

Innovation Vouchers Workshop Report

International Workshop – Innovation Vouchers: Enabling SMEs to Innovate

24 -25 November 2016

Viceroyal Hall,
The Claridges Hotels, New Delhi

Supporting Partners



The objectives of the two day workshop was to

- Understand and analyse the design, structure, implementation mechanism, different approaches, and success and risks factors of “Innovation Voucher Programme (IVP)
- Examine the appropriateness as well as feasibility of IVP for India and
- Develop a roadmap for the adaptation of IVP as a support instrument to facilitate innovation in SMEs.

International policy makers and practitioners from Germany, Austria and OECD shared their experience. The workshop received a very enthusiastic response from all the targeted stakeholders of MSME ecosystem. More than 120 delegates (representatives of central and state govt., academic and research institutes, Incubators, associations, public and private support institutions, bilateral and multilateral agency, banks and consulting organisations) actively participated in the deliberations and positively influenced the discussions on relevance of IVP for Indian MSMEs.

Addressing the workshop during the inaugural session, **Additional Secretary and DC, Ministry**



of MSME, Mr. Surendra Nath Tripathi said, “*There is a need to make India more and more innovative and Innovation Voucher is a concept which the Ministry would like to adopt in a cluster mode.*” Citing examples he also emphasised the importance of commercializing innovations and the need for MSMEs to innovate according to the market needs and before it is too late.

Innovation Vouchers

“Innovation vouchers are small lines of credit provided by governments to small and medium-sized enterprises (SMEs) to purchase services from public knowledge providers with a view to introducing innovations (new products, processes or services) in their business operations.” - Innovation Voucher, OECD 2010

Innovation Voucher is the simple and effective mechanism to nurture innovation in SMEs through enhanced linkages between SMEs and Knowledge partners. *Rather than supporting entrepreneurs on a pre-decided area, Innovation Vouchers aim to encourage entrepreneurs to come forward with their own ideas – where they want to innovate and with whom they want to succeed.*



Earlier **Mr. Anil Bhardwaj** Secretary General, FISME, in his welcome remarks expressed that a large number of SMEs have a mind-set that innovation is a distant concept for them. They have a view that it is only for high tech industries or the large industries which are involved in R&D. **Mr. Wolfgang Leidig** Programme Director, Private Sector

Development, GIZ said that innovation is necessary to stay ahead of the competitor's and to survive in the industry. He also touched upon the need for partnership, as MSMEs often think that they don't have enough time to think something new or get involved in research which is a must for innovation.



Key Excerpts from International Experience

Mr. Antonio Fanelli Senior Expert, OECD, **Ms Tabea Dick**, Head-Innovation Voucher, State of Baden-Württemberg, Germany, **Mr. Mathias Weicchart**, Austrian Research Promotion Agency, Vienna Ms. Maren Richter , Innovation Policy Expert, Germany and **Mr. Benjamin Seckinger**, CEO, BOS AG touched upon all aspects (macro to micro perspective) of innovation voucher instruments. Detailed discussions were held regarding the role of IVP in overall SME promotion policy to its genesis, growth, design, implementation and benefits to MSMEs.

Rationale:

SMEs innovate much less than larger enterprises, even in developed countries (OECD analysis: while one out of every two large enterprises engage in innovation and only one out of five SMEs try to innovate) on account of systemic issues like lack of scale, skills and managerial abilities, competition, and innovative activities.

Mr. Fanelli said that **enterprises those have the potential to grow but are not aware about how to proceed with their innovative ideas, could be helped through innovation vouchers.**

Though IVP may not be enough to complete the innovation process but may act as a stepping stone to initiate the process which brings the company closer to realise their potential to innovate. He also stressed on the complimentary role of a supportive ecosystem in promoting innovation.



According to Ms Richter, **Innovation vouchers nurture innovative power of SMEs through enhanced access to the advisory services – and as such it is essential to have a fast and easy application and decisionmaking process in any IVP.**

Ms Dick explained that in 2000, EU set the aim to become the most competitive and dynamic knowledge based economy and to reach the aim, innovation was focused as a driving force. For economic change importance of focus on SMEs was also identified. She mentioned that in the state of Baden-Württemberg small SMEs made 97 percent of all enterprises and while an excellent R&D infrastructure existed, **there was a big gap between the enterprises and the research sector. Therefore, it was realised that in order to tap the potential of SMEs and to achieve a dynamic economy, the demand side of the innovation has to be supported.** Learning from innovation programmes in Netherlands and Ireland, , the innovation vouchers were introduced in Germany.

Summarising the advantages of IVP, *Mr. Benjamin Seckinger* (Beneficiary of IVP), mentioned that **it offers SMEs a chance to work together with the R&D organisations and the experts of the fields. Without this support, probably they couldn't afford to work with those people.**

Design:

Innovation vouchers are usually not very large, like in Europe **it varies from 500 euros to 2000 euros and in special cases the value is up to 50000 euros.**

In the state of Baden Wurtenberg, Germany - SMEs with no more than 100 employees and 20 million Euro turnover; and with head offices in Baden-Württemberg, are eligible



for IVP. Costs for R&D by public and private knowledge providers relating to innovative products, processes or services like design engineering are eligible for funding under the programme. The grant is available upto 80% of the project cost subject to a maximum value as defined in different vouchers. The Innovation vouchers are valid for 10 months and after the projects

are finished vouchers are redeemed. **The redemption of the voucher is generally done by the SME after providing necessary documentation i.e report on expenditure of funds, invoices, bank statements and a technical report.**

In Austria, two type of voucher exists. Mr. Weicchart informed **that in case of the small vouchers (upto Euro 2500) -100% funding is done**; while for other voucher quantum of support is limited to 80% subject to a maximum of Euro 10000. So the objective is to fully support small innovations, entry level R&Ds, which may graduate to complex projects. He also mentioned that the innovation vouchers are valid for one year in Austria.

Implementation:

Ms Dick mentioned that all voucher pilots are implemented by Banks or state agencies and SMEs are eligible across the sectors or technologies. She also mentioned that at present 8 voucher programmes are being operated by the respective states in Germany, all but one are managed by external organisations. **All of the programmes allow a continuous application process i.e. applications could be submitted at any point of time.**

Mr.. Fanelli in his presentation mentioned about the **essential features of successful implementation** of Innovation Voucher Programme. Firstly, **the procedure for selection has to be very simple and efforts should be to reach the largest number of companies, so that the best cases are captured**. Vouchers should also have very simple application procedure, preferably online. The selection process for the smaller voucher programme **where the amount of money is limited - often co-finance may not be required**. The IVP administration agency should also have the **capacity to suggest where to go for consultancy** – if SMEs need that advice.

In Austria, credentials of research partners are checked before empanelling them under IVP. This is done on the basis of initial experiences, wherein too many private research company came into being with the sole objective of accessing IVP funds. On the selection criteria for the proposals, Mr. Weicchart mentioned that factors like customer profile, size of the enterprise, availability of in house R&D facility etc. are taken into consideration to ascertain the success rate of the innovation project.

He also mentioned that Selection process is completed within three to six weeks.

Learnings from IVP pilot in Tamilnadu, India

Ms Maren Richter, Former Team Leader IVP Tamilnadu; Mr. Antony Nellisary , CEO M/s Nellisary Wall Panels; Mr. Rajiv Chawla –Chairman IAMsme, Dr. Amit Kapoor –CEO Institute for Competitiveness were the key speakers. Mr. K Rajaraman –Principal Secretray and Director EDI chaired the last technical session of the day.

Under the pilot project in Tamil Nadu, SMEs of Tamil Nadu could approach to R&D institutes to avail technical services. Up to 50 percent of the R&D budget under the project to a maximum of INR 815000 or 11500 euros was supported. Ms Richter mentioned that the qualification and eligibility criteria under the project were that the applicant

Company has to be in business for at least two years , and should not suffered any losses during the previous three years

The initial results of the programme audit showed achievements like increased Innovation speed (has increased by 6 to 24 months), improved innovation management capacity and enhanced know-how transfers. The challenges found to be deep rooted mistrust in Governments' support programs, reluctance in sharing of intellectual properties and delay in know-how transfer. Mr. Antony Nellisary a recipient of the innovation voucher programme in Tamil Nadu, shared his positive experiences and benefits derived.

He specifically highlighted the speed of decision making and mentoring support provided by TFSC- as IVP implementing agency. He suggested that such programmes should be introduced all over India.



Dr. Amit Kapoor, in his address emphasised that states have to create their own innovation supporting ecosystems at the same time with less

interference in the innovative ventures. Mr. Rajive Chawla, Chairman, IAMSME, an Association of MSMEs in India, in his presentation explained, very eloquently, the confusion among Indian MSMEs between frugal innovation or Jugaad and systematic innovation, which give altogether different pay-offs. He mentioned about the collective approach to problem solving introduced by his Association among Faridabad entrepreneurs.

