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Factsheet: SMEs in Horizon 2020¹

Small- and Medium-sized Enterprises (SMEs) are encouraged to participate across the whole Horizon 2020 programme. They can engage in collaborative projects as part of a consortium and they are supported through a new dedicated SME instrument designed specifically for highly innovative smaller companies. The integrated approach and simplification efforts should lead to a minimum of 20%, or about € 8.65 billion, of the total combined budgets of the specific objective 'Leadership in enabling and industrial technologies' (LEITs) and the 'Societal Challenges' going to SMEs. The SME instrument will be crucial in achieving this target. Over the course of Horizon 2020, at least € 3 billion will be allocated to the SME instrument.

The new dedicated SME instrument

The new instrument aims to fill gaps in funding for early-stage, high-risk research and innovation by SMEs as well as stimulating breakthrough innovation. It provides easy access with simple rules and procedures. It will be used across all societal challenges and the enabling and industrial technologies specific objective. It will encourage SMEs to put forward their most innovative ideas with an EU dimension. It targets highly innovative SMEs showing a strong ambition to develop, grow and internationalise, regardless of whether they are high-tech and research-driven or non-research conducting, social or service companies.

Only SMEs will be able to apply for funding. Even single company support will be possible to ensure market relevance and to increase commercialisation of project results. SMEs can decide how best to organise the project and with whom to collaborate, including subcontracting tasks if they lack in-house capabilities.

The new instrument will integrate the specific SME R&I support of the EU Seventh Framework Programme for Research and Technological Development (FP7) and the Competitiveness and Innovation Programme (CIP) in one comprehensive, simple and easily accessible scheme. It covers the possibility to outsource research and development critical to the innovation projects of non-research intensive SMEs, as previously supported under 'Research for the Benefit of SMEs' in FP7.

How it works

Support is provided in three different stages covering the whole innovation cycle. A **feasibility part** will allow for an assessment of the technological and commercial potential of a project (proof of concept). Funding is provided in the form of a lump sum. A main grant will support an **innovation project** focusing on activities such as demonstration, testing, prototyping, pilot lines, scale-up studies, miniaturisation, design, performance verification etc. and market replication. The **commercialisation**

¹ All figures are quoted in current prices.

phase is supported indirectly through facilitated access to debt and equity financial instruments as well as various other measures, for example on IPR protection.

Successful completion of one stage will allow an SME to move on to the next; each stage is open to all SMEs. In addition, a coaching and mentoring scheme is provided exclusively to beneficiaries of the instrument in order to accelerate the impact from the funding provided, thus equipping the company with the skills and capacities for innovation-driven growth. The service will be provided by specially-recruited business practitioners and will be accessible through the Enterprise Europe Network.

Support for research intensive SMEs

The Eurostars Joint Programme (2014-2020) undertaken by several Member States and Associated countries in the framework of Eureka, with the participation of the Union, will promote market-oriented transnational research activities of research performing SMEs in any field. The budget of the programme will be significantly higher than its predecessor (the first Eurostars Joint Programme). By pooling together national resources, Eurostars also aims at strengthening integration and synchronization of national research programmes contributing to the achievement of the European Research Area.

Furthermore, SMEs will also be encouraged to participate in other parts of Horizon 2020, such as the **Marie Skłodowska-Curie actions** or the activity on Future and Emerging Technologies.

In addition there will be actions that aim at developing and providing better innovation support services to SMEs.

Financial instruments (equity and debt) will support SMEs

Greater use of financial instruments helps to leverage yet further private research and innovation (R&I) investments, including venture capital investments for innovative, high-tech companies, and in particular SMEs.

Horizon 2020 allocates a budget of € 2.84 billion for financial instrument facilities and accompanying measures for R&I. At least one-third of this amount is likely to be absorbed by SMEs and small mid-caps.

Two financing facilities are available:

- A debt facility** providing loans, guarantees and other forms of debt finance to entities of all forms and sizes, notably research and innovation-driven SMEs
- An equity facility** providing finance for mainly early-stage investments, with a particular focus on early-stage SMEs with the potential to carry out innovation and grow rapidly.

Their aim is to support the achievement of the R&I objectives of all sectors and policy areas crucial for tackling societal challenges, enhancing innovation and fostering sustainable growth. They are implemented via the European Investment Bank and

the European Investment Fund and/or other financial institutions of comparable stature. The Horizon 2020 facilities operate in conjunction with the financial instrument facilities of COSME, the Programme for the Competitiveness of Enterprises and SMEs, where € 1.38 billion is allocated to debt and equity financing in support of SMEs.

Fast Track to Innovation pilot action (FTI): will be implemented in the form of a full scale pilot action to be launched in an FTI call in 2015. 100 proposals with an expected budget of around €200 million are foreseen to be funded under the new pilot action. It will support **innovation actions** under the specific objective "Leadership enabling and industrial technologies" and under the societal challenges, relating to any technology field, on the basis of a continuously open call, and time to grant not exceeding six months. Proposals may be submitted at any time. The Commission shall initiate three cut-off dates per year to evaluate proposals. Any legal entity may apply, with a minimum of 3 up to a maximum of 5 in any action.