

COMMISSION FOR TECHNOLOGY AND INNOVATION CTII

# EVALUATION OF THE SUPPORTING MEASURES TO COUNTERACT THE EFFECTS OF THE STRONG FRANC IN CTI R&D PROJECT FUNDING MANAGEMENT SUMMARY

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**ETH**

Eidgenössische Technische Hochschule Zürich  
Swiss Federal Institute of Technology Zurich

**KOF**

KOF KONJUNKTURFORSCHUNGSSTELLE  
ETH ZÜRICH  
WEINBERGSTRASSE 35  
8092 ZÜRICH  
ARVANITIS@KOF.ETHZ.CH  
t +41 44 632 51 68

[WWW.KOF.ETHZ.CH](http://WWW.KOF.ETHZ.CH)

**INFRAS**

**INFRAS**

BINZSTRASSE 23  
POSTFACH  
CH-8045 ZÜRICH  
t +41 44 205 95 95  
f +41 44 205 95 99  
ZUERICH@INFRAS.CH

MÜHLEMATTSTRASSE 45  
CH-3007 BERN

[WWW.INFRAS.CH](http://WWW.INFRAS.CH)

## MANAGEMENT SUMMARY

### **Objective: maintain level of innovation**

In October 2011, in response to the high value of the Swiss franc, the federal government approved a comprehensive aid package for the Swiss economy. This included CHF 100 million for the CTI to fund innovation promotion. An evaluation has shown that these special measures achieved their objective of providing support to export-oriented businesses. The measures were aimed at all Swiss export businesses and their suppliers, and allowed them to continue to invest in innovation or launch innovative products more rapidly despite the considerable pressure on profit margins. The Confederation hoped to counteract disinvestment in innovation and to boost businesses' innovative strength and competitiveness medium-term.

### **High demand for projects: many applications go unprocessed**

The special measures were applied for a restricted period, from mid-October 2011 to the end of that year. They built on regular CTI R&D project funding and promoted innovation projects applying more flexible conditions and more extensive, specially designed instruments. The response was unexpectedly large: the additionally earmarked funds were rapidly used up, and the CTI was only able to assess about half of the over 1,050 project submissions it received within the short application period. 245 projects were approved. With an additional CHF 40 million in funding made available in 2012, projects which had not been processed or had been rejected could be resubmitted under regular funding conditions. The CTI approved 120 of these resubmitted R&D projects in 2012.

### **Wide-ranging and proven instrument**

Funding was distributed over different project types and specific funding instruments as follows:

Projektarten	Anteil an Total	Förderinstrumente	Anteil an Total
Forschungs- und Entwicklungsprojekte	55%	Reduzierter Cash-Beitrag	82%
Risikoprojekte	20%	Overhead-Beitrag	71%
Infrastrukturprojekte	16%	Reduzierte Eigenleistungen	54%
Marktprojekte	9%	Innovationsmentoren	27%
		Private Wissensdienstleister	12%
		Anzahl durch KTI finanzierte Patentklärungen	96

Infrastructure projects met a need in this special situation, and will no doubt prove useful for further projects once the special measures come to an end. Companies mainly took the opportunity to reduce their own contribution to under 50%; industry contributed CHF 123 million, or 52% of the total costs. Innovation mentors were used by new applicants and proved a useful aid.

### **Special measures reach target group and show results**

Although the projects were not complete at the time they were evaluated in spring 2013, results could already be seen in many: 75% of the projects reported prototypes or demonstration installations, 50% new or improved products and 15% patents. In the vast majority of cases the CTI managed to reach the target group: three quarters of the companies receiving funding export more than 70% of their products, three quarters are SMEs and for one third this was their first CTI project.

A large majority of the submitted projects were already well developed when the special measures were introduced. A relatively large number of projects would most likely have been realised without the special measures, but not so rapidly and not in this manner. The special measures had the intended effect of primarily allowing existing innovation projects to be continued and realised more rapidly. The evaluation showed that the funded companies invested significantly more in research and development and engaged more additional staff than companies that did not receive funding. There was no evident increase in turnover, but this was not expected in the short period involved.

The special measures were of particular interest to research institutions, and supplanted other research projects only to a minor extent. Half of the research partners engaged additional staff in order to cope with the extra work.

### **CTI applies funds appropriately**

The special measures were an extension of the CTI's regular and well-established R&D project funding. This instrument was extended in response to the circumstances and logically adapted to the aims of the special measures. The principle objectives were to speed up the market launch of innovations, ensure that projects could be continued (e.g. risk projects), provide expert support (innovation mentors) and provide financial relief (reducing company contributions and reducing cash funding).

**Considerable time pressure and many unprocessed applications**

It was very unfortunate that companies had little time to submit their applications. The huge time pressure put considerable strain on the CTI Secretariat and members of the Commission. In the circumstances, the CTI applied the special measures well. It developed coherent instruments, created a streamlined organisation and held 34 meetings to assess the projects within a very short time. However, the CTI did not deal optimally with the very large number of projects which could not be processed. This annoyed and frustrated many applicants and was economically inefficient. The CTI should have communicated more actively and in more detail at this stage. Not only did it fail to indicate clearly that funds would soon be exhausted, it did not provide sufficient information regarding the reasons why applicants' project submissions were unsuccessful or remained unprocessed. Nor did it indicate clearly enough that projects could be resubmitted the following year.

**Positive effects**

The evaluation team considers the results gathered so far to be positive: the special measures have helped to maintain and stabilise levels of innovation in Swiss export companies and have helped new products to find their way to market more quickly. They have led to the formation of better links between research and industry and have provided a boost to the CTI's innovation funding activities. There has been no immediate, short-term impact on the competitiveness and performance of companies or the economy as a whole, but this was not to be expected. Although some applicants were left unhappy, the special measures did boost the CTI's reputation and expand its experience. They increased awareness of innovation promotion opportunities among the target groups and brought the CTI new project participants.

**Ten recommendations****A. Innovation and economic policy**

1. During a recession, the Confederation should provide extra funding for innovation in order to stabilise the level of innovation in the economy.
2. Special measures may also be a suitable funding tool in future economic downturns. The Confederation should however take better account of time and financial restraints.

**B. Design of special measures**

1. The Confederation and the CTI should design the special measures in such a way that all applications can be processed. This might involve longer deadlines, better communication and a two-level procedure in which applicants can first express an interest in funding before submitting a complete project.
2. The CTI should define and prioritise the target group more clearly, for instance placing a greater focus on SMEs.
3. Existing instruments have largely proven to be effective. The CTI can build on these when creating special measures in future and apply the instruments flexibly, depending on the objectives and priorities.
4. It may be appropriate to reduce the amount of self-funding that companies have to contribute to projects during an economic downturn. However, the CTI should apply this instrument in a more differentiated manner, reserving it for specific groups, e.g. small or young companies.
5. The CTI should, on the other hand, apply special rates and contribute to overheads in order to stimulate additional demand. However, these additional incentives should be provided in a more targeted way.

**C. CTI regular project funding**

1. The Swiss economy is highly innovative. The CTI should better exploit this potential in its regular project funding.
2. The new instruments have proven successful and should be partly integrated into regular project funding. In some instances this is since 2013 already the case for innovation mentors and clarifications of patent eligibility.
3. Little is known about the impact and effectiveness of innovation funding. The CTI should create a system to regularly assess this impact.