

***Innovation Strategy for the Research
Council of Norway***

***The Research Council's innovation activities
2011 – 2014***

Innovation Strategy: main action points

The Research Council's Innovation Strategy sets out the priorities and framework for the Council's innovation activities. The Research Council seeks to play a central role, serving as a driving force behind innovation activities. The Research Council occupies a key position in the Norwegian research and innovation system as an advisory body on research policy issues and a research funding agency. The Research Council will work to realise the aims of the strategy within the parameters set by the political authorities and in cooperation with universities and university colleges, independent research institutes, trade and industry, public institutions and the other public agencies for research and innovation.

The main action points set out in this document encompass the Research Council's strategic advisory function in providing input on research and innovation policy as well as its operational role in terms of providing funding for research and innovation, facilitating cooperation and establishing meeting places.

This strategy builds and expands upon the Research Council's commitment to innovation. It highlights new ambitions in strategically important areas of industry and knowledge as well as planned developments in the service and public sectors. The Research Council also seeks collaboration with other public agencies for research and innovation to ensure that better use is made of research results.

The Research Council's Innovation Strategy is intended to enhance the strengths and improve the weaknesses of the Norwegian research and innovation system. The Innovation Strategy describes the part the Research Council's innovation activities can play in meeting the challenges and opportunities facing Norway as a welfare state in a globalised economy. The Research Council will concentrate its innovation efforts on the following three main action points:

- **FOCUS:** Implementing strategic research activities to promote innovation and increase value creation in priority areas
- **BREADTH:** Paving the way for more research across Norway's private and public sectors through cooperation with the research community
- **IMPACT:** Aligning research and cooperation activities to ensure that the results are used

The main action points in the strategy will be followed up in action plans and implemented through the Research Council's activities in its various advisory, funding and meeting place activities.

An innovative research council

What is innovation?

The Research Council employs a broad interpretation of innovation based on the following definition¹:

Innovations are new or significantly improved goods, services, processes, organisational forms or marketing models that are introduced to enhance value creation and/or for the benefit of society.

From an innovation perspective the value of research must be assessed on the basis of its potential to generate economic value and provide benefit to society. The research may also have effects that cannot be measured in economic terms, but which bring benefit to individuals and society as a whole.

The Research Council will focus its efforts on research both as a source of innovation (research-based innovation) and as a means for achieving innovation (innovation-driven research). The Research Council's funding instruments will promote and facilitate research-driven innovation and innovation-driven research in companies, public bodies and research institutions. Innovation in the public sector has many forms and encompasses, among other things, activities related to policy development, public administration, organisation and the provision of services.

The Research Council's role and ambitions

The Research Council occupies a key position in the innovation system. The Council provides input on research and innovation policy aimed at ensuring that R&D investments lead to new knowledge that will increase value creation and benefit society.

The Research Council supports, and will work to promote, the accumulation by the Norwegian higher education and research institutions of a broad-based body of knowledge and know-how, in part by providing funding for basic research, doctoral degrees and research infrastructure. In this way the Council plays an indirect role in the innovation efforts of trade and industry as well as the public sector. This accumulated body of knowledge is a means of maintaining access to up-to-date, relevant expertise, infrastructure and research findings. It also helps to ensure that relevant educational programmes are research-based.

The Research Council also provides funding for strategic and applied research in and for trade and industry and the public sector. The Research Council is to provide its users with targeted and relevant support for research, development and innovation activities. One of

¹ Based on the OECD's definition of innovation, in the Oslo Manual: Oslo Manual – Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition (2005)

the Council's special tasks is to foster links between researchers at universities, university colleges and independent research institutes and research-based innovation activities being carried out within companies and public institutions.

The Research Council seeks to promote research and innovation in all types of enterprises that have R&D potential. The aim is to induce a greater proportion of Norwegian industry and the public sector to engage in more R&D activities, to increase their level of innovation and expand the scope of their international research collaboration.

The overall amount of funding allocated to innovation in trade and industry will be balanced between the need to develop existing commercial activities and the need to encourage the emergence of new companies.

Funding from the Research Council is to have a triggering effect – i.e. the funding should lead to greater investments in research and innovation activities than would have been the case without Research Council support. Projects that are awarded funding are to achieve a high level of additionality by creating added value over and above the specific objectives of the project. The Council will give priority to activities that are sustainable on three fronts: economic, environmental and social. The Research Council will promote socially robust innovation by ensuring effective processes, and by encouraging interdisciplinary research and research related to health and environmental impacts, framework conditions, diversity and gender issues and ethics.

Research funded wholly or in part by the Research Council must be targeted towards safeguarding the interests of society. The results are to benefit society in the broad sense, both in that they promote the development and dissemination of knowledge and in their commercial use. The Research Council plays an important role in ensuring good management of the intangible assets generated by research funded by the public sector.

Ties forged across disciplines and sectors are a means of promoting innovation. One of the Research Council's key roles is therefore to create meeting places and lay a foundation for building networks. Systematic, targeted communication activities will be used to demonstrate the potential of innovation, build bridges between relevant actors and encourage increased research activity in the business and public sectors alike.

The Research Council seeks to be an integral part of a user-friendly, effective and integrated public innovation framework. The three main actors are Innovation Norway, the Industrial Development Corporation of Norway (SIVA) and the Research Council. Funding instruments provided by Innovation Norway seek to promote industrial development that is profitable in both commercial and socio-economic terms. The focus is on entrepreneurial activities, growth in companies and innovation communities. SIVA's instruments are designed to promote industry incubation and to create viable value-creating communities based on national and international infrastructure for innovation. The Research Council's innovation-oriented instruments are designed to realise the potential for value creation of R&D activities and to use research to promote innovation.

Cooperation with other players, such as those within the fields of intellectual property rights, design, standardisation and public procurement, is also crucial for the development of integrated innovation efforts. The organisations will, both individually and together, seek to contribute significantly and effectively to strengthening industrial innovation

capacity, internationalisation and value creation. Cooperation between the public funding agencies must result in the development of clearly defined, well-coordinated institutions, where the various funding instruments complement and reinforce each other.

A research council oriented towards change

Innovations arise more rapidly and with greater frequency than previously. This means that the Research Council must be adept at responding to change, must understand the needs of users and must strive as far as is possible to be at the forefront of developments.

The Research Council needs to know as much as possible about user groups, instruments, and the national and international research system as well as about innovation as a phenomenon. The Council must develop working methods and funding instruments systematically on the basis of such knowledge, and it must actively apply this know-how in efforts relating to its advisory capacity or strategic function.

The Research Council deals with a wide range of user groups with divergent needs and must thus be able to differentiate and adapt its working methods and instruments. The requirements and expectations applied must be adjusted to fit the relevant user groups and participants in the various types of projects. This requires transparency and predictability as well as dialogue and effective communication about what the Research Council provides and expects from the various actors.

Mobilisation and cooperation across professions, institutions, sectors and national borders is essential in order to meet the challenges facing society. The Research Council must take steps to promote diversity and interdisciplinarity in research to an even greater extent.

The Research Council is to be a learning organisation, innovative in its use of working methods, communication and instruments. The Council will continuously simplify and adapt its activities to meet the needs of users and will be transparent and clear in its communication.

Challenges and opportunities facing Norway

International cooperation is growing increasingly important

Globalisation leads to fiercer international competition and presents a wide range of new opportunities for Norwegian trade and industry and research. Given that most knowledge development is occurring beyond Norway's borders, international orientation and engagement are essential.

Innovation and green growth have been given a prominent place on the political agenda, not least as a means of dealing with challenges related to climate change, energy and growth. The agenda for transnational, and to an increasing extent also national, research and innovation policy is being set within the Organisation for Economic Co-operation and Development (OECD) and the EU. The development and significance of emerging economies will also exert a progressively greater influence on international research and innovation efforts. Sound structures and effective instruments for resolving challenges at the regional, national and global levels are needed, and knowledge areas such as the bioeconomy, environmental technology, services and the public sector are becoming the focus of increasing attention.

While following developments elsewhere in the world, Norway must ensure that it preserves its national distinctiveness. Innovation is also about developing ways of doing things that are smarter, faster and different from in other countries. Norway must stay up-to-date as regards new research and be equipped to recognise new opportunities. Norway must offer high-calibre research activities to increase its appeal as a partner in collaborative efforts and producer of knowledge. International research cooperation is essential for enhancing Norway's innovation capacity, serves as a stimulus for Norwegian researchers and is an obligation in areas where Norway has developed considerable expertise and has much to contribute. At the same time it is crucial to work actively to establish good framework conditions for research to ensure that Norway is an attractive country for research and innovation activities by international players.

New knowledge to meet challenges and realise potential

Societal challenges in the form of climate change, rising energy and food needs, shifts in the global economy and an aging population are having an impact on industries, the welfare state and individuals. While these changes pose challenges, they also represent innovation potential for trade and industry, the public sector and the research institutions.

Norway has certain advantages that need to be exploited more systematically. The country's economy and key branches of industry are stable, internationally-oriented and highly productive. Working life and community structures are characterised by high levels of cooperation, trust, creativity and adaptability. The public sector is well developed and is a key service provider. The population is well educated and the research community carries out high-quality research activities relevant for coping with the challenges facing society and for enhancing value creation.

Recent innovation analyses carried out by the OECD and the EU point to Norway's strengths, but also identify challenges for Norway's innovation system. In particular they note the need for increased research activity in the business and public sectors, better cooperation between the various stakeholders, greater focus on service provision, more effective use of natural resources, more innovation based on research and increased international cooperation. According to the OECD, Norway has great potential to enhance value creation by focusing further on the resource-based industries and investing more in research in and for existing industries and the service sector. The Research Council believes that there is scope for better and more developed cooperation between the private sector and the research institutions generally, and within key areas of industry and knowledge in particular.

In the energy sector and the marine and maritime sectors Norway has companies that are well placed internationally and are making important contributions in the face of global climate, energy, environmental and food challenges. The industries are knowledge-intensive and enjoy extensive interaction with research groups in Norway and abroad. The Research Council will work actively to develop this interaction and to foster links between the relevant actors.

The enabling and widely applicable technologies ICT, biotechnology and nanotechnology hold great potential for existing and new commercial activities and for the development of the public sector. In recent years Norway has invested a considerable amount of research funding in these technology areas, thereby adding to the quality and capacity of the research system. It is vital to establish a framework for realising the full potential of these investments, not least by encouraging interaction between various actors at the national and international level.

A significant proportion of the total Norwegian R&D investment comes from a small number of companies. These companies are typically found among the resource-based industries and the process industry. Norwegian trade and industry more generally is made up of many small companies operating in branches that are traditionally not research-intensive. In some sectors, such as the primary industries and the construction industry, the volume of research is low, but research-based knowledge is nevertheless important and the need for this knowledge is met to a large extent through cooperation with a well developed independent institute sector.

Norway's regions have different strengths and prospects. Knowledge in the form of education, research and good innovation systems is increasingly important for the economic growth and development within a region. Collaboration in networks and clusters, which also involve the participation of the knowledge communities, is crucial for regional expansion and value creation. Several of these regional clusters are at the forefront of international efforts in their fields, for instance within the offshore and maritime sectors.

Cooperation with customers and suppliers as well as the employees' own ideas comprise an important source of innovation, particularly for non-research-intensive companies. The Research Council will help these companies to integrate more research in their internal development efforts, in part by facilitating collaboration with the research institutions. The Research Council will also encourage companies with R&D experience to increase their

investment in research as a means of enhancing their innovative capacity and competitiveness.

Opportunities to establish connections between experience-based knowledge and research-based and commercial knowledge should be exploited more effectively. In keeping with its strategic function the Research Council will help to develop such links by increasing research activities through the design of targeted instruments, the adaptation of existing instruments and the expansion of cooperation with other actors in the public and private sectors.

The scope of the knowledge-intensive service sector and its importance for value creation in both the private and the public sectors are growing. Networking between the various producers of goods and services and the make-up of the services themselves are becoming increasingly important competitive factors.

The Research Council will promote research that focuses on the end-user and is designed to generate new and better solutions for companies and society as a whole. Experience gained from open innovation and citizens' initiatives are relevant in this context. These are innovation processes that involve a wide range of partners, including individual companies, research groups, non-governmental organisations and individuals.

Norway has an advanced public sector that has demonstrated a great capacity for renewal. Nevertheless, there is a clear need to improve and increase efficiency in the public services and enhance interaction between research, policy development and public administration. Innovation is essential in order to carry out new tasks and meet the demands for improvements in quality and efficiency in the public sector, not least in the field of health and welfare services. Innovation and renewal in the public sector involves a wide field of players. Companies, non-governmental organisations and users will often be brought in – as well as entities in public service production and various levels of the public administration. In most cases the service that is produced will not be made freely available in accordance with the wishes of potential users, but will be rationed for various reasons. The incentives for improving or increasing efficiency may be weak or non-existent. It is therefore essential to establish a wide range of approaches that can be used to promote innovation. Strong, binding user involvement throughout the entire research process has, for example, been proven to strengthen the link between the research and its application.

1. FOCUS

Strategic research effort to promote innovation and value creation in priority areas

With the resources, expertise and actors it has at its disposal, Norway is well-equipped to take a head-on, knowledge-based approach to meeting global challenges. Norway's industrial strength in the energy, marine and maritime sectors is characterised by an international orientation and close interplay between the market, trade and industry, research and education, the public administration and capital. The Research Council will give priority to these industrial areas and will work to promote strategic, integrated research activities designed to further enhance value creation.

In the enabling technologies of ICT, bio- and nanotechnology Norway has developed a broad-based body of knowledge and know-how. Research in these technology areas will lead to increased innovation and enhance the potential for growth in existing and new commercial activities, for instance in the fields of environmental technology, ICT services, welfare technology and life science. In the health and welfare sector, too, knowledge needs to be better targeted towards the challenges facing the sector. This is an area where there is considerable scope for innovation. The Research Council will give priority to these fields of knowledge and will work to promote strategic, integrated research activities designed to enhance innovation.

The Research Council will set ambitious goals for its own activities and will take active steps to ensure cohesion, a sufficient volume of research and a long-term perspective in initiatives focusing on the priority areas, in cooperation with leading Norwegian business and research communities.

Greater value creation in strong areas of industry

The petroleum sector is Norway's largest industry, measured in terms of value creation. The Norwegian supply and services industry today has a solid international profile in both mature and new petroleum regions. Norway has vast renewable energy resources, a strong standing and great potential for development in areas such as hydropower, solar power and ocean-based wind power. The world's growing need for energy, together with the challenges associated with climate change, opens up considerable potential for further growth in these sectors.

Norway is the world's second largest exporter of seafood and a world leader in marine bioproduction and knowledge production in the field of fisheries and aquaculture. Norway has a solid position in fisheries and aquaculture equipment, fishing vessels, and the supply of services to the industry. The world's growing need for healthy and safe food represents a significant opportunity for Norwegian seafood.

In the maritime sector Norway is at the forefront in areas such as technology development, services and the supply industry. In addition Norway has a number of internationally renowned shipping companies. Globalisation and increased world trade, new transport routes and more stringent environmental requirements point to new challenges and opportunities for the Norwegian maritime sector.

These industrial strengths account for a significant proportion of Norway's value creation and export value. These areas are characterised by close, well developed interaction between markets, knowledge companies, research and higher education institutions, service companies, capital and shareholders. Norwegian researchers are in the top tier internationally in several areas that are highly relevant for the most robust industries. Both the industries and research communities have great potential to expand their role as providers of products, services and knowledge to a global market where demand is on the rise. The Research Council can make a difference in these areas by providing funding for large-scale, ambitious projects that show significant innovation and value creation potential. It is essential that Norwegian research groups in basic research as well as applied research achieve a high international standard in relevant areas and enjoy close contacts with the rest of the innovation system.

New companies and branches of industry often arise out of established, strong industries. The potential for innovation and the transfer of expertise has proven to be considerable, leading to dynamic collaboration between strong areas of industry and new commercial activities. The interaction between large companies and their supply industries is an area where the potential for innovation activity is high. This is the case, for example, in the petroleum industry where a robust, innovative and internationally oriented supply industry has emerged in parallel to the development of the oil and gas fields on the Norwegian continental shelf.

The Research Council can promote new industrial development, for example new commercial activities arising from Norway's existing industrial strengths, by providing funding for innovation projects in which customers, suppliers and research institutions work together to develop new solutions or services. The Research Council will also facilitate collaboration between Norwegian companies and international research groups. At the same time it is vital that the research institutions develop a sound body of knowledge and know-how in areas of particular relevance to industry.

More innovation in key areas of knowledge

During the course of the past decade Norway has invested a significant amount of public funding in education and research in the enabling technologies of biotechnology, material and nanotechnology and ICT. The importance of these technologies for the sustainable renewal of established industry in Norway is growing. These technologies also have a role to play in meeting the challenges facing society and in providing opportunities for new industrial development. In recent years ICT has been a key driver of innovation and productivity growth in society. ICT has particular potential as an enabling technology for public sector restructuring and efficiency enhancement. Over the past few years advances in biotechnology have been applied in a wide range of areas from health services to aquaculture. Nanoscience and nanotechnology can lead to the development of new materials with new properties. New opportunities for innovation also arise in the interface between these enabling technologies.

Research initiatives in these technology areas have produced results in the form of improved quality, international cooperation and greater targeting towards innovation activities. Cooperation between trade and industry, the research institutions and society at large is crucial in these technology areas. Environmental technology, climate services, ICT services, life science and welfare technology have been identified as knowledge areas where there is potential for further industrial development and innovation in public services.

Innovation as a means of meeting key challenges in the public sector

Given demographic developments, Norway will face certain obstacles in maintaining a sustainable welfare state. High priority is given to ensuring effective health and welfare services for all. The demands for quality, accessibility and the optimal use of resources apply to the entire chain of public and private services: from municipal health, care and welfare services to specialised health services and welfare schemes. Meeting these demands will require new knowledge, innovative organisational methods and development, the adaptation and testing of new services, technology and forms of treatment. The Research Council will promote far closer collaboration between relevant actors in the research community, the public sector, trade and industry and non-governmental organisations in order to realise the potential for innovation. The Council will attach particular importance to encouraging actors in the public sector to take the lead in innovation projects. A targeted effort is essential if innovation is to be enhanced in areas of the health and welfare sectors where there are particularly pressing societal challenges.

The Research Council will:

- Develop strategies and be a driving force behind the establishment of ambitious, nationally coordinated research and innovation initiatives in the priority industrial and knowledge areas.
- Enhance the quality and capacity of research as well as the level of international cooperation in fields and disciplines that are particularly relevant for the priority areas.
- Encourage trade and industry, the public sector and the research community to engage in national and international research cooperation in the priority areas.
- Promote the development, adaptation and testing of new services and new technology for the health and welfare sectors.
- Focus on enabling technologies that strengthen the priority areas and open up new opportunities for robust applications that meet the needs of society and for value creation.

The Research Council will work to:

- Expand the interaction and integration of activities between the public funding agencies in the priority areas.
- Enhance collaboration to promote innovation in the health and welfare sector together with the regional health authorities, the municipal sector and trade and industry.

- Incorporate research to a greater extent into professional education and practice in the areas of health and welfare.
- Promote innovation and the development of robust technology designed to meet the needs of society, in part by establishing a framework for risk management and ethical considerations.

2. BREADTH

Paving the way for more research across Norway's private and public sectors by promoting cooperation with the research community

The Research Council will create a foundation for more research and innovation across Norway's private, public and service sectors as well as in the public administration by providing funding for research-based innovation activities. The knowledge possessed by Norwegian research groups is of crucial importance for the competitiveness of Norwegian companies and for the development of an innovative public sector. The Research Council will encourage cooperation between trade and industry, the public sector and the Norwegian and international research communities.

More research-based innovation and higher research ambitions at Norwegian companies

More companies must be motivated to make use of research in their internal innovation efforts. Companies need to increase their understanding of R&D as a strategic tool. The Research Council's mobilisation efforts must be directed towards priority target groups. It is important to develop customised instruments, good communication, relevant meeting places, effective cooperation and outreach activities. Small and medium-sized companies with growth potential comprise a priority target group. The Research Council will also give priority to clusters of companies seeking to focus on research-based innovation. The Research Council will create a framework for more research collaboration between companies in value chains or in networks.

The Research Council seeks to encourage companies that already have R&D experience to raise their research ambitions. The Council will help to enhance expertise and alleviate the risks involved in companies' innovation efforts. The companies will also be encouraged to participate in international research and innovation activities aimed at promoting knowledge generation, network-building and market access.

More and new expertise is essential if research activities are to be intensified. Although the number of people awarded doctorates in Norway is rising, relatively few go on to pursue a career in the private sector. Companies need internal research expertise if they are to be able to make use of research results generated by others and carry out their own research activities.

Better use of the SkatteFUNN tax deduction scheme

The Research Council's SkatteFUNN tax deduction scheme is designed to encourage more companies to engage in systematic R&D activities. Studies show that more companies can be mobilised by improving communication with more branches and companies that are just

being established. The administrative procedures of the SkatteFUNN scheme will be simplified to make the scheme more accessible. Moreover, there is potential to encourage more of the companies already making use of the scheme to implement projects in cooperation with recognised research institutions.

Greater focus on knowledge-intensive services

The service sector accounts for a large proportion of Norwegian value creation. Knowledge-intensive services are becoming increasingly important in both the private and the public sectors, and service innovation will be one of the most important drivers of competitiveness in the future. New industrial development is based to a large extent on the development of innovative service concepts. Service innovations are often inspired by the needs and wishes of the end-users. New service concepts in the public sector are an example of an area where there is great potential and where the application perspective is increasingly important. More knowledge is needed about how to innovate in the service sector. The Research Council must identify and fund innovative service projects. It is therefore crucial to expand expertise in service innovation and business models within Norwegian research groups, trade and industry and the public sector. The Research Council considers it important to encourage the implementation of more research-based service projects.

More innovation in and for the public sector

The public sector is technologically advanced and has in-depth knowledge and efficient services in many areas. Nonetheless, the sector is in need of systematised knowledge about innovation and change processes. There is great potential to increase efficiency and improve quality in the sector. At the same time a lack of or too weak incentives may pose an obstacle to innovation in the public sector. In those areas where the Norwegian public sector works most successfully, Norway should aim to be at the international forefront in terms of research-based innovation.

Research can lead to innovation in the public sector at three different levels; as a basis for policy development, for better organisation of public institutions and for the development and implementation of better services. The Research Council will address all three levels through traditional innovation projects, research with strong, binding user involvement as well as increased international knowledge exchange. Ensuring active and binding user involvement will enhance the likelihood that new knowledge will result in innovation.

The Norwegian public sector needs innovative suppliers for effective renewal and as a result represents a large market for an innovative private sector. Public procurement, standardisation and regulation must therefore be exploited more effectively as key drivers of innovation. This will promote synergy between innovation instruments targeted towards trade and industry and those targeted towards the public sector.

Broad-based expertise at Norwegian research institutions

The Research Council will promote the development of wide-ranging, fundamental, high quality knowledge at the research institutions. The Council will also seek to enhance the institutions' and research community's interest in and understanding of the challenges facing society and trade and industry. User-oriented research and better communication of challenges and results will help to raise the knowledge level and promote innovation.

Bringing knowledge together in new ways opens up considerable scope for innovation. Social science and humanities research have an important role to play in contributing to innovation processes, together with companies and public institutions. The Research Council will work to ensure that more fields of research are brought into the innovation processes.

The Research Council will:

- Encourage more small and medium-sized companies with growth potential to engage in internal R&D activities.
- Encourage more companies to develop internal research expertise, for example by ensuring that more employees at Norwegian companies pursue doctoral degrees under the Industrial Ph.D. scheme.
- Encourage more public institutions to become contractual partners in innovation projects.
- Promote international cooperation as a criterion in the Research Council's innovation-oriented funding instruments.
- Strengthen research related to knowledge-intensive services in the private and public sectors.
- Promote the use of the SkatteFUNN tax deduction scheme, by improving communication and simplifying procedures.

The Research Council will work to:

- Improve the framework conditions of the SkatteFUNN tax deduction scheme and increase hourly rates for projects qualified under the scheme.
- Expand cooperation activities and promote the formation of new networks, particularly in the public sector.
- Promote the participation of the social science and humanities communities in innovation efforts.

3. IMPACT

Aligning research and cooperation activities to ensure that the results are used

The application of research results is a key factor in promoting innovation and enhancing value creation. The Research Council must improve the way it selects and monitors innovation projects to maximise the use of research findings. The Research Council will, together with the other public funding agencies, ensure that promising research results are brought closer to the market by introducing incentives that mitigate risk and increasing support for pilot, verification and demonstration projects. The Research Council will stipulate requirements to ensure that adequate safeguards are put in place for intellectual property rights in areas where these rights are important for the commercial application of research results.

Improved selection and closer monitoring of innovation projects

The Research Council's role in enhancing value creation and promoting the use of research results is primarily achieved through its funding of innovation projects and verification projects at companies, public bodies or research institutions. The Research Council must further refine its ability to select the right projects and follow them up. One way of achieving this is by cooperating with the relevant actors and by stipulating more clearly that the projects must reflect the strategic objectives defined in the enterprise's business model.

Increased funding for pilot, verification and demonstration projects

The Research Council will, together with the other public funding agencies, provide funding for more pilot, verification and demonstration projects to ensure that the development potential represented by promising research results is realised. This applies both to results from research projects carried out in Norway and results from international research projects that are to be used in Norway. Research infrastructure, verification and demonstration efforts are all crucial for developing and clarifying potential areas of application for the research at an early stage. The development of new service concepts and business models also needs to be tested at an early stage. Testing and experimentation should be based on research to a greater extent than is currently the case. This is also of crucial importance for innovation in the public sector.

The SkatteFUNN tax deduction scheme *may also be applied* to development activities such as experimental production and the testing of goods, services and production processes. The Research Council will work to ensure that more companies apply for a deduction under the SkatteFUNN scheme for pilot and demonstration projects.

Increased commercialisation at the research institutions

The Research Council has an important role to play in supporting initiatives that promote the commercialisation of publicly funded research conducted at universities, university colleges and independent research institutes. The Research Council will work to increase

the focus on utilitarian and business perspectives and promote a culture for innovation at the research institutions and their funding ministries. The Research Council will also promote professionalism and more effective distribution of tasks among the various actors responsible for commercialisation at the universities, university colleges and independent research institutes.

The Research Council will:

- Give priority to innovation research aimed at the development of theory, methodology and experience to be used as a basis for the Research Council's innovation efforts and for policy design.
- Ensure that projects that receive funding from the Research Council are in line with the strategic objectives defined by the contractual partners and consortium participants.
- Give priority to funding for pilot, verification and demonstration projects, under Research Council programmes and activities.
- Consider new funding instruments for pilot, verification and demonstration projects in companies and in connection with pilot projects in the public sector.
- Communicate the message that research yields results and has an impact on society.

The Research Council will work to:

- Ensure cohesion, cooperation and task-sharing between the public funding agencies to promote the verification and commercialisation of research results.
- Develop incentives designed to increase innovation and commercialisation at and on the part of the research institutions.
- Obtain increased allocations to enable the public funding agencies to support more pilot, verification and demonstration projects at companies, public bodies and research institutions.

Translation: Anna Godson and Carol B. Eckmann