European Commission

HORIZON 2020
SME Instrument Implementation

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FP7 → Horizon 2020

15% → 15% (20% PGA/EP)

R4SME will disappear

Finance instruments will continue (stronger attempt to serve SMEs and also supporting equity funding)

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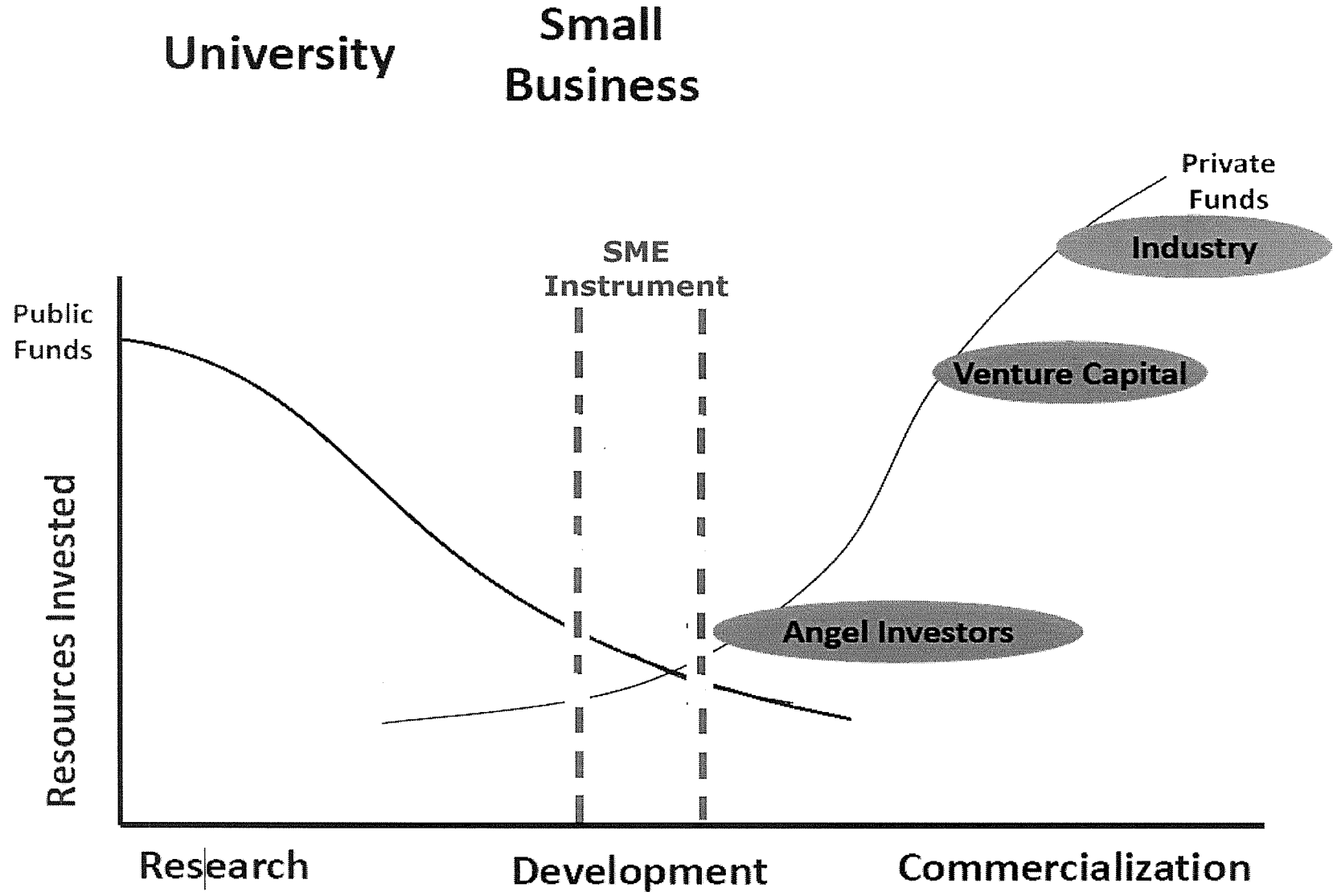
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INNOVATION IN SMEs

1. Mainstreaming SMEs → SME instrument
2. Specific Support
   - 2.1. Support for research intensive SMEs → Eurostars-2
   - 2.2. Enhancing the innovation capacity of SMEs ("policy learning")
   - 2.3. Supporting market-driven innovation

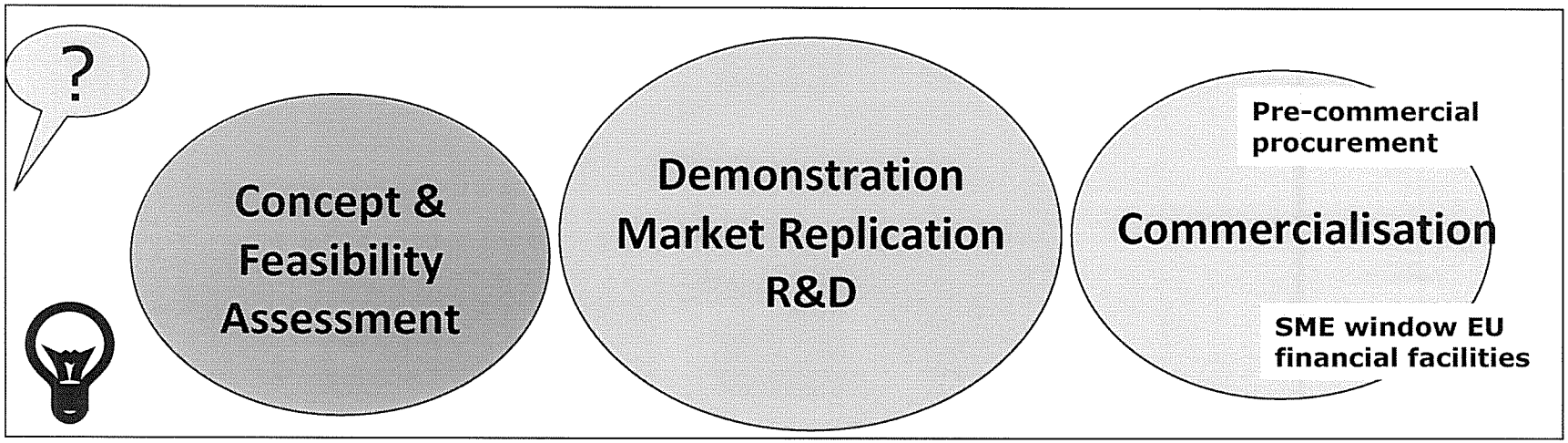
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SME Instrument



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SME instrument



IDEA business coaching throughout the project MARKET

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Phase 1: Concept and feasibility assessment

Input: Idea/Concept: "Business Plan I" (~ 10 pages)

Activities:
Feasibility of concept
Risk assessment
IP regime
Partner search
Design study
Pilot application
etc.

Output: elaborated "Business plan II"

Lump sum: 50.000 €

~ 6 months

Phase 2: R&D, demonstration, market replication

Input:
"Business plan II" plus description of activities under Phase II (~ 30 pages)

Activities:
Development, prototyping, testing, piloting, miniaturisation, scaling-up, market replication

Output: investor-ready "Business plan III"

Output based payments:
1 to 3 M€ EC funding

~ 12 to 24 months

Phase 3: Commercialisation

Promote instrument as quality label for successful projects

Facilitate access to private finance

Support via networking , training, information, addressing i.a. IP management, knowledge sharing, dissemination

SME window in the EU financial facilities (debt facility and equity facility)

No direct funding

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SME instrument main features

- Targeted at all types of innovative SMEs showing a strong ambition to grow (and to develop and internationalise)
- Only SMEs allowed to apply for funding (single company support, but collaboration is certainly advisable)
- Competitive, EU dimension → only the best ideas pass phase I
- Market-oriented, close-to-market activities: 70% funding
- 3-phased and coaching
- Entrance in both Phase 1 and 2
- Embedded in societal challenges and key enabling technologies

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Demand

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Based on various surveys (EVCA, EIM, NESTA), it is estimated that about 1 to 6 % of all SMEs belong to the target group, i.e. 200,000 to 1.2 million SMEs.

Without restrictions it is estimated to receive 10 to 15,000 SME applications for Phase 1 every year.

This number is limited in case of topic oriented calls

Measures to "reduce" applications:

1. Only one application per company per year (in both phases)
2. This implies also: no possibility to apply for Phase 1 during the submission and/or implementation of a Phase 2 project and vice versa.
3. Advice by the support network(s)
4. SMEs should be encouraged to enter the scheme in Phase 1

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SME validation

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SME specific activities include SME status as eligibility criteria.

An **electronic questionnaire** is to be used, ideally integrated into the participant registration tool. The outcome of this "SME test" provides the company with a supported self-declaration and shall be completed by a **Declaration of honour.**

Random checks and checks in case of doubt should ensure compliance with the SME definition.

Financial Viability Verification: Single beneficiaries are not considered "coordinators" and the verification rules according to Art 14.5 RfP do not apply. For groups of SMEs the general rules have to apply.

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Evaluation

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1. Remote evaluation throughout the process
2. Suggestion to abandon consensus meetings
3. Long feedback loops (ESRs) slow down the process
4. Evaluation criteria to focus on excellence in innovation, commercialisation potential, economic impact and the company's potential achieving the envisaged results. They are currently developed by an expert group.
5. Also evaluation of envisaged deliverables and milestones for the output base funding model.
6. The profile and competences of evaluators is highly important.
7. For all innovation actions under Horizon 2020: experts will not be competent to cover all evaluation criteria to the same extent. Their expertise will be complementary → impact on logistics of the evaluation process.

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Output based Funding

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1. To avoid problems with subcontracting, auditability and make system more SME friendly (similar to business environment)
2. Learned from experiences in ESA and NASA.
3. In the logic of a business innovation plan with clear milestones to achieve the innovation target.
4. An output-based funding model is based on prior definition and acceptance of output/results and leads to series of lump sums.
5. How to avoid the problematic of non-achievement of deliverables → example
6. Deliverable are accompanied by milestones, which determine whether the project will continue.

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Phase 1

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- Low Value Grant (lump sum of 50,000 €)
- max. 10 page proposal
- Success rate suggested: 10-15% (depending on budget and number of applications)
- Employing only the minimum of experts needed for assessing the low-value proposals of Phase 1 will speed up the process
- Evaluation leads to go/no decision
- Suggestion: Grant decision and decision operational at AOSD level

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Phase 2

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- Grant agreement
- Output based funding (series of lump sums)
- Success rate suggested: 50-70%
- No negotiations. Only high quality projects will be funded. Phase 1 funding complemented by coaching of beneficiaries should have allowed to prepare a solid proposal for Phase 2.
- Seamlessness: Based on the experiences with FET Open, the suggestion is to organise two parallel open calls for Phase 1 and 2. A topic-oriented approach will make this more difficult and lead to longer project cycles.

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Thank you very much for your attention