

Knowledge creates value

Science, technology and innovation strategy
in Hungary for
2005-2013



National Office of Research and Technology

Ilona Vass, Vice Preseident
National Office for Research and Technology, Hungary
2006.01.09.





- Relatively high GDP growth (3,8% in 2004)
- Industrial output growth 6.4%,
- Export growth (volume index 117.9)
- High FDI (3.4 B Euro)
- Unemployment rate 5.5%
- Privatization nearly complete

● To promote and accelerate the economic growth of Hungary by investing in R&D and innovation

Change from external investment driven growth to innovation driven growth

Following the bandwagon or seeking new ways?



- **Low R&D expenditure, predominated by public funding**
- **Low innovation intensity of companies, especially SMEs**
- **Strong science base, but with inadequate linkages to industry**
- **Weak commercialisation and exploitation of R&D results-lack of patenting and seed-,VC**
- **Small, aging research staff, brain drain**
- **Inadequate infrastructure**
- **Regional disparity**

Internationally recognised, high level science base

High quality education system

Highly qualified workforce, esp in natural sciences, engineering and medical sciences

Presence of MNEs with R&D units

Increasing weight of knowledge intensive sectors

Productivity growth



All stakeholders recognize that **Innovation** is **main driver** for **competitiveness, growth**, creating the **knowledge society**,

Transform ratio of private to public R&D expenditures from 1:2 to **2:1** while keeping public spending at stable level

Thus increase GERD from 1% to **2,1%**
2,5% using Structural Funds

- 1. Financing system**
- 2. Institutional set-up**
- 3. Regulatory framework**

From 1st January, 2004

to ensure predictable and reliable financing for the implementation of R&D, innovation policy exempt from budgetary approbations

Signature right delegated to NKTH president

Managed by implementation agency KPI

Monitored by Research and Innovation Council

Project-based competitive funding schemes



- **consists of mandatory contributions of enterprises calculated on tax base**
- **Offset possibilities**
- **matching resources from state budget**
- **to be spent directly or indirectly on industrial R&D, innovation goals**
- **25% dedicated to regional innovation objectives**
- **95% spent by merit based competitive applications**

Innovation Contribution

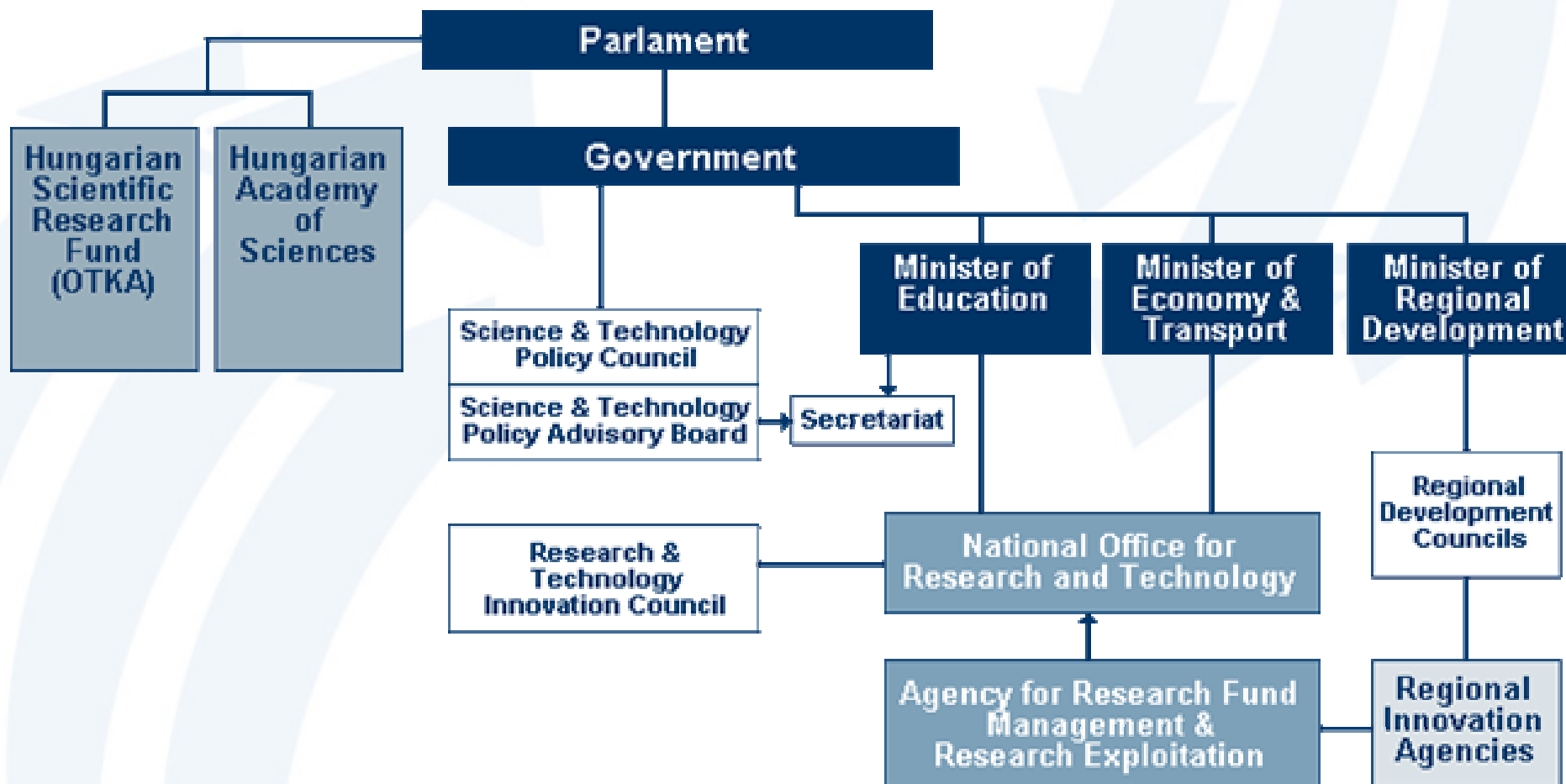
Based on net adjusted revenues

	2004	2005	2006	2007
Small Enterprises (10-50 employees)	0,05 %	0,1 %	0,15%	0,2%
Medium and Large Enterprises (over 50 employees)	0,2 %	0,25%	0,3%	0,3%

**Small Enterprises (*less than 10 employees*) do not have to pay
(*deductable with own or outsourced direct R&D costs*)**

Cross-cutting, multidimensional nature of innovation requires

- More transparent and effective-measurable outputs, outcomes, impacts ,
- More experimentation, learning „backing the challengers”,
- Coordination and interaction with other policies,
- Increased involvement of non-governmental stakeholders
- Centralised policy-making, decentralised implementation
- Integrated approach
- Increased focus, priority setting



- **Responsibility: shape governmental science and technology policy**
- **Headed by the Prime Minister of Hungary**
- **Deputy Chairs :**
 - **Minister of Education and**
 - **President of Hungarian Academy of Sciences**
- **Members :**
 - **Ministers with different portfolios**
 - **Head of the National Development Office**
 - **President of the National Office for Research and Technology**

Science and Technology Policy Advisory Board

- **Develops and elaborates governmental research and innovation strategy**
- **Independent governmental organisation**
- **Financed by separate budget line**
- **Supervised by Minister of Education and of Economy and Transport**

- Responsibility: strategic issues related to planning and monitoring the utilisation of Fund
- Headed by non-government representative
- Members
 - 8 non-governmental representatives
 - 7 government representatives

- **operates as the implementation agency since 1st July, 2003, supervised by the president of NKTH**
- **manages R&D call for proposals, evaluations and follow up activities**
- **promotes the public-private partnership**
- **provides support services**



- **Focus** – on breakthrough potentials
- Boosting corporate innovation by emphasis on **commercialisation**
- **Regional decentralisation**: Helping SMEs to catch up by regional innovation strategies-
setting up of Regional Innovation Agencies

Act on Innovation

Adopted by Parliament 2004.12.

Vital elements:

- Enable the creation of innovative firms, e.g. spin-offs
- Strengthen research and technology adoption capacities
- Increase attractiveness of research careers, mobility
- Support industry- academy relationship building via regional centers & networks
- Improves general framework conditions for support and services via bridging institutions,
- Clears IPR regulations,

Thank you for your attention!

**More information
www.nkth.gov.hu**