



Efficient support services portfolios for SMEs



ACTION PLAN NATIONAL INNOVATION FUND, BULGARIA

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PART I – GENERAL INFORMATION

Project: **PGI00087 ESSPO; Efficient support services portfolios for SMEs**

Partner: Applied and Research Communication Fund (ARC Fund)

Territory concerned: Bulgaria

Country: Bulgaria

NUTS2 region:

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PART II – POLICY CONTEXT

The Action Plan aims to impact:

- ☐ Investment for Growth and Jobs programme
- ☐ European Territorial Cooperation programme
- ☒ Other regional development policy instrument

National Innovation Fund

Established in 2004 by Bulgarian Government as an implementation measure for the implementation of Innovation Strategy of the Republic of Bulgaria. It provides SMEs with co-financing of RTD projects, with the perspective of new products and services being ultimately introduced by the beneficiaries on the market. It aims to :

- to encourage industrial research and cooperation among the research organizations, universities and companies;
- to ensure financial resource and thus to increase public support for innovation activities of the business;
- to set up mechanisms for attracting private investment;
- to promote technology transfer.

The instrument is managed by Bulgarian SME Promotion Agency (BSMEPA), the government supervision and necessary legal framework are provided jointly by Ministry of Economy and Ministry of Finance.

PART III – DETAILS OF THE ACTIONS ENVISAGED

ACTION 1: FOCUSED PUBLIC SUPPORT TO INNOVATIVE SMES

ESSPO LESSONS LEARNT APPLIED IN THE ACTION

Lesson learnt	Source of the lesson
Identifying the core target group of innovative enterprises in terms of economic sector and companies' needs, and from the perspective of the Innovation Strategy for Smart Specialization's priorities	Recommendations from the peer review in Bulgaria done by the Polish partner (24-26 October 2016) and the experience of the Poznan Science and Technology Park and Marshall Office of Wielkopolska region.
Developing a 3-year Working Programme and a tight schedule of the funding sessions of the NIF	Recommendations from the ESSPO Task Force Workshop 1 in Tartu Discussions during the Stakeholder Group Workshops

THE POLICY LEARNING PROCESS THAT LED TO THE ACTION

Since the very beginning of the project, two serious weaknesses of the National Innovation Fund have been discussed during the meetings with both project partners (Peer Review by the PSTP, Task Forces Workshops) and stakeholders (Stakeholder Group Workshops).

The first of them concerns the fact that, besides the limited budget per session, the National Innovation Fund has a very wide scope of potential beneficiaries. Practically, every enterprise despite the geographical location, sectoral affiliation, size class and background in the field of innovation, could apply for financing. The only condition for the applicants is their projects to correspond to the priorities of the National Innovation Strategy for Smart Specialization – mechatronic and clean technologies; ICT; industry for a healthy life; creative and re-creative industries, which still remain very large.

According to the **Peer Review Report**, “The fund can reach a very small portion of the target group (ca. 380 thousand SMEs vs. ca. 800 projects financed so far), therefore the impact on the SME population is not possible to reach. Narrowing down to smart specialization areas maybe not enough to solve this problem. There is a need for better understanding of the companies needs in terms of the internal processes and the development paths, market presence, etc. Good, wise analyses are needed for this.”

The second weakness relates to the lack of any information about the timing and budget of the forthcoming NIF's sessions. The BSMEPA, as an administrator of the Fund, does not develop annual or longer-term programmes, which creates a high level of uncertainty for potential beneficiaries. The companies become acknowledged of a particular session after a call is open and therefore are not in a position to plan their innovation activity in advance.

During the **Stakeholder Workshops**, the representatives of the business emphasized on the following:

“Competitive sessions to be regularly conducted (e.g. once a year) to allow beneficiaries to plan their participation.”

“Information about the planned competition sessions of the NIF to be timely published and distributed.”

“Public information on remaining available funds under the NIF to be kept up-to-date.”

This will allow candidates to analyze their opportunities at an earlier stage and, therefore, to plan their project proposals accordingly.

NATURE OF THE ACTION

Having in mind the lessons learned and recommendations received, the first action of the present Action plan is defined as follows: **to streamline the National Innovation Fund’s procedures by Sub-action 1** – conducting an analysis of innovative companies’ needs, and **Sub-action 2** – developing a tight Working Programme for sessions foreseen in a time-frame of three years ahead.

Sub-action 1 – conducting an analysis of innovative companies’ needs

“The small and medium-size enterprises are not the same!” – that was stated repeatedly by project partners, including EURADA. Knowing and understanding the companies’ needs is a crucial factor for the success of any policy measure and funding instrument. Especially in cases like the NIF, where the public resource is very limited. Conducting an exhaustive analysis will support the administration by identifying the profiles and needs of innovative companies in the country and creating of a basis for distinguishing the right (in terms of the NIF’s objectives and S3’s priorities, as well as the public expectations for societal impact) target groups. The scope of the analysis will include:

- innovative but also non-innovative companies;
- successful but also un-successful beneficiaries;
- beneficiaries with successfully implemented projects but also ones who did not succeed in achieving their goals;
- companies with different geographical location, sectoral affiliation and size class.

Sub-action 2 – developing a tight Working Programme for sessions foreseen in a time-frame of three years ahead

After 15 years of supporting the innovative enterprises and 10 successful sessions (within which 3 years with 2 sessions per year, 4 years with 1 session per year, and 8 years with no session) it is a high time for the NIF’s administration to put order in its activity and to make favour of the innovative business by starting planning the competitive sessions. The 3-year period is the best time-frame due to its correspondence with the short-term forecasts announced annually by the Ministry of Finance according to the Law of the State Budget and the principles of the macro-economic framework.

The Working Programme of the NIF will consist of the following information: exact dates for opening and closing the calls, main priorities, eligible beneficiaries, budget.

STEPS FOR THE IMPLEMENTATION

A procedure for open tendering for an external service provider is the most appropriate approach for conducting the analysis.

Developing of the Working Programme is a duty of the Ministry of Economy as a managing authority of the NIF in close cooperation with the Ministry of Finance.

STAKEHOLDERS INVOLVED

The experts from the **Bulgarian SME Promotion Agency** will develop the tender documentation needed for the first sub-action, and a draft version of the Working Programme envisaged for the second one. The **Ministry of Economy** as a managing authority will verify all documents and put them forward to the **Ministry of Finance** for final approval.

TIMEFRAME

2019-2020

COSTS

No additional cost envisaged. The implementation of the abovementioned tasks is part of the regular activities of the public bodies involved.

FUNDING SOURCES

Not applicable

ACTION 2: FACILITATION OF COLLABORATION BETWEEN BUSINESS AND SCIENCE

ESSPO LESSONS LEARNT APPLIED IN THE ACTION

Lesson learnt	Source of the lesson
Putting more attention on the interaction between companies and research institutes	Recommendations from the peer review in Bulgaria done by the Polish partner (24-26 October 2016) and the experience of the Poznan Science and Technology Park and Marshall Office of Wielkopolska region.
Adapting the voucher scheme	Good practice of the ICT Innovation Voucher, provided by the Region of Murcia, Spain and presented during the Task Force meeting in Segovia (15-18 May 2018)
Developing tailored grants for SMEs to implement specific activities	
Speeding the administrative procedures	

THE POLICY LEARNING PROCESS THAT LED TO THE ACTION

According to the "Rules for the management of the National Innovation Fund", the NIF provides SMEs with co-financing for R&D projects with the perspective of new products and services being ultimately introduced by the beneficiaries on the market. It aims:

- to **encourage industrial research** and cooperation among the research organizations, universities and companies;
- to **ensure financial resource** and thus to increase public support for innovation activities of the business;
- to set up mechanisms for attracting **private investment**;
- to **promote technology transfer**.

The NIF is open for all companies investing in R&D projects. With the idea to achieve the first aim of the NIF, the universities are also eligible to take part in the project consortium, together with a company as a leading partner.

Having in mind the lack of focus on the technology transfer between universities/research institutes and business, one of the main recommendation of the **Peer Review** was "**to put more attention on interaction of companies and research institutes**, and how the tool impacts the innovation ecosystems. It would be good to know **how many new interactions are made because of the projects.**"

For facilitating the collaboration between business and science, the **good practice of the ICT Innovation Voucher** is helpful. The ICT Innovation Voucher is provided by the Region of Murcia, Spain. The identified factors for success, related to this good practice, include 1) tailored grants for SMEs to implement specific activities; 2) fast administrative process; 3) predefined catalogue of services, provided by approved service providers.

NATURE OF THE ACTION

The second action of the present Action Plan is a **voucher scheme to be applied when R&D projects financed by the National Innovation Fund** foreseen co-operation between a company and a research centre.

The outsourcing of R&D by a company to a research centre within the framework of a concrete project will be planned and budgeted as an independent package, and the expenditures related to it will be covered through a voucher scheme. This will allow particular attention to be focused on that part of the projects where the interaction with external R&D centres will take place. The combination of two instruments – National Innovation Fund and voucher scheme, will contribute to streamlining the relationships between the partners, to mitigate the risk of inexpedient usage of public resources, and to diminish the bureaucracy at the project reporting stage. This also will help the Agency in gathering exhaustive data for the purposes of further analyses and support of the business-science interaction.

The application of the voucher scheme will allow the Agency to better register the final results of the research and development process, the intellectual property rights defended, and the eventual forms of technology transfer initiated in the longer-term perspective. All these indicators are part of the monitoring and evaluation system of the National Innovation Fund.

One step further in enhancing the business-science interaction is the opportunity for the companies using the voucher scheme to apply for public funding with the entire amount of the outsourced R&D, and to adhere the rule for co-financing only for the rest of the project's activities implemented by themselves.

STEPS FOR THE IMPLEMENTATION

The application of the voucher scheme will be part of the existing procedure for submitting the project proposals. It concerns only projects where companies outsource R&D to external research organizations.

The implementation of the second action requires some changes in the "Rules for the management of the National Innovation Fund" to be agreed. The procedure is as follows:

The amendment proposed will be published on the Agency's website in order for the stakeholders to provide their opinion and recommendations. On this basis, the Executive Director of the Agency brings the documents to the attention of the members of the Management Board of the National Innovation Fund, and the Management Board makes a motivated proposal to the Minister of Economy for final approval.

STAKEHOLDERS INVOLVED

Experts from the **BSMEPA** will prepare the concrete procedure for embedding the voucher scheme to the project application process, and start an information campaign against the potential beneficiaries – both innovative companies and research organizations.

The Management Board of the National Innovation Fund and the Minister of Economy are involved in final approval of proposed changes of the "Rules for the management of the National Innovation Fund".

TIMEFRAME

The preparation of the first draft of the amendment will start at the beginning of 2020.

COSTS

There will not be any additional costs, related to the implementation of this action, as the proposed voucher scheme will operate within the standard NIF's budget scope

FUNDING SOURCES

Not applicable

ACTION 3: RESULT ORIENTED MONITORING AND EVALUATION SYSTEM

ESSPO LESSONS LEARNT APPLIED IN THE ACTION

Lesson learnt	Source of the lesson
Development of an online platform with access through different profiles	Good practice of the Wielkopolska Agency Enterprise Development Ltd. identified during the study visit of the ARC Fund's team to Poznan, Poland (16-18 July 2018)
Ensuring transparent and fast interaction between the stakeholders and thus diminishing the bureaucracy	
Improving the set of indicators for measuring the long-term impact of the NIF	

THE POLICY LEARNING PROCESS THAT LED TO THE ACTION

Currently, the result orientation of the National Innovation Fund has been perceived negatively, which has been reflected by the stakeholders as follows:

- The Ministry of Economy and the BSMEPA show a result-oriented attitude only under external pressure or because of their desire to keep good image against society. In our opinion, this cannot be described as a sustainable understanding about the importance of a determined achievement of the NIF's objectives (discussed during the **Stakeholder Group Workshop 3**);
- There exists a contradiction between the objectives of the NIF and criteria for assessing project application (TRL 4-6), on the one hand, and expected results (TRL 8-10), on the other. This situation creates a misunderstanding between BSMEPA and business. The representatives of the latter said: "They have never come to us to monitor and evaluate long-term impact achieved after the project implementation." (discussed during the **Hearing SMEs meeting**);
- The BSMEPA gathers some data about projects and companies but does not show any interest in analysing it. In this case, the Agency is not in a position to ensure an opportunity for monitoring and evaluating both short-term outcomes and long-term impact (discussed during the **Summing-up Stakeholder Workshop**).

An important input for this action came also from the **Peer Review**. During the meetings with the owners of the policy instrument – Ministry of Economy and BSMEPA, and representatives of the NIF's beneficiaries, the reviewers come up with the following observations:

- Companies more complain about paperwork and late payments at the implementation stage, long periods of no reaction or communication from the Agency followed by requests new documents to be submitted, that are costly to obtain within a very short deadline;
- The NIF supports the early stages of Technology Readiness Levels (ca. TRL 4) and, at the same time, it is expected to be identified results implemented on the market. In most cases that is not possible, except some sectors like IT;
- Some inconsistencies registered between the programme objectives and result orientation by the penholders that are not well logically connected (i.e. more companies undertake R&D vs. new products on the market).

As the Peer Review Report indicated, there is room for improvement of the administrative procedures of the NIF in terms of transparency, timing and efficiency. In this respect, the implementation of an online

platform could have profound future impact. The main recommendation of the Peer Review Report was to understand better the impact made on the ecosystem (the target group and the economy), not only the direct results brought by the projects.

The concrete approach for developing such a platform is transferred from the **good practices of the Wielkopolska Agency Enterprise Development Ltd.**, identified during the study visit of the ARC Fund's team to Poznan, Poland.

NATURE OF THE ACTION

The main objective of this action is **to develop a result-oriented monitoring and evaluation system** based on the improved logic frame of the NIF and extensive database in support to the transparent and objective assessment of the outcomes and long-term impact of the innovative projects, financed under the NIF.

The implementation of this objective is twofold:

A. To establish a Management Information System, through which the companies will have the opportunity to create and complete their electronic application forms, attach all the necessary documents and submit project proposals. The added value, related to this measure, is as follows:

- The development of an online platform with access through different profiles for representatives of the managing authorities, beneficiaries and evaluators, as well as experts engaged in forthcoming monitoring and evaluation procedures, will ensure transparent and fast interaction between the stakeholders and lack of bureaucracy, and also will contribute to mitigating the risk of corruption.
- That will increase the trust in the NIF's programme on behalf of the direct beneficiaries and society in general.
- Working on the basis of an online platform will provide an opportunity for the managing authority to receive information and validate it both from beneficiaries and state registers which, as a result, will diminish the bureaucracy and will shorten the administrative procedures. Data, generated in this way, will improve the capacity of the managing authority for analysing participation and implementation the NIF's sessions and the objectives achieved.

B. To develop a set of quantitative and qualitative indicators for assessing the results, achieved by the companies on the basis of a clear understanding of the concrete projects' activities. These activities are mostly R&D and technology transfer-oriented, which cannot be measured with a market-oriented indicator (which is the present expectation of the NIF's evaluators).

STEPS FOR THE IMPLEMENTATION

What was already done during the last two sessions of the NIF, implemented in 2018, is an opportunity for companies to apply through the Internet. However, such a tool could be seen only as a first stage of the implementation of a whole information system with a full set of functionalities.

The following steps include:

Task 1 – The scope of the existing Management Information System, which serve the operational programmes, will be widened with the procedures under the National Innovation Fund.

Task 2 - According to the "Rules for the management of the National Innovation Fund", the Executive Director of the Agency will assign the Directorate-General "SME Development", and the Department "Instruments for Development of the Enterprises" in particular, to prepare a concept for changes of the "Rules for the management of the National Innovation Fund" and the related "Rules for the Evaluation of Project Proposals", in order to ensure a better match between the specificities of the project proposals, on the one hand, and the indicators for evaluating project proposals and monitoring and evaluation of the short-term outcomes and long-term effects of their implementation.

The draft amendment will be published on the Agency's website for public consultation and feedback from stakeholders.

At the next stage, the Executive Director of the Agency will bring the documents to the attention of the members of the Management Board of the National Innovation Fund, and the Management Board will make a motivated proposal to the Minister of Economy for approval of the changes proposed.

STAKEHOLDERS INVOLVED

Please indicate the organizations in the region who are involved in the implementation of the action1 and explain their role)

The Bulgarian SME Promotion Agency (BSMEPA) as an administrator of the National Innovation Fund and the Ministry of Economy as a managing authority have the responsibility for the implementation of the third activity. All other stakeholders are involved in the process of public discussion.

TIMEFRAME

The development of an online platform for applying with projects has already started. It will be complemented with a set of indicators for evaluating the achieved outcomes and impact, which is planned to be put into practice until the end of 2020.

COSTS

The proposed action does not require additional cost beyond the annual budget of the Ministry of Economy and the BSMEPA.

FUNDING SOURCES

Not applicable

COMMITMENT

This Action plan has been developed by Applied Research and Communication Fund in collaboration with the Bulgarian SME Promotion Agency, who commit themselves to implement actions envisioned within their respective capabilities.

Date: 10 September 2019

Applied Research and Communication Fund

Nikolay Badinski



Executive Director



REPUBLIC OF BULGARIA
BULGARIAN SMALL AND MEDIUM
ENTERPRISES PROMOTION AGENCY



TO WHOM IT MAY CONCERN

Sofia, 05 November 2019

LETTER OF ENDORSEMENT

Herewith the Bulgarian Small and Medium Sized Enterprises Promotion Agency (BSMEPA) confirms that it had regularly collaborated with Applied Research and Communication Fund as well as other actors taking part in the Regional Stakeholder Group within the Interreg Europe project ESSPO "Efficient Support Services Portfolios for SMEs" that led to elaboration of the "Action Plan for the National Innovation Fund".

Furthermore, it is our acknowledgement of the plan, which adapts the experience exchange in ESSPO to the region's conditions and will support the implementation whenever possible within rules and regulations associated to procedures and resources of BSMEPA.

The endorsement however cannot and does not create any legally or financial binding obligations for the institution of the BSMEPA.

Sincerely Yours,

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