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Factsheet: SMEs in Horizon 2020*

Small- and Medium-sized Enterprises (SMEs) will be encouraged to participate across Horizon 2020 programmes through a new dedicated SME instrument. It aims to fill gaps in funding for early-stage, high-risk research and innovation by SMEs as well as stimulating breakthrough innovations. It is expected that through this integrated strategy around 15%, or €6.8 billion, of the total combined budgets of the 'Tackling societal challenges' Specific Programme and the 'Leadership in enabling and industrial technologies' objective will be devoted to SMEs.

A new dedicated SME instrument

The new dedicated SME instrument (similar to the SBIR model) will provide easy access with simple rules and procedures. It will be used across all societal challenges and the enabling and industrial technologies. The new instrument will encourage SMEs to put forward their most innovative ideas with an EU dimension. It will target 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 measures of FP7 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, currently supported under 'Research for the Benefit of SMEs'.

How it works

Support is provided in three different stages covering the whole innovation cycle (similar to the US SBIR model¹). A **feasibility part** will allow an assessment of the technological and commercial potential of a project; a **main grant** will be provided to undertake research and development with the emphasis on demonstration and market replication. The **commercialisation phase** will be supported indirectly through simplified 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 will be open to all SMEs.

Relying on existing SME support networks, notably the Enterprise Europe Network (EEN), a mentoring scheme shall be provided to beneficiaries so as to accelerate impact from funding under the SME instrument.

SME Associations may continue to assist and to support their member companies in a European project as part of an SME-led consortium formed under the SME

¹ Small Business Innovation Research, <http://www.sbir.gov>

* All figures are quoted in constant 2011 prices.

instrument. Such Associations will thus be able to play an important role in the dissemination of project results.

Support for research intensive SMEs

A specific action will promote market-oriented innovation of R&D-performing SMEs, building on the Eurostars Joint Programme.

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

Financial instruments (equity and debt) will support SMEs

Greater use of financial instruments will help leverage yet further private research and innovation investments, including venture capital investments for innovative, high-tech companies, and in particular SMEs.

Under Horizon 2020, a total amount of € 3.5 billion is budgeted for financial instrument facilities, and accompanying measures, for research and innovation. At least one-third of this amount will be dedicated to SMEs and small mid-caps. A leverage of up to 5 is envisaged, meaning that for every Euro provided through the financial instruments, additional finance of up to 5 Euro will be generated.

Two financing facilities will be available:

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

Their aim will be 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 will be implemented via a mandate to, or a partnership with, the European Investment Bank Group and/or other international financial institutions and national intermediaries. These Horizon 2020 facilities will be operated in conjunction with the financial instrument facilities of COSME, the Programme for the Competitiveness of Enterprises and SMEs, where €1.4 billion has been allocated to debt and equity financing in support of SMEs.