

PRESS RELEASE

SIXTH NATIONAL INNOVATION FORUM

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INNOVATION.BG 2010**

BULGARIAN INNOVATION POLICY: OPTIONS FOR THE NEXT DECADE

The annual *Innovation.bg* report of the Applied Research and Communications Fund reveals a **considerable increase of the innovation activity of Bulgarian enterprises from 43% in 2008 to 71% in 2009**. The report was presented at the Sixth National Innovation Forum held in Sofia under the aegis of the Prime Minister of Bulgaria Mr. Boyko Borissov. At the Forum, Prime Minister Borissov presented the **Innovative Bulgarian Enterprise of the Year Awards**. The Forum is co-organized by the Enterprise Europe Network – Bulgaria, the Ministry of Economy, Energy and Tourism and the World Bank Country Office in Bulgaria.

Two factors have fueled an increased innovation activity of the enterprises in 2009. The first is related to the **benefits of Bulgaria's membership in the European Union**. The second stems from the **economic crisis forcing the enterprises to restructure and diversify their products and markets**, which is most often done through the adoption of organizational and marketing innovations. It can be expected that **there will be a time lag in the impact of the crisis on innovative enterprises and it will be felt in 2010 and 2011**.

In 2009, **more than a quarter (25.9%) of non-financial enterprises in Bulgaria have introduced product innovations** (new or improved products and services). Most of the adopted technological solutions have been transferred from the companies' foreign partners and are novel only for the importer or the domestic market. A smaller share of companies **(19%) has adopted process innovations**, three-quarters of which are also technological transfers from abroad. In 2009, only 10% of the enterprises in the non-financial sector have invested in both new products or services and new production processes. Even fewer – 6.3% - have introduced all four types of innovations (product, process, organizational and marketing).

There have been so far no measures supporting innovations as a means for overcoming the economic crisis and for sustainable economic growth in Bulgaria:

- Bulgaria remains the only EU member-state which does not have a national target for the level of R&D funding for 2010 or for the next decade;
- The country is at the bottom of the EU list as regards the R&D intensity (share of R&D spending in the GDP) – 0.49% in 2008 compared with an average of 1.9% for the EU-27. The share of public funding for R&D has declined from 0.36% of GDP in 2000 to 0.28% in 2008. In 2010, the planned state expenditure for science amounts to 221 million levs or 1% of all budget expenditure. As in previous years, it will be spent almost entirely on running costs (mainly salaries) and only 3.2% will be distributed for capital costs, including for the development of research infrastructure. The money available to the National Science Fund and the National Innovation Fund has also been significantly reduced in 2010 compared to the preceding two years.
- The distribution of R&D staff among sectors remains unfavorable since most are employed by the public sector, unlike in the EU members that are leaders in the field of innovations. The trend of declining numbers of young people seeking professional advancement in science and technology is worrying. The fact that there are also fewer academics in the technical sciences (almost 12 %) and in medical sciences (a little over 8%) can be expected to thwart the potential for growth these hi-tech sectors in the foreseeable future.

Innovation.bg focuses on the **common practice of "hidden" innovative entrepreneurship** in the publicly funded R&D institutions and the business. On the one hand, there are a number of widely used methods of formal and informal interaction between science and business, related mainly to the entrepreneurship of individual scientists and researchers, which remain hidden to official statistics. The most commonly used one is the establishment of spin-off companies linked to the R&D work, concurrent employment in both business and R&D organizations, cooperation in the human capital development, cooperation in fundamental and applied research projects, etc. On the other hand,

independent R&D conducted by business enterprises, including where its results fuel entrepreneurship, is often not declared to the authorities and is not recorded as such.

Innovation.bg considers the **information and communication technologies (ICTs)** as a key engine of the innovation of enterprises and the growth of the economy. There is a high level of entrepreneurship in the ICTs sector in Bulgaria (comparable to that in the construction and furniture industries) and a high level of innovativeness (comparable to that in the pharmaceuticals and cosmetics industries). According to the National Statistical Institute, R&D spending in the ICTs sector is about € 9 million which constitutes 20% of R&D spending in all sectors. These are very low levels of spending (an average of 0.3% of a company's turnover) in one of the most advanced technological sectors. These levels are also the result of systematic shortcomings in the reporting and recording of R&D, affecting this sector as well. According to some rough estimates, **actual spending is about 2 to 10 times higher than what is officially registered**. At the same time, since the economy is not very well developed, the R&D potential in some technological sectors with considerable ICTs (e.g. bio and nano technologies) is not used for stimulating local production with researchers working mostly for foreign clients.

For more information please contact:

Mr. Ruslan Stefanov

Coordinator, *Innovation.bg* Group

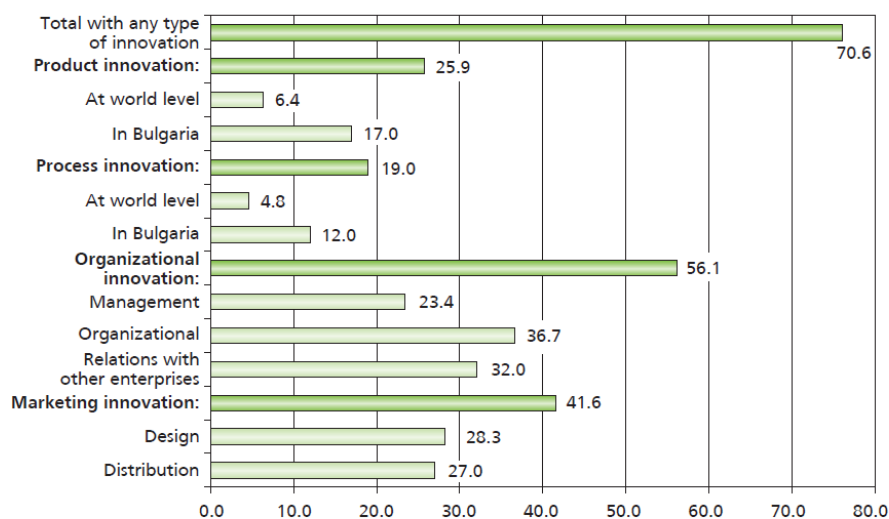
Applied Research and Communications Fund

ruslan.stefanov@online.bg

Additional information:

- The complete *Innovation.bg* 2010 report is available for download at: <http://www.arcfund.net/fileSrc.php?id=20046>
- Headlines, Pictures and Video Archive from the Forum: <http://www.arcfund.net/arcartShow.php?id=15050>
- Innovation activity of Bulgarian enterprises in 2009

FIGURE 1. INNOVATION ACTIVITY OF ENTERPRISES IN BULGARIA (%)



Source: INA-4, Applied Research and Communications Fund