

The Future for Innovation in the Water Sector

The case for ‘innovative innovation’

Thoughts from the concluding INNOWATER Conference,
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The recent global economic crisis has resulted in a significant shift in the nature and scale of innovation support available within the European water sector. Whilst the general consensus remains that there is a need for public support to help address early stages in the commercialisation of new products and services, controls on public spending has meant that the way in which this is delivered has been opened to scrutiny, revision and in many instances significant restructuring.

As a result, and driven by changing national policy priorities, there is now considerable divergence between countries across Europe with regard to the type of innovation support available.

Some countries (such as Denmark) still offer a portfolio of programmes and initiatives within a traditional innovation system framework which is aligned with a national policy that acknowledges the water sector as a growth priority with significant export potential. Others, including the Netherlands and the UK, have cut back severely on the range and scale of direct public support, reverting to a more restricted and generalised approach whilst seeking to encourage more effective private sector leverage, for example via Public Private Partnerships. Others still remain in a state of flux and uncertainty as to the way forward, as is the case in Spain and Cyprus.

The question remains regarding which approach is the more effective, and how important the availability of traditional publicly funded fiscal incentives is, compared with ‘softer’, non-fiscal support, such as the provision of business coaching and collaborative networking. It has been argued that subsidies and grants can lead to a culture of inertia on the part of SMEs, and can fail to provide investors with the long term certainty they require in order to de-risk an investment. Perhaps the provision of ‘intelligent’, non-fiscal mechanisms which focus on supporting innovators in the development of sound, commercial propositions is one way forward, providing the SMEs with the ammunition to rapidly engage with customers and bring forward revenue generation?

Recent experience by Danish partner InvestorNet in evaluating more than 30 funding applications for a public funding scheme focusing on “market access”, revealed that a large number of the project applications had the potential to become interesting businesses. However, most had to be rejected simply because of the poor quality of the application. This experience is common amongst professional investors, whose role is not to provide “coaching support” but to provide funding. The introduction of a quality coaching scheme, delivered by experienced business advisors would undoubtedly result in many more successful applications for funding. But who should pay for such a service: the SMEs, the investor, the market or the public purse?

The INNOWATER¹ project has sought to develop a new approach to addressing the needs of a European water industry in need of innovation, but which is increasingly losing access to traditional

¹ INNOWATER is a public private innovation partnership of innovation agencies, water associations, technology specialists, innovation experts and eco-innovative cluster organisations from Belgium, Cyprus, Denmark, the Netherlands, Spain and the UK, coordinated by the European Water Partnership (EWP). INNOWATER is supported by the EC Europe Innova Programme. The Project has been focussed on the dual task of supporting technology-based SMEs and first user industries in the water sector with the commercialisation and uptake of innovative technologies respectively. See www.innowater.eu for detailed information on all support tools produced by the Innowater project.

forms of public support. INNOWATER's approach was to develop a mechanism to stimulate the latent potential to adopt innovation within end user markets, *together with* a business support framework that enables SMEs to develop a compelling value proposition that directly addresses the needs of these markets. The Consortium has thus worked to bridge the gap between the two sides of the commercialisation equation, and through its international networks to facilitate access to critical market intelligence. Working with more than 50 SMEs across Europe, INNOWATER has successfully demonstrated the effectiveness of this approach in speeding up the market transition of innovation in the sector.

However, even with such a focused approach, the reality is that the majority of SMEs are unlikely to be in a position to pay fully for such services. Some form of 'subsidy' is likely to be required for wider deployment, albeit indirect, via the provision of specialist consultancy support. Going forward, in most geographies, the private sector will have to step in to address this gap. Historically, a variety of stakeholders and intermediaries have used public sector subsidy to their advantage to offset or delay their own investments and risk. In the future, these parties will need to engage earlier in the innovation chain themselves if they are to secure the best returns.

This will require a significant business culture shift, but will open the way for new innovation models and frameworks that are more directly informed by market needs, and are strongly predicated on collaboration and partnerships. The need for regular and effective collaboration between industry, the knowledge base, institutional stakeholders and public sector agencies will become increasingly important in a future, progressive innovation system. This will enable the focused allocation of scarce resources to meet direct market needs, and improve essential cross-sector interaction (such as between the water and energy sectors).

In this new era of innovation, the calibre of the agency required to define optimum delivery models and to facilitate access to appropriate high quality international networks and stakeholders is of prime importance. Entities, such as the INNOWATER Consortium, are pioneers of this new approach, placing the European water sector in the vanguard of 'innovative innovation'.

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