

How successful is South Tyrol's funding of innovation?

Innovation plays a central role in the economic policy debate and is crucial for competitiveness and prosperity of a region. For this reason, the Office for Innovation and Technology grants funds to companies for a wide range of innovation projects within the framework of the provincial law No. 14/2006. This IER (Institute for Economic Research) - report takes a closer look at the promotion of innovation in South Tyrol. How much funding does the Office pay on average for a project? How long does it take from the application to the payment of the grant? Are the companies satisfied with the administrative and technical handling of the applications? Would they have carried out the projects also without funding? In order to answer these questions, IER consulted the Office's administrative database on the one hand and on the other hand, interviewed 492 companies with 739 projects, which were submitted in the period 2010-2016.

During the period 2008-2017, 957 companies submitted a total of 2,142 innovation projects, of which more than 80 percent were approved. More than half of the funding applications were from manufacturing companies. They also have the highest approval rate. Furthermore, projects of large companies are approved more often (87.9 percent) than those of microenterprises (77.5 percent).

As of July 2018, 1,185 approved projects of this period have been completed and their respective funds were already paid out. An average of 3 years elapsed between the submission of the application, the execution of the project and the disbursement of the funds, with individual projects taking considerably shorter (2.7 years) than cooperation projects (4.7

years). The largest share of the projects are research and development projects (71,1 percent). In total, over 62 million euros were disbursed. Thus, the average funding contribution for a project amounts to around 53,000 euros.

Effects of the grants

The biggest share of the projects was technically successful (94.0 percent). Also, the economic targets were achieved for the most part (71.5 per cent) as well. According to the companies, the market launch of the innovation is one of the greatest obstacles.

However, the aim of the grants is also to stimulate private investment in the R&D sector. About half of all funded projects led to an increase in internal research and development expenditure (R&D). Nevertheless, about one-fifth of the innovation projects would have been carried out without funding and only 8.3 percent of the projects would not have been feasible. On the other hand, almost 60 percent of the funded projects would have had to make significant cuts without the grant. Among the projects that were not approved for funding, 60 percent were carried out anyway. However, they were more likely to miss their targets and often had to change their content or timetable.

Satisfaction with the services of the Office for Innovation

Overall, companies are satisfied with the innovation service provided by the Office for Innovation and Technology. The Office scores particularly well on criteria such as confidentiality, advice and citizen orientation. The administrative effort involved in processing applications and funding was also positively assessed, whereas there is a need for action regarding the processing time of applications and the disbursement period. This is particularly true for smaller companies, which are shorter on resources. The effort involved in preparing the funding application and the final report was also assessed more critically. Overall, the companies lack flexibility in the application process. Innovation projects are characterised by uncertainty, which makes it difficult for companies to plan all development steps in advance.

Satisfaction with South Tyrol as a location for Innovation

The innovation location South Tyrol as a whole was also assessed very differently. Above all, the availability of subsidies, contributions and tax incentives is seen positively. The companies also point to the advantageous geographical location and multilingualism, which facilitates access to the German and Italian markets. Particular concerns exist with regard to the shortage of skilled workers and the infrastructure. Companies also see a need to catch up in cooperation with research institutions, but also the collaboration between the companies themselves is inadequate. It is here that hopes are placed in the NOI (Nature of Innovation) Techpark, which could become a meeting place for companies and research institutions where new ideas and cooperations could emerge. In addition, the companies expect to benefit from the various services as well. While some aspire to gain access to infrastructure (use of laboratories, research facilities, machinery and equipment), others are primarily interested in advice and support for their innovation projects.

The results of the analysis pose the representatives and stakeholders of the South Tyrolean innovation policy with the following challenges:

> South Tyrol's companies are satisfied with the services provided by the Office. However, very small enterprises criticise the long processing and payment periods. An immediate approach would be the one to create a specific process for start-ups and small businesses in order to access funds more quickly. Furthermore, a central platform for automated data retrieval could save time in the application process and data entry procedure. In this context, integration with the online service SUAP, which has served as an intersection between companies

and the public sector since 2013, would be conceivable. Currently, the online service mainly concerns administrative procedures.

> Companies find it difficult to market their innovations, which is why they often fail to meet their economic targets. Here, companies must be sensitised to topics such as marketing. In particular, the traditional enterprises of agriculture, tourism and handicrafts should be better informed about the advantages of the new digital technologies for e-commerce through individual consultations.

> In addition to the financial support, other factors influence the attractiveness of South Tyrol as a location for innovation as well. The lack of availability of skilled workers is crucial. To meet this challenge, companies could use incentives such as flexible working hours, in order to improve the work-life-balance. The introduction of new salary models such as bonus systems and the facilitation of project work could also be positive actions. Furthermore, companies must promote lifelong learning, in order to continuously qualify the workforce in a constantly changing economy. On the other hand, politics need solutions for the lack of affordable housing to ensure that South Tyrol remains an attractive place to work for highly qualified people from abroad.