

Bringing Innovation to the Market



**RAPIDE – Policy Recommendations**

**MID-TERM**  
**RAPIDE**  
**POLICY RECOMMENDATIONS**  
**SUMMARY**



Co-financed by  
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Regional  
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**RAPIDE's fast track status provides a clear channel for policy recommendations developing through the project to be heard by the Commission.** The Commission act as a partner and critical friend to RAPIDE and help to support the dissemination of our work across the wider policy and practitioner environments of the Union.

Within the first phase of its activities, RAPIDE brought together strategic leaders, innovation experts and experienced practitioners from across the EU to capitalise on their collective knowledge of how the **public sector can support the process of bringing innovative products and services to the market** more rapidly and **strengthen the competitiveness** of the regions.

Through the project launch and the three subsequent working summits the network partners scrutinised, discussed and explored good practices and ideas existing within Europe. Our aim was to find ways of capitalising on this experience and implement measures in different partner regions and countries.

To do this successfully the RAPIDE network has developed a range of techniques, including 'poster sessions' to draw out the thinking of; and build the trust necessary for a thorough interrogation of case studies.

The following document summarises the policy recommendations which have emerged within the first phase of the RAPIDE project, many of which are backed with examples of good practices to support them. This paper will be used to disseminate RAPIDE's recommendations to policy makers on the regional, national and EU level.

## **Policy recommendations to improve the regional innovation support structure.**

### **To regional and national authorities:**

- 1. EU funding supports many schemes which provide support for individual businesses. We need to ensure that:**
  - i) Scarce public support should adopt the type of decision processes used by private sector investors to focus on businesses with the most potential;**
  - ii) Assessment of funding applications should be more transparent, coherent and reliable. The criteria have to be clear throughout the application process.**

All too often, SME public support is uncritically distributed to all comers regardless of merit or probability of success. The reality is that encouraging and supporting unviable young businesses has important economic, social and personal costs.

Instead, scarce public support should go to companies and entrepreneurs which meet the following criteria:

- Existing growth companies
- Educated entrepreneurs
- Experienced entrepreneurs
- Entrepreneurial teams
- New, growth oriented and knowledge based industries

#### **Good Practice Example:**

**BLUES** is an online evaluation tool to assess the future performance of start-up businesses in publically-funded business incubators. This evaluation tool is based on international theories and a unique benchmarking database. Via this evaluation tool it is possible to assess the risk of funding innovative start-ups in a transparent and user-friendly way. The RAPIDE partner region of South Bohemia will implement this tool via their RAPIDE Action Plan.

- 2. European culture and practice should recognise the value of learning from past business failures; and encourage learning and second start ups.**

It is a fact that companies founded by re-starters have higher turnover and employment growth than companies run by entrepreneurs who have never failed.

Therefore all member states and regions should achieve following targets:

- Bankruptcy: All legal procedures should be dealt with in less than 1 year
- 2nd chance: Non fraudulent re-starters should not be discriminated by regional funding schemes

**3. Policy needs to take measures to support the investors in risk taking; and this requires the public sector to also take risk.**

Venture Capital is crucial for the development of growing innovative start-ups

Possible regional or national measures are:

- **Proof of Concept Funds**- support early market validation and IP protection
- **Co-Investment Funds**- stimulate angel syndication - pooling of resources and skills and promote investment alongside VCs- leverage angel and early stage investment
- **Tax benefits** for investments in SMEs

Inevitably these investments are in technologies and businesses which are at an early stage of development and it might be some years before these produce outputs in the form of new jobs and profits. The targets set by regional, national and European funders need to recognise the timescale for these investments.

**Good Practice Examples:**

**Scottish Proof of Concept programme:**

The Proof of Concept Programme supports the pre-commercialisation of leading-edge technologies emerging from universities and research institutes. It helps researchers to export their ideas and inventions from the lab to the global marketplace.

Projects can typically be defined as occurring after advances made during curiosity-driven or strategic research. This is usually after a background patent has been filed, but before the following:

- A full lab-scale demonstration of the technology
- Any pre-production development/prototyping
- Commercial funds for development have been made available (because of the existing level of technical and market risk)

**French support schemes for innovative start-ups:**

**Special statute of Jeune Entreprise Innovante (JEI)** : applicable for the first 8 years in the life of a new company, waiving of employer social security charges for R&D –related personnel, defined in a very broad sense (includes lawyers working on IP, CEO, etc), no income tax for the first 3 years, income tax reduced by 50% for the following 2, no real estate tax for 7 years, etc.

**Crédit Impôts Recherche:** deduction of 30% of R&D expenses from income tax, 50% in first year of operations, 40% in second, 60% in case of research outsourced to a public research organization. In the case the company is a JEI and does not pay taxes, the government refunds the value of the tax shelter (effectively then amounting to a cash grant)

**Tax deductions for investment in start-ups and investment funds focused on start-ups:** deduction of 25% of investment from personal income tax (up to certain ceilings), deduction of the other 75% from wealth tax (up to € 50k per year), both are additive effectively meaning 100% of investment can be deducted (subject to ceilings)

French residents and non French residents who are subject to wealth tax in France can benefit from a wealth tax reduction granted for contributing to the share capital of Small to Medium-sized companies (SMEs) based either in the European Union, Iceland or Norway.

**4. Regional and national policy should recognise the power to drive innovation in businesses through innovative procurement methods.**

If regional and national authorities as major customers demand innovative solutions then then suppliers will adapt accordingly. Therefore it can strongly catalyse business innovation activities.

The RAPIDE network recommends that innovation becomes the key principle for regional and national procurement decisions

**5. Public servants at the relevant level working on Research, Development and Innovation issues need international communication skills.**

This includes language skills and the command of specific vocabulary relevant to the topic, but also skills in productive debate, precise presentation and dealing with people from various cultural and social backgrounds.

## To the European Commission

**1. The RAPIDE network recommends to the EC to be more flexible regarding outputs and outcomes within regional innovation programmes.**

Such investments have to be seen in the longer term and funding bodies need to recognise the longer period over which outputs and results will be delivered.

**Most effects of innovation support schemes are long term and are not measurable within the life circle of most projects or programmes.**

(See example in 2 above on proof-of-concept funding. Such investments in technologies and businesses at an early stage of development might take some years to produce outputs in the form of new jobs and profits.

**2. The RAPIDE network recommends that future EU regulations promote the use of innovative procurement methods on the regional and national level throughout Europe.**

Regional and national authorities are major customers and if they demand innovative solutions then the suppliers will adapt accordingly. Therefore it can strongly catalyse business innovation activities.

**3. The RAPIDE network welcomes the COUNCIL REGULATION (EC) No 1341/2008 of 18 December 2008 amending the Regulation (EC) No 1083/2006 Article 55 on Revenue-generating projects.**

Whilst Article 55 does not apply now for operations of less than € 1 million the RAPIDE network still believes that this article especially in its paragraphs 1 to 4 is a major obstacle for regions to successfully support businesses bringing their innovation to the market. The key driver for businesses to innovate is to increase their future profits, however under the current regulation it is not possible to support them.

Therefore the RAPIDE network believes that this article should be amended and not apply to innovative projects.

**4. The RAPIDE network strongly recommends reducing the bureaucratic steps needed to apply for projects within the FP7 and future FP8 programmes.**

Whilst co-operation of researchers is useful, there is sometimes too much focus on creating consortia which makes it often necessary to include partners which do not always fit into the project.

Most of the big research projects are international and if the research money is easier to get somewhere else the high level researchers will be more inclined to leave Europe than they do today.

**5. IPR regulations need to be aligned between different EU funding programmes**

At present the IPR rules and policies vary between EU funding programmes. With no clearly defined rules and policies on the ownership of IPR's as a result of project outcomes

in EU-financed projects there is a gap in the growth potential on the regional level. Further clarification and standardisation of IPR's would seek to limit gaps in the development of innovations to market.

**6. EU projects funding for the implementation of good ideas**

In a softer-type project (networking, sharing of good practice etc.), there also should be resources not only for creating good ideas and studying good practices but also for implementation and monitoring at least on pilot level (e.g. such as the RfEC/ fast track networks).