limiting the number of vouchers per firm allows for more companies to benefit from the initiative and, thus, for more interactions to be generated in the sector.



### *Vouchers Grouping*

Some of the cases analysed allow for the grouping of vouchers, with which several companies receive a joint service from a single provider. However, due to the administrative burden and the additional control requirements related to joint services (in order to avoid concealed technology transfer processes). Another reason why grouped vouchers are not recommended is the need to assess that joint services provide an added value that single actions would not produce.

## **2.9 VALIDITY**

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The average validity of innovation vouchers is observed to be between 6 and 12 months, being the former the most common type. The authors recommend that those coupons that are not used by the end of the validity period are, with no exceptions, used in the subsequent calls.

### **List of recommendations for the implementation of the FAD-INS project pilot test**

|   |                    |
|---|--------------------|
| <b>Typology of the Innovation Voucher</b> | Single             |
| <b>Amount</b>                             | 6000€              |
| <b>Limitations</b>                        | 1 voucher per firm |
| <b>Vouchers Grouping</b>                  | Not allowed        |
| <b>Validity</b>                           | 3 months           |

### **List of recommendations for a further stage of development of the initiative**

|   |                         |
|---|-------------------------|
| <b>Typology of the Innovation Voucher</b> | Single                  |
| <b>Amount</b>                             | Between 4500€ and 8000€ |





|                          |  |
|--------------------------|--|
| <b>Limitations</b>       | 1 voucher per firm per call                          |
| <b>Vouchers Grouping</b> | Not recommended during the initial and future stages |
| <b>Validity</b>          | 4 to 8 months  |