

Innovation Policies for Inclusiveness – Policy Cases

Innovation Voucher programme

Country: **Hungary**

1. Short Description

The **Innovation Voucher programme** is designed to integrate SMEs into the national innovation chain, and to intensify their research, development and innovation activities through the use of non-repayable grants. The target group is SMEs (and micro-enterprises) aiming to develop an innovative product, service or process, but who lack the necessary funding and expertise in-house. The programme is part of the National Smart Specialisation Strategy, which runs in parallel with the EU funding period for 2014-2020. An additional aim is to support the priorities of the National Smart Specialisation Strategy, to ensure a diverse array of SMEs with reliable funding for knowledge-based technical development.

This policy profile is part of a [policy toolkit on innovation policies for inclusiveness](#). It is relevant for industrial inclusiveness.

2. Policy Characteristics

Basic Information

Country and implementing institution(s):	Timeline:
Hungary Ministry for National Economy through the National Innovation, Research and Development Office, as an intermediary authority handling the National Research and Development Fund	2016-2018
Target group	Size and budget:
Micro-enterprises, SMEs	Expected number of recipients: 150-1 000 Budget: HUF 3 billion (USD 22.8 million, PPP); funding between HUF 3 million (USD 22 800, PPP) and HUF 20 million (USD 152 000, PPP) for a maximum of 18 months
Type of policy instrument(s)	Inclusiveness focus
Financial support: grant/voucher	Industrial inclusiveness



Policy objectives

The objective of the Innovation Voucher programme is to support SMEs (and micro-enterprises) aiming to develop an innovative product, service or process, but who lack the necessary funding and expertise in-house. The grants enable firms to directly contact a service provider (e.g. an university or research institute) to request the use of their research, development and innovation (RDI) services to develop their own project.

The programme is part of the Economic Development and Innovative Operative Programme and aims to integrate SMEs into the national innovation chain, and to intensify the RDI activities of enterprises. An additional aim of the programme is to support the priorities of the National Smart Specialisation Strategy (S3), to ensure a wide array of SMEs with reliable funding for knowledge-based technical development.

Rationale

Smaller firms frequently lack the necessary funding and expertise to develop an innovative product, service or process internally. These firms also have limited possibilities to exchange with public knowledge providers due to information asymmetries, such as the costs involved in identifying relevant actors. They therefore require support to establish collaborative relationships.

Policy target recipient and selection mechanism

SMEs and micro-enterprises should submit their proposals to the Contributing Authority. Specific organisational and financial criteria are checked in accordance with relevant Hungarian and EU legislation during a formal eligibility round. The pre-selection process then identifies those projects in line with the programme's objectives and whose budgets consist of only required and eligible costs. These projects may be indirectly or directly related to national priorities (e.g. a healthy society, sustainable environments, clean energies, agri-innovation, inclusive and smart growth, ICTs, advanced engineering or smart technologies, etc.). The final selection round focuses on the content of the application. Points are awarded for innovation potential (0-30), links to priorities in the National S3 Strategy (0-5), and connection with an equipment purchase financed by another project under the same funding programme (0-5). Projects must be awarded at 20 out of a possible 40 points to be formally and professionally eligible.

Policy instrument(s)

Non-repayable grants may be used to finance:

- **innovation consultancy services** aiming to develop innovative products, services and processes. Services include knowledge transfer, purchase, protection and use of intangible assets, and assistance and training during the application of standards and regulations.
- **innovation support services** including the provision of offices, databases, libraries, market research, laboratories, audits, technical tests and quality certification.



Such grants can finance up to 75% of the eligible costs for innovation consultancy, while support services amount to less than EUR 200 000 over three years (otherwise, up to 50%). SMEs may request innovation consultancy and RDI support services to cover areas that are not part of the firm's usual operations.

Policy challenges

- Excessive focus on projects directly related to S3 priorities.
- Insufficient funding to address the needs of eligible applicants.
- Due to EU funding rules, firms from the Central Hungarian region cannot be supported.
- Demand for funding is inadequate due to the low number of firms willing to innovate (in certain regions).
- There is a limited number of innovative research institutes or universities to partner with (in certain regions).
- Firms do not finance their possible innovative activities due to the availability of funding – even when they possess available resources (“crowding out” effect).
- Firms re-designate their usual activities as “innovative” in order to obtain funding from the programme (possibly resulting in low effectiveness of projects and misallocation of funds).

Actions undertaken to address challenges

The programme was modified to take into account challenges its predecessor (“Innocsekk”) encountered during previous EU financing periods. The amendments included the development of a monitoring and evaluation system based on measurable indicators, quality control of innovative services provided by regional “knowledge centres” (universities, research institutes and large companies), and the introduction of a higher funding range and lighter administrative rules. The final evaluation of the “Innocsekk” programme also recommended the division of the programme into two parts – one with an easier administration for SMEs and one with a project-based, excellence-driven grant system for other applicants – but this has not yet been implemented.

Evaluation and outcomes of the scheme

Although the project began in 2016, evaluation mechanisms are already in place, as is the case for other programmes supported through EU funding. Outcomes from previous programmes will be used to develop an appropriate evaluation scheme for the Innovation Voucher programme.



Sources

Goodwill Consulting (2016), “Innovációs Voucher”, Goodwill Consulting, Budapest, www.gwconsulting.hu/wp-content/uploads/2016/01/36457_innovacios_voucher_GINOP_2.1.pdf.

Government of Hungary, (2016), “Szechenyi 2020, Evaluation”, Government of Hungary, Budapest, www.palyazat.gov.hu/evaluation.

National Research, Development and Innovation Office (2016), “A hazai kutatást, fejlesztést és innovációt ösztönző pályázati felhívások, 2015-2016” [Calls for proposals for domestic research, development and innovation incentives, 2015-2016, National Research, Development and Innovation Office], Budapest, <http://nkfih.gov.hu/palyazatok/hazai-kfi-palyazatok>.

Background

*This document is part of a repository of examples of **innovation policies that have for explicit aim to contribute to territorial, industrial and social inclusiveness**. The repository is part of an innovation policy toolkit developed for the **Innovation for Inclusive Growth** project and gathers national innovation policy programmes that:*

- A.** *Explicitly target **lagging and less innovative regions** (outside of regions that are highly innovative) or by design are more likely to support these lagging / less innovative regions.*
- B.** *Explicitly aim to include in innovation activities **individuals and groups that are not usually participating** in those activities and in support of broadening the group of innovators.*
- C.** *Explicitly aim to foster innovation activities in non-innovative firms, in particular by targeting **non-innovative sectors and non-innovative Small and Medium-sized Enterprises (SMEs)**.*

Policies are searchable by inclusiveness type, objective and implementation challenge on:
<https://innovationpolicyplatform.org/inclusivetoolkit>