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Reward /
Impact grant

Focus Area Innovation Support Programme

DETAILS

COUNTRY: Hungary**REGION:** CEE Region**PERIOD:** September 2023**Link:** <https://nkfi.gov.hu/palyazoknak/palyazati-hirek/nkfi-alap/fokuszteruleti-innovacios-projektek-tarsadalmasitas>

GOALS, RECIPIENTS, BENEFICIARIES

In June 2023, Parliament adopted the Government's new innovation strategy, the Neumann János Programme. The focus of the Programme is on linking universities and research institutions with the economy. Our strategic vision is for Hungary to become one of the world's top 10 innovators in the Global Innovation Index (GII) by 2040 and one of the world's top 25 innovators by 2030. In the 3 focus areas defined in the Neumann János Programme (1) digital transformation of the economy, 2) healthy living, 3) green transformation), Hungary will concentrate ~85% of the Focus Area Call's budget (in the range of 10-10-10 billion HUF), while keeping a general excellence budget (20%, 5 billion HUF) for innovation projects in any other area. In line with international practice, public investment in innovation should predominantly support the strengthening of the domestic small and medium-sized enterprise (SME) sector, but we also need to take into account the role of large companies in innovation. Accordingly, large companies may participate in projects implemented in consortia under Component B (see below) and receive up to 35 % of the project aid of the project.

The resource framework is divided into two parts:

1. 40% of the budget (HUF 15 billion) is allocated to Hungarian SMEs, either individually or (so-called "A" component), while
2. 60% of the budget (HUF 20 billion) will be allocated to joint developments between companies and universities/research institutes in order to implement the guiding principle of the Neumann János Programme and to further strengthen the associations (cooperation) between our knowledge-producing systems (universities, research institutes) and economic actors (so-called "B" component).

ELIGIBLE PROJECTS / EXPENSES

In order to ensure that public innovation investments induce an economic impact that can be measured in a concrete way, the National Research, Development and Innovation Office (NRDIO) have standardised the set of expectations (indicators) for RDI calls: NRDIO have identified 19 impact indicators, the consistent inclusion of which in calls for proposals can significantly contribute to strengthening Hungary's innovation performance and thus to achieving the goals set out in the strategic vision.

Three of these key indicators are included in the Focus Area Call:

- new technology for the winning applicant by the end of the project implementation period, services or products;
- in the case of the development of a technology or service, the winning company must have achieved a turnover equivalent to at least 40% of the amount of the grant awarded, or at least 60% of the grant awarded in the case of product development, from the sale of the technology/service/product by the end of the first two years of the maintenance period;
- by the end of the project's maintenance period, the new technology/service/product developed must be protected by a granted international patent, as a general rule, in order to ensure that the new solution is adequately protected on international markets.

In case the Beneficiary(ies) fails to meet at least 75% of the turnover commitment for reasons attributable to the Beneficiary(ies), the Beneficiary(ies) will be obliged to repay the grant(s) paid to it/those who have contributed to it/those who have contributed to it/those who have contributed to it. In order to be eligible, the consortium leader company must have a turnover of at least HUF 300 million per year (or be a start-up company that has realised at least HUF 150 million in external capital investment) and the amount of dividends approved by the company in the last 3 financial years must not exceed 50% of the sum of the profit after tax for the same 3 financial years and the profit and loss reserve for the last financial year preceding the 3 years. Since the implementation of the large-scale projects to be carried out under this call for proposals requires a large number of specialists, companies with at least 15 employees are eligible for the aid.

SUPPORT

Payment of the grant awarded to the winning applicant will be conditional on the achievement of milestones of professional implementation, as agreed with the winning applicant. In this framework, a 30% advance (instead of the previous 75%) is granted to applicants at the beginning of the project implementation period, a further 30% at the completion of milestone 1 (at the end of the first year) and at the end of the implementation period (normally at the end of year 2 or 3), the amount of the advance(s) paid is reduced by the amount of the grant actually cleared, plus a fixed amount withheld until the end of the maintenance period, less 15% of the grant actually cleared. Finally, at the end of the maintenance period, if the applicant has fulfilled its commitments (turnover and patents, see point 1), the remaining 15% will be granted.

Under the Focus Area Call, preference will be given to companies that also carry out R&D activities in the normal course of business (without funding), so successful applicants may spend up to 20% of the grant amount on the purchase of technical equipment, and the maximum amount of services used will be limited to 50% of the grant amount awarded. In addition, successful applicants will have the possibility to benefit from the new mentoring pool of the Hungarian Innovation Agency (NIÚ) for the implementation of their projects.

PROCEDURE

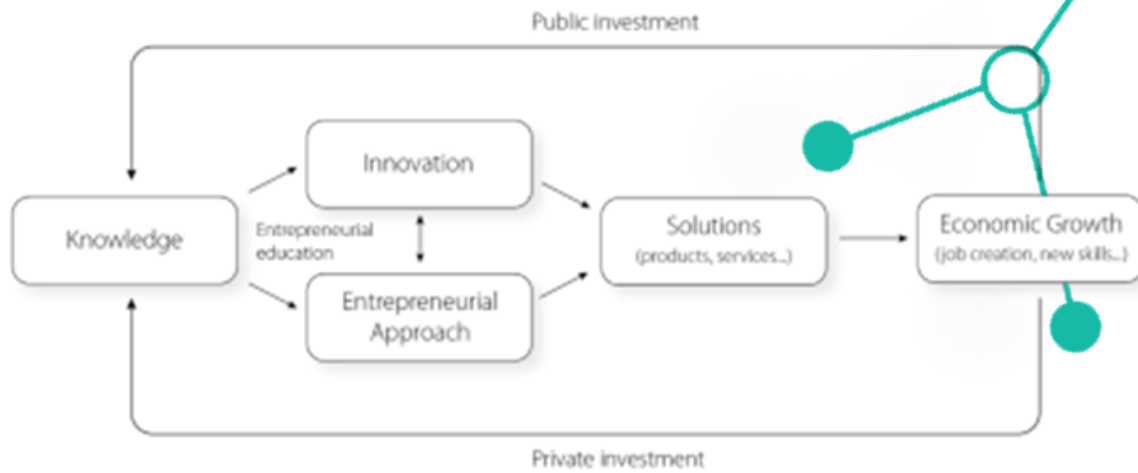
The NRDI Office's former proposal evaluator pool of almost 2,000 people was reduced to 350, based on best practices in Israel and the EU, with the aim of selecting the best professional evaluators.

To this end, in recruiting new evaluators, NRDI have paid particular attention to their market/business experience in addition to their technological/academic knowledge. In addition to anonymous evaluation, the work of the evaluators is complemented by technical monitoring of the winning projects: the implementation.

In addition to anonymous evaluation, the work of the evaluators is complemented by technical monitoring of the winning projects: every six months during the implementation period, they monitor the progress of the projects with a supportive purpose; if the projects are not progressing as agreed, they propose to stop funding (a so-called stage-gate model, widely used internationally for innovation projects). The increased tasks of the evaluators are recognised by a significantly higher remuneration. In addition, successful applicants will have the possibility to benefit from the new mentoring pool of the Hungarian Innovation Agency (NIÚ) for the implementation of their projects.

Another new feature is that the rankings, based on anonymous evaluations, will be validated by new Focus Area Innovation Panels, which will be composed of members from academia (universities, research institutes), industry and government (with policy responsibility), based on a triple helix model.

We live in an era of rapidly evolving technology: this justifies maximising the implementation period for the Focus Area Call to 2 years as a general rule, while allowing a longer period (36 months) to reach market maturity in justified cases (healthy projects to preserve healthy life).



John von Neumann Programme – the aim is to build bridges between our universities and the economy

- 1 Result-based financing model and internationalisation of the **HUN-REN**
- 2 Establishing the **Hungarian Innovation Agency** besides our funding agency (NRDIO)
- 3 **Defining focus areas in R&D** and focusing heavily on economic and social impacts
- 4 Establishment of the **Research Council**
- 5 Reinforce the **industrial rights protection** activity
- 6 Facilitate **startup** financing
- 7 Measures to increase the number of **doctoral students** and mandatory inclusion of innovation activities in scientific progress
- 8 Development of **Science Parks**
- 9 Making **Hungarian higher educational institutions in the Carpathian Basin** eligible for R&D funding

Status / Results:

The support scheme details were under public consultation during the summer of 2023 in Hungary, the innovative funding programme is the result of said consultation period. Since the closing of the call in the end of September 2023, the call for proposals for innovation in the focus area was more than three times oversubscribed. This means that almost two hundred and thirty applications were received for the HUF 35 billion budget.

Remarks:

First, we must talk about the EIC program, as it is our main indication and inspiring model for us, to further develop the support scheme to which was referred at the previous points. The EIC program is implemented through three main pillars: the EIC Pathfinder; the EIC Transition; and the EIC Accelerator, whereas the Accelerator mainly uses blended finance of EIC loans and grants awarded through a single process and with a single decision, providing the supported innovator with a single commitment to financial resources covering the various stages of innovation until market deployment, including pre-mass commercialization. The objective of the Focus Area Call is like the EIC Pathfinder have some attributes (including the basic indicators) which are aligned with it. But we can mention to the other tender named Startup Factory program, as a special form of the of Accelerator complied with international standard, which is an appropriate instrument to prepare for the higher requirements for the EIC Accelerator and for the EIC Transition as well. This restarting program has been continuously developing and reconfiguring since 2013, when it was originally designed, but the current version, which also support the mentoring and investments on the investor parts helping the startups, is extended by two important modules its budget amounts 5 billion HUF. As a result of this, two new categories of the Technological incubator appeared. Consequently, it is possible one the one hand to set up new incubators, which are eligible to the support, besides the existing ones, and on the other, there is an opportunity to design as special category of incubator, complying the definition of new incubator, but this type of accelerator should be specialised, focusing their professional and business activities on prioritized fields. It means that the incubators should invest at least 80% of their total project budget for these selected areas. Here there is a clear need not only for financial support but also for mentoring, and networking. As the needs of the entrepreneur are different from those of the young company (Start-Up "SUP") and from those companies entering the market, it is important that the experts in the different units of NIÜ, have a varied experience and that their combined experience covers most of the needs of relevant clients: e.g., experience in starting a company, experience in a technology incubator, raising private funding, EU funding, bootstrapping etc.

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