



## 3rd COBIK CONFERENCE

# Austria: Public support measures for SME innovation: Some lessons from Austria

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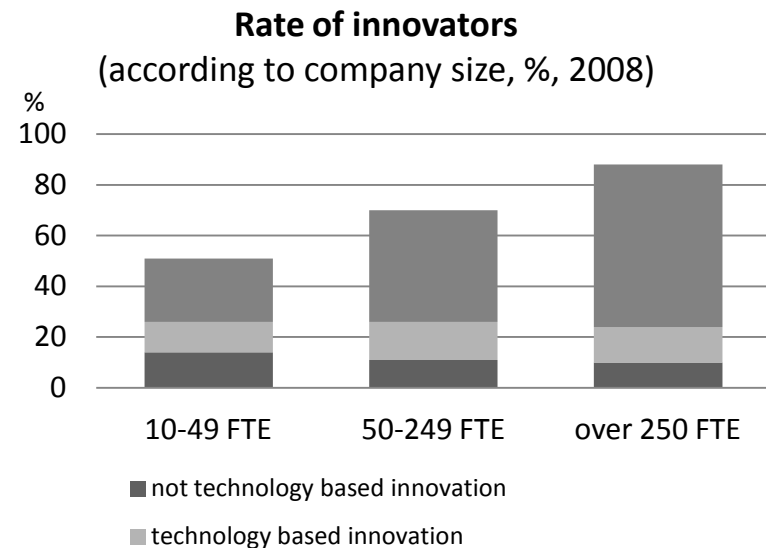
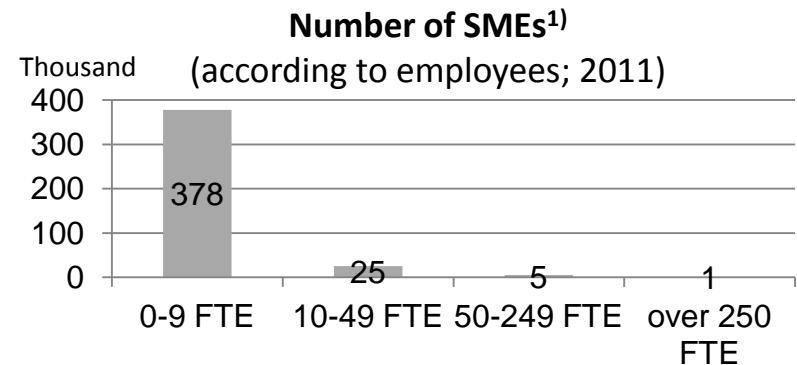
# Executive Summary: Austria has ...

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- ... started from a weak position as regards firm and SME innovation decades ago ...
  - ... and managed to develop a strongly innovative SME sector
- ... since the late 1960s employed a funding scheme for single-firm research and innovation projects („FFF“, now part of FFG)
  - A huge number of SMEs was helped to climb the competence staircase
- ... with some success established support structures for technology based SMEs, equity funding as well as infrastructures
  - Still weak VC sector, „valley of death“ (supply + demand)
- ... established a large and strong Competence Centre (CC) initiative for science – industry collaboration
  - A large number of SMEs are integral part of CC consortia

# SME landscape in Austria

- Total amount of 250.000-400.000 SMEs<sup>1)</sup>
- Over 99% of all companies are SMEs
- Over 2 mio. employees
- Around 60% of all revenues
- Around 3.000 R&D performing companies, only around 400 large ones<sup>3)</sup>
- Percentage of R&D spending<sup>2)</sup>:
  - 11% small enterprises
  - 18% medium-sized enterprises
  - 71% large enterprises
- Nearly half of CIS SME respondents are also active in innovation and are therefore important in the innovative landscape<sup>4)</sup>



1) Chamber of Commerce (WKO), Dec. 2011; range depending on source

2) Österreichischer Forschungs- und Technologiebericht 2012

3) Statistik Austria

4) CIS (2008) and Joanneum Research

# Framework conditions

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- Tax system: Corporate Tax: 25%, with increasingly generous tax benefits (mainly for larger firms, R+D as well as internationalisation)
- Innovative Procurement: some pilot schemes (see next slide)
- NTBF: Variety of science and technology parks, national and regional schemes, university spin-off centres
- Human Resources (HR): Technical colleges, Dual System
- VC: Weak position
- FDI: Outward and inward streams balanced, international comparison: upper middle rank
- Funding programmes as favoured „solution“ for all kinds of problems

# Example for procurement: WienWin. City of Vienna as a greenhouse for regional innovation?

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- Initiation of innovative projects (40 WienWin Stories) via public procurement, e.g. monitoring system for bridges, a robot to analyse dangerous situations, ...
- Strengthening the business location Vienna by using the purchasing power of the city to boost innovation (appr. 5 billion EUR per year)
- Addressing the city administration to act as lead user for innovative products
- Creating a lead market for innovation



[www.wienwin.at](http://www.wienwin.at)

# SMEs and public funding in Austria

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- The Austrian business sector is financed by three sources: **business, public sector, foreign markets**
- Austria has one of the **highest public funding rates for the business sector**: 560 mio. € (growth 12,2% in comparison to 2007)
- **Strong growth** over the last years, now >300 mio. € of direct funding and approximately 400 mio. € of tax benefits
- **Public funding is higher in small enterprises** than in medium and large ones

## Public R&D support (mainly federal level)

Company size	% of public R&D support
<50 FTE	14,7%
50-250 FTE	7,4%
>250 FTE	5,5%
Total	8,5%

Source: Österreichischer Forschungs- und Technologiebericht 2012

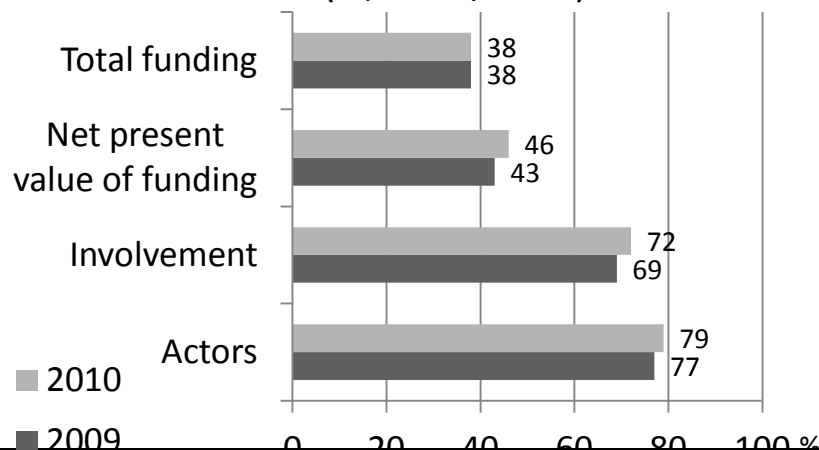
# FFG: main Austrian public funding agency

- Nearly 80% of all companies in FFG projects are SMEs (1.609 SMEs, with around 46% of all cash value of company funding; 103 mio. €)
- 131 mio. € total SME funding
- Note: large number of small innovation vouchers (~740 #; 2010)

## Overview funding agencies

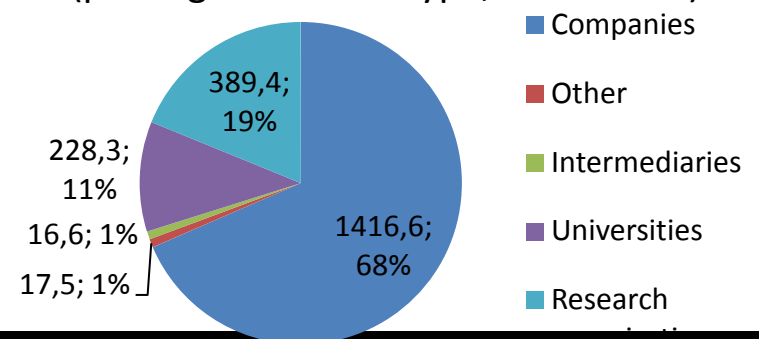
Austria	Slovenia	Focus
FWF	SRA	Science
FFG	JAPTI, TIA	Projects + consortia
AWS	SID, SEF	Firms
Regional agencies		all

## SMEs in the FFG funding scheme (%, 2009/2010)



## FFG total funding volume

(per organisational type, 2008-2011)



# FFG: five main instruments for SME funding (2010)

## Innovation vouchers

- 737 SMEs (100%)
- 954 vouchers
- Vouchers à 5 T€

## Innovation internships

- Structural programme
- For school children
- 151 SMEs (71%)

Bereich	Programm	Gesamt	Unternehmen	Anteil Unternehm.	KMU	KMU% von Unternehm.	KMU% von Gesamt
ALR	ASAP	40	15	38%	9	60%	23%
		40	15	38%	9	60%	23%
BP	Basisprogramm	509	482	95%	306	63%	60%
	Dienstleistungsinnovationen	33	33	100%	28	85%	85%
	Headquarter	35	33	94%	7	21%	20%
	Hightech Start-up	29	29	100%	29	100%	100%
	Zwischensumme	588	559	95%	366	65%	62%
	BRIDGE	129	74	57%	40	54%	31%
	EUROSTARS	9	6	67%	6	67%	44%
	Innovationscheck	1.054	738	70%	737	100%	70%
		1.670	1.294	77%	1.084	84%	65%
EIP	Anbahnungsfinanzierung-Wiss.	143	9	6%	9	100%	6%
		143	9	6%	9	100%	6%
SP	AplusB	2	1	50%	1	100%	50%
	brainpower austria	1					
	COIN	111	70	63%	60	86%	54%
	COMET	591	364	62%	216	59%	37%
	FEMtech	45	16	36%	7	44%	16%
	Gender Award	36	19	53%	14	74%	39%
	generation innovation Praktika	355	212	60%	151	71%	43%
	Strat. Exzellenz Leitprojekte	1	1	100%	1	100%	100%
	wFORTE	25	11	44%	5	45%	20%
			1.037	650	63%	440	68%
TP	Alpine Schutzhütten	2					
	ATnet	57	43	75%	38	88%	67%
	benefit	64	35	55%	23	66%	36%
	ENERGIE DER ZUKUNFT	86	44	51%	40	91%	47%
	FIT-IT	90	43	48%	28	65%	31%
	GEN-AU	34	2	6%	1	50%	3%
	IEA	19	4	21%	4	100%	21%
	IV2Splus	213	130	61%	94	72%	44%
	KIRAS	99	39	39%	21	54%	21%
	Leuchttürme eMobilität	15	14	93%	3	21%	20%
	NANO	1	5	500%	2	40%	20%
	NAWI	3	3	100%	3	100%	100%
	Neue Energien 2020	250	135	54%	87	64%	35%
	TAKE OFF	45	29	64%	23	79%	51%
		852	480	56%	345	72%	40%
<b>FFG Gesamt</b>		<b>3.084</b>	<b>2.118</b>	<b>69%</b>	<b>1.682</b>	<b>79%</b>	<b>55%</b>

## Basic programme

- Single project funding
- 306 SMEs (63% of all companies)

## COMET

- Structural programme
- Competence centers, consortia
- 216 SMEs (59%)

## SME thematic programmes, e.g. ...

- 94 SMEs (72%) in „Mobility/traffic“ (IV2Splus)
- 85 SMEs (64%) in „New energies 2020“



# Some examples for different instruments of direct support

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1

Innovation voucher  
(FFG)

2

Seed Financing  
(AWS)

3

Basic programmes  
(FFG)

4

Competence Centres  
(FFG)

- "Innovation Vouchers" (à 5 T€) are an incentive for an Austrian SME to cooperate with a public research institute for the first time (HEI, PRO)
  - Focus on non high-tech SMEs ("SME dares first try")
- The main goals of the programme are:
  - stimulation of knowledge transfer SME – research institutions
  - reduction of SME's "inhibition threshold" to R&D
  - closing of the knowledge gap and broadening the industrial R&D base by stimulating more SMEs to innovate
- Simple application procedure; spending it in a contract with a public R&D institution or a university that do e.g. studies, feasibility analysis, concepts
- 2011: 624 projects accepted (3.125 T€)

- Targeting young, innovative and technology intensive firms (not projects); aims at:
  - reducing risks involved in getting started
  - providing targeted support (financial, coaching)
  - filling the finance gap which stems from the insufficiently working venture capital market in Austria
  - supporting the creation of new and original ideas (SME should be highly R&D intensive; >15% of total R&D expenditures)
- Special type of mezzanine loan pre-founding, up to EUR 730,000 risk capital
- 26,9 mio. € approved between 1999 and 2009, 50 companies
  - Plus: AWS has recently started a “Fund of Funds” (Venture Capital initiative)
  - Plus: FFG also provides a start up funding initiative

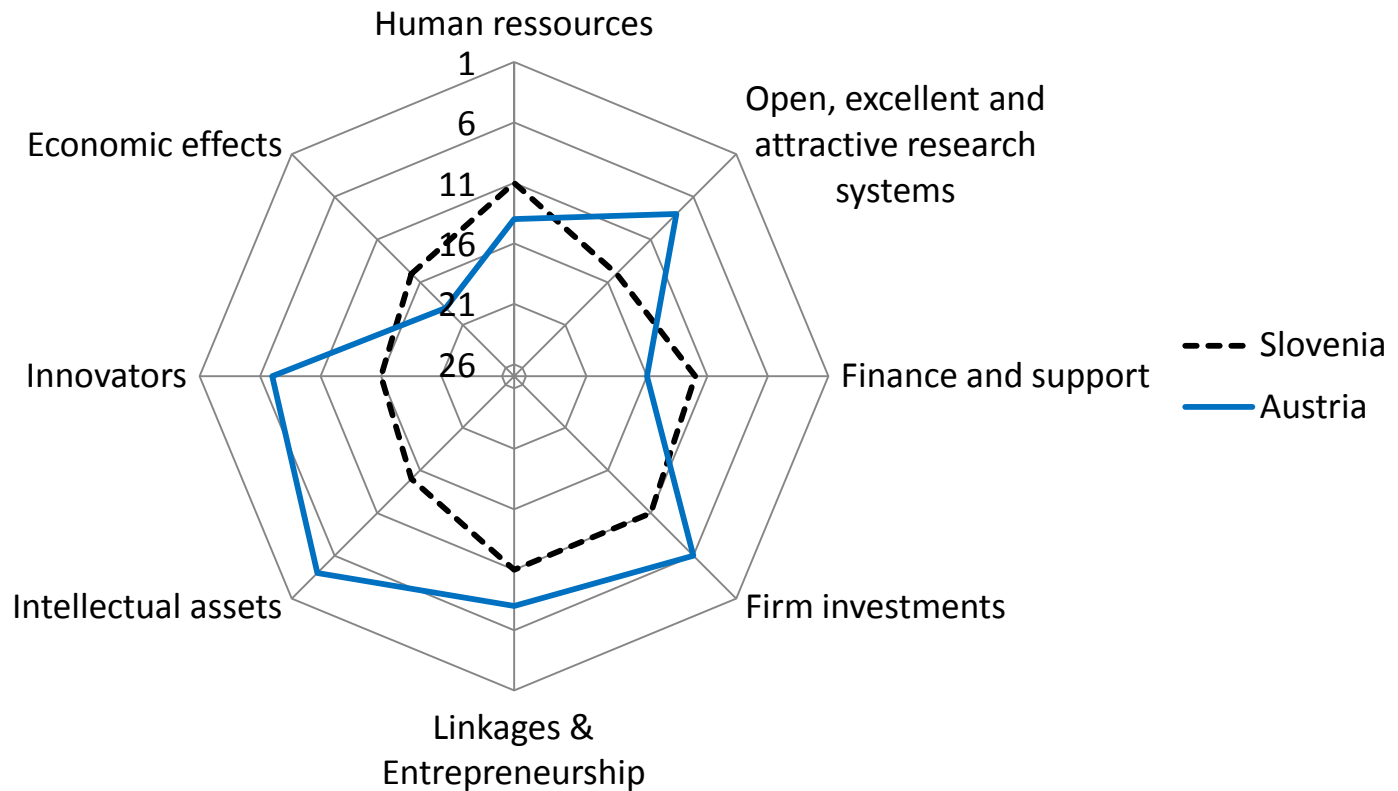
- Open all the time for R&D projects of all kind of companies, large and small
- High degree of SMEs and new companies (306 SMEs = 63% of all companies)
- Funding for SMEs around 25-30% of project costs
- Technical and market risks and opportunities: Solid and ambitious next step
- Interesting discussion:
  1. Relation to tax benefits
  2. Progress of Austrian industry – established instruments

- Since 1997, 2 large programme lines, merged in 2000s (COMET)
  - Five K2 centres, each around 10 mio. € per year, incorporated, 10y
  - 18 K1 Centres, each around 3-5 mio. per year, incorporated, 7y
- Share up to 60% public, 40% industry; Structural Funds rare
  - Industry requested to provide payments and in-kind contributions (~40%)
  - 35% by FFG, 20% regional governments, 5% HRI/PRO
- Bottom up competitive process, continuing is possible
  - Selection through structured process with international jury
- Scientific CoE („SFB“) through different funding organisation (FWF)

- 591 COMET partners (364 companies, including 216 SMEs)
- FFG-Budget spending: 2010: 48 mio. € (~150 mio. € in total)
- On average 26 partners from industry and 9 partners from academia
- SME participation concentrated in medium-high tech manufacturing sector and KIBS:
  - Knowledge hub within the region + international component
  - Low barriers for cooperative R&D endeavors secured by high level of funding
  - Easy access to well qualified human resources

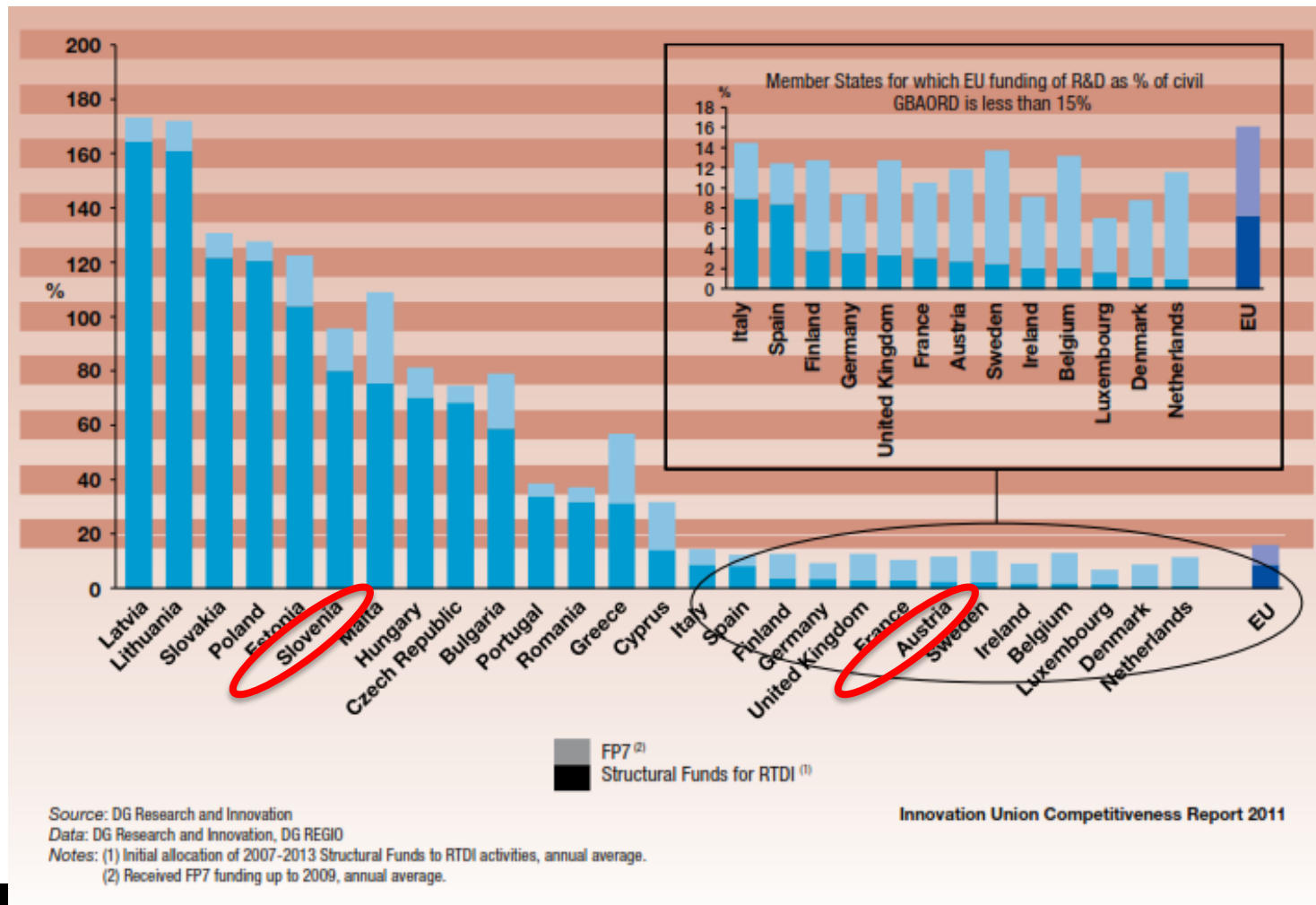
# From Austria to Slovenia

# Comparison Austria – Slovenia (IUS; OECD, 2012)





# EU funding of R&D of civil GBAORD (2007-2009, annual average)



Innovation Union Competitiveness Report 2011

# Remarks on Slovenia (I)

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- Disclaimer, as always: Not everything that looks like a good practice can and shall be imported
- Some challenges for Slovenia according to OECD (2012):
  - Low industry productivity
  - Low degree of inward and outward FTI
  - Major governance problems in and for public research sector: universities and PRO; plus unclear missions of organisations and research groups
  - Funding I: plethora of small, overlapping programmes; governance challenges between agencies (and intermediaries)
  - Funding II: EU Structural Funds major source of money, plus need for long-term planning
    - „Big bang“ (CZ) versus „Thousand Flowers“

# Remarks on Slovenia (II): What to do for SMEs

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- Consider to focus more on simple, single firm funding instruments to allow firms to climb the first steps on the innovation staircase
  - Innovation vouchers, single firm projects, HR measures
  - Consider trimming the network / intermediary jungle
- Consider to continue and strengthen the use of Structural Funds for a few big initiatives
  - CCs and similar programmes for 2014-2020
  - Might be used as structuring devices (but cannot substitute a university and a PRO reform)

# Thank you!

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