



# Horizon 2020 : A quick overview on SMEs support & Financial Instruments

"Investing in Excellence"

Networking Event for IMI SMEs

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A graphic for Horizon 2020. The word "HORIZON 2020" is written in large, white, sans-serif capital letters. The letter "O" in "HORIZON" is replaced by a transparent globe of the Earth. The text is set against a blue background with a glowing horizon line and radiating light rays. A small blue box with the text "Research and Innovation" is located at the bottom center of the graphic.

HORIZON 2020



# SME support in Horizon 2020

## An overview



## **SMEs** - *driving force of economic growth and job creation in Europe:*

- *20.7 Million SMEs in the non-financial business economy (~99% EU enterprises)*
- *85 % of new jobs in the private sector created by SMEs that provide more than two thirds of jobs (more than 87M)*
- *SMEs account for more than 58% of the total gross-value added*



# SME's Main Barriers to innovation & growth

- Access to finance  
(additionality of public support)
- Knowledge and skills shortage
- Weakness in networking and cooperation with external partners  
(open innovation)
- Internationalisation



## **Innovation Union Commitment n° 7**

Ensure stronger involvement of SME in future EU R&I programmes

\*

## **European Council 4 February 2011**

Commission is invited to explore the feasibility of a Small Business Innovation Research Scheme

## What is an SME?

*Any autonomous entity engaged in an economic activity, irrespective of its legal form, with the following characteristics:*

- < 250 employees
- ≤ € 50 Million Annual Turnover
- ≤ €43 Million Annual Balance Sheet

*(Commission Recommendation 2003/361/EC )*

## SME support: integrated approach

20 %  
budgetary  
target in  
LEITs & SC

Collaborative  
projects  
13%

SME instrument  
7%

'Innovation  
in SMEs'

Eurostars II  
Enhancing Innovation  
Capacity  
Market-driven Innovation

Access to Risk Finance



## SME support: what continues and improves

- SME participation in **collaborative** R&D or innovation projects
- **Eurostars II**
- Enhancing the **innovation capacity** of SMEs (Europe INNOVA former CIP-EIP)
- Exchange and **mobility** of researchers involving SMEs (Marie Skłodowska-Curie actions)
- Access to **finance, but wider scope!**

## what stops

- **Research for the benefit of SMEs** scheme





## SME support – what is new

- **Integrated approach** to SME support (Article 22 of Framework Regulation)
- **"Minimum of 20%" budgetary target** for the specific objectives 'Leadership in enabling and industrial technologies' and societal challenges (Article 18 of Framework Regulation) – around 8.65 billion €
- **SME instrument** accompanied by **coaching** with a minimum of **7% budget allocation** from LEITs and societal challenges – at least 3 billion €
- **More monitoring and performance assessment**



# SME support in Horizon 2020

## The SME Instrument



University

Small  
Business

Funding Gap  
(range: 1-3 M€)

Private  
Funds

Industry

Venture Capital

Angel Investors

Public  
Funds

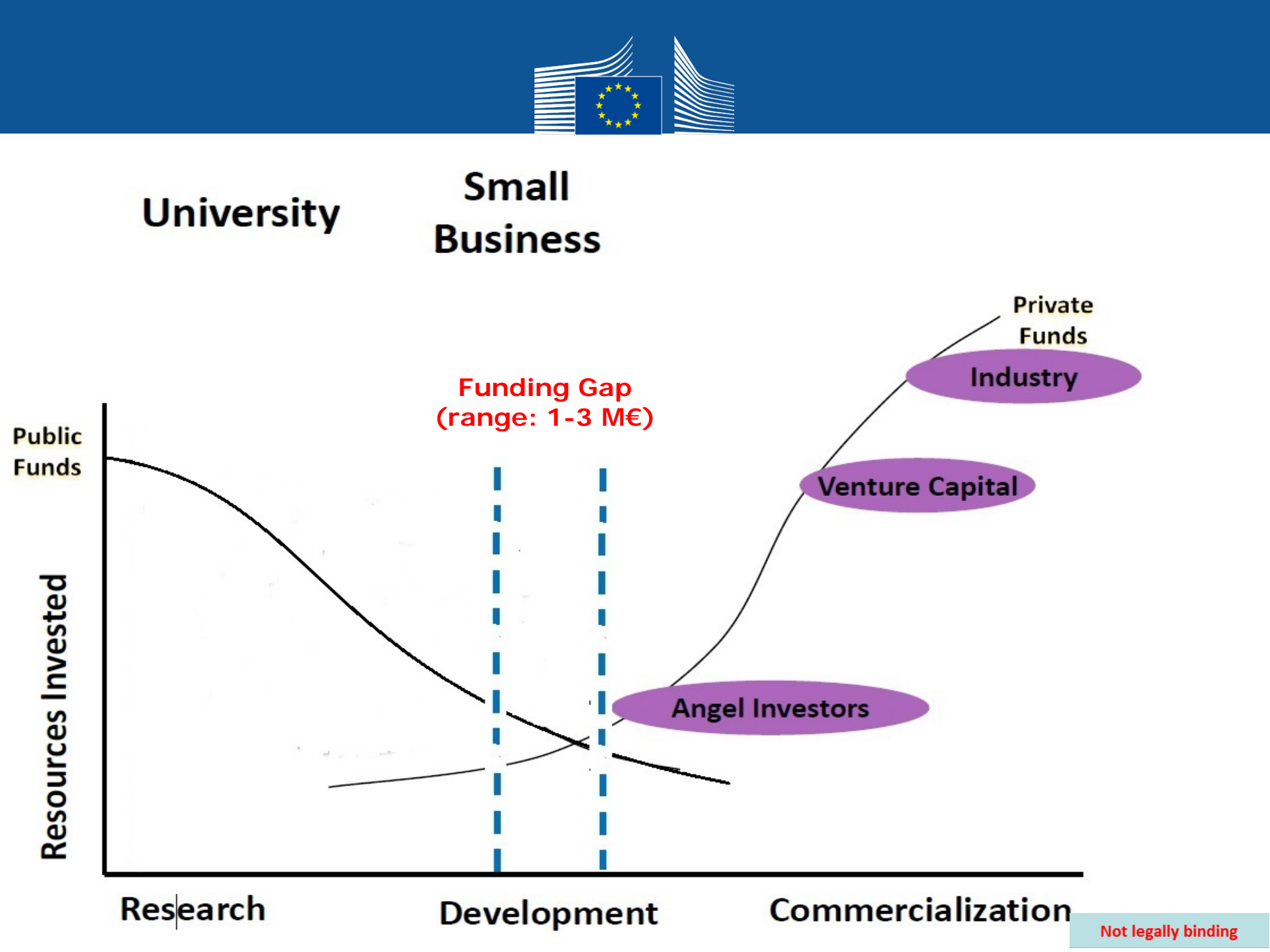
Resources Invested

Research

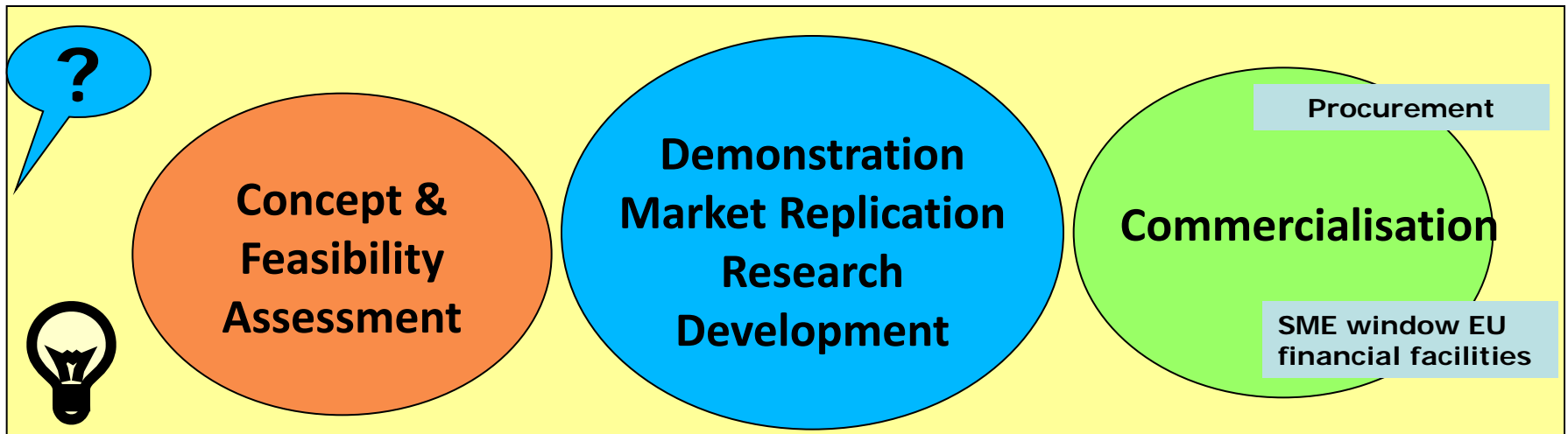
Development

Commercialization

Not legally binding



## SME instrument





Phase 3+coaching → 2% budget

## Phase 1: Concept and feasibility assessment

Input: Idea/Concept: "Business Plan 1" (10 pages)  
**10% budget**

### Activities:

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

Output: elaborated "Business plan 2"

Lump sum: 50.000 €  
~ 6 months

## Phase 2: R&D, demonstration, market replication

Input: "Business plan 2" plus description of activities under Phase 2 (30 pages)  
**88% budget**

### Activities:

Development, prototyping, testing, piloting, miniaturisation, scaling-up, market replication, research

Output: "investor-ready Business plan 3"

0.5-2.5 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)

Possible connection to Procurement

**No direct funding**



# Main features

- Targeted at all types of innovative SMEs showing a strong ambition to develop, grow and internationalise
- Only SMEs will be allowed to apply for funding and support
- Single company support possible
- No obligation for applicants to sequentially cover all three phases; each phase open to all SMEs
- 70% funding (exceptions possible)



# Implementation

- Implemented centrally by one agency (EASME)
- Bottom-up approach within the frame of the societal challenges and enabling technologies  
→ each SC & LEIT defines a broad topic
- Continuously open call with 4 cut-off dates per year:

Phase 1	Phase 2	Phase 1	Phase 2
18/06/2014	09/10/2014	[18/03/2015	[18/03/2015
24/09/2014	17/12/2014	17/06/2015	17/06/2015
17/12/2014		17/09/2015	17/09/2015
		16/12/2015]	16/12/2015]



# Implementation

Topics the WP 2014/2015	
<b>LEIT ICT</b>	Open Disruptive Innovation (2014: 45 M€ / 2015: 45 M€)
<b>LEIT NMP</b>	Accelerating the uptake of nanotechnologies , advanced materials or advanced manufacturing and processing technologies by SMEs (21.8 M€ /23.8 M€)
<b>LEIT Biotech</b>	SME boosting biotechnology-based industrial processes driving competitiveness and sustainability (3.8 M€ /2.4 M€)
<b>LEIT Space</b>	SME Instrument (8.5 M€ /8.75 M€)
<b>SC1 Health</b>	Clinical research for the validation of biomarkers and/or diagnostic medical devices (66.1 M€ / 45M€)
<b>SC2 Bio-economy</b>	Resource-efficient eco-innovative food production and processing (9 M€ /17 M€) & Supporting SMEs efforts for the development - deployment and market replication of innovative solutions for blue growth (3/5 M€)
<b>SC3 Energy</b>	Stimulating the innovation potential of SMEs for a low carbon and efficient energy system (33.95 M€ /37.26 M€)
<b>SC4 Transport</b>	Small business innovation research for Transport (35.87 M€ /38.96 M€)
<b>SC5 Climate</b>	Boosting the potential of small businesses for eco-innovation and a sustainable supply of raw materials (17 M€ /19 M€)
<b>SC6 IIIS</b>	Innovative mobile e-government applications by SMEs (2015: 4M€) & SME business model innovation (2015: 11M€)
<b>SC7 Security</b>	Protection of urban soft targets and urban critical infrastructures (7 M€ /7.4 M€)





## Eligibility conditions:

- One for-profit SME or a consortium of for-profit SMEs
- Established in EU Member States or associated countries
- No concurrent submission or implementation with another Phase 1 or Phase 2 project

## Planned time-to-grant:

3 months (Phase1) – 6 months (Phase2)

## Funding over 7 years:

ca. 5,200 Phase 1 projects (fixed lump sum of 50K€)

ca. 1,700 Phase 2 projects with an average size of 1.5 M€  
(or 2550 of an average size of 1 M€; 1250 of an average size of 2 M€)



- Voluntary coaching offered in Phase 1 and Phase 2:
  - ✓ Phase 1 – 3 coaching days
  - ✓ Phase 2 – 12 coaching days
- Coaches will drive the performance of the organization by working with the senior management team
- Coach suggestion provided by the EEN, but final selection by the SME
- Coach and SME to decide a coaching plan in Phase 1. A summary of coaching foreseen for Phase 2 will form part of application to Phase 2
- Coaching paid in addition to Phase 1 and Phase 2 contribution



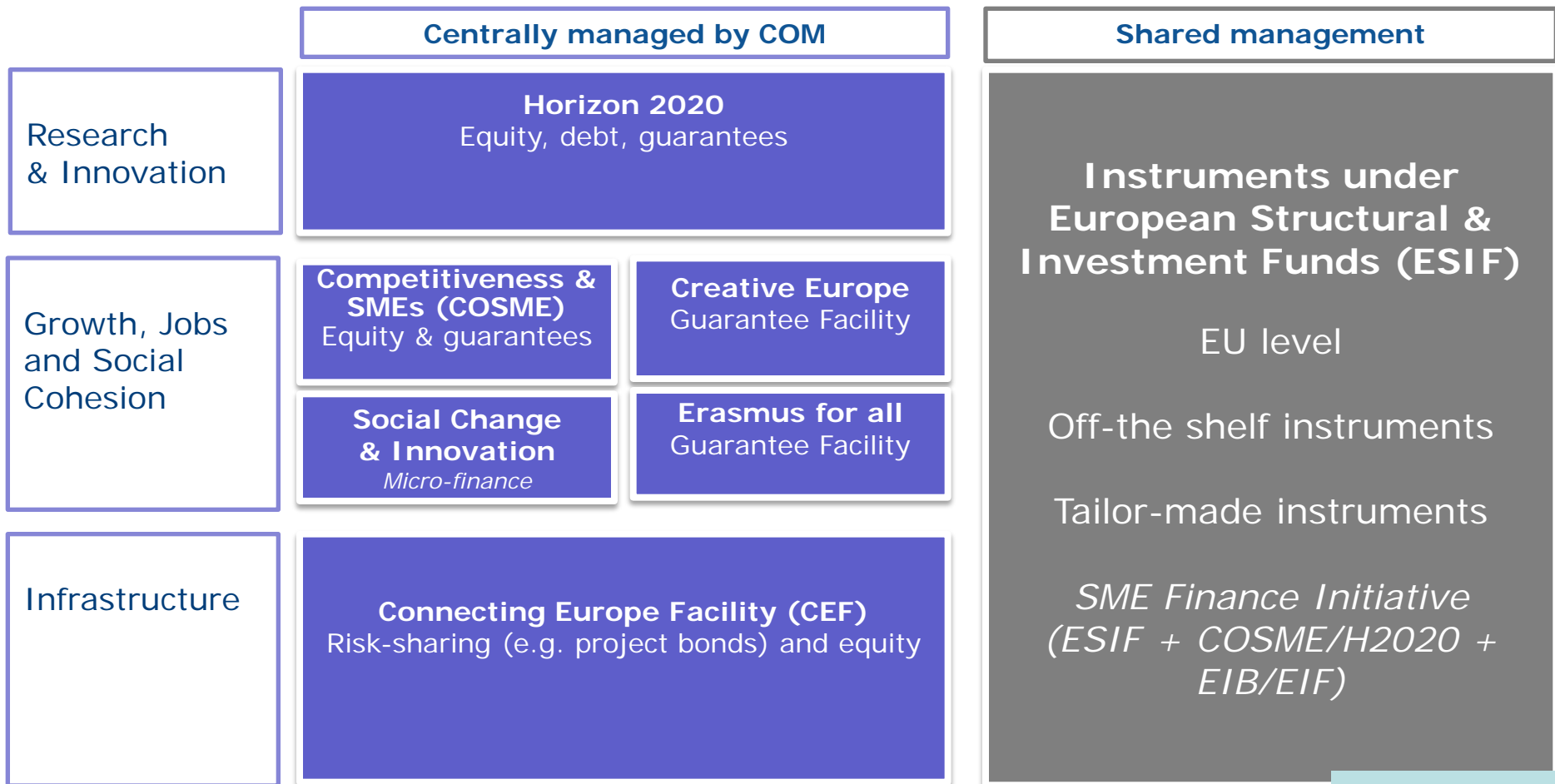
# Horizon 2020 Financial Instruments An overview

# About EU financial instruments

- ❑ Part of the EU means for **over a decade** to support real economy
- ❑ Efficient way of implementing the EU budget as they have **leverage / multiplier effects**
- ❑ Cover a broad range of interventions, such as:
  - Guarantees to mutual guarantee societies and banks lending to companies (including SMEs)
  - Equity participations for early and growth-stage investments
- ❑ Common features:
  - Aim to **improve access to finance, especially for SMEs**
  - Typically delivered via **financial intermediaries** (mutual guarantee societies, banks, funds, etc) on behalf of (or in partnership with) the European Commission, but also **directly**
  - Typically operated by the **EIB Group** (EIB, EIF), but may also be operated by **other financial institutions**



# FI proposals for 2014-2020 MFF



Not legally binding

# HORIZON 2020: Dedicated "Access to risk finance" programme

- Part of the Horizon 2020 budget (**3.69%**) ; will usually not be provided through grant funding but in the form of risk-sharing (for loans and guarantees) and by providing risk finance (equity)
- **Objectives:** Facilitate access to finance for (1) RDI-driven/ innovative SMEs & small midcaps and (2) ambitious RDI projects carried out by a variety of recipients (companies, stand-alone projects etc.) / Addressing financing gaps: Intervention only if there are financing gaps in the R&I delivery chain (e.g. due to high risk)
- **Around EUR 2.7 billion in total** (net of administrative costs) for market-driven financial instruments
- **One Debt instrument; one Equity instrument; Accompanying measures**
- At least 1/3 of the budget to support **RDI-driven SMEs and small midcaps**
- **Top-up budget**, from other parts of Horizon 2020 or the Multiannual Financial Framework, possible for policy-driven financing facilities addressing specific policy needs (i.e. the SET Plan implementation)

# FI: Principles and Implementation

- Continue and refine proven facilities that have supported R&I in 2007-2013: **RSFF, RSI, GIF-1**
- Continue to run facilities in a demand-driven way (no earmarking; "**first come, first served**"), coupled with targeted awareness-raising
- Encourage **top-up funding** to target sectors/policies ("policy-driven")
- Keep focused on **attracting private investments**
- As now, Implementation via **entrusted entities** (EIB/EIF/other IFIs) (NB: exploratory talks with other financial institutions)
- As before, selected financial intermediaries after **open calls for expressions of interest** launched by entrusted entities
- Complementarity with other FIs in particular **COSME**

## ➤ Debt finance

- **Loans Service for R&I ("RSFF II"):**  
Loans and guarantees for investments in Research & Innovation; targeted at midcaps, larger companies, research institutes, stand-alone projects, PPPs, other entities; particular approach for innovative midcaps; loan amounts above EUR 7.5 million ; direct and indirect implementation. [*budget 2014-2015: around €200 million (\*)*]
- **SME & small midcaps R&I Loans Service ("RSI II"):**  
Loan guarantee facility for loans to research-intensive and innovative SMEs & small midcaps; loan amounts between EUR 25,000 to 7.5 million ; indirect implementation (banks; guarantee societies ; ...) [*budget 2014-2015: around €160 million (\*)*]

*(\*) subject to budget availability/final allocation decision*



# FP7 RSI results (as of 31/12/2013)

As of 31-December-13

#	RSI - Financial Intermediary Names	Country	Guarantee Amount (EUR m)	Signature date
1	Unicredit Bank Austria	Austria	60.0	03-Oct-12
2	Ceska Sportelna (Erste)	Czech Republic	45.0	08-Nov-12
3	ABN Am ro	Netherlands	60.0	26-Nov-12
4	Bankinter	Spain	60.0	27-Nov-12
5	AIB	Ireland	40.0	28-Nov-12
6	Banco Popolare (joint application - 2 FIs)	Italy	60.0	07-Dec-12
7	Cassa Di Risparmio di Cento	Italy	20.0	07-Dec-12
8	Deutsche Bank	Germany	60.0	23-Jan-13
9	Komerční banka	Czech Republic	50.0	15-Mar-13
10	BPI	Portugal	30.0	17-Apr-13
11	Bank Pekao	Poland	40.0	27-May-13
12	BPCE (joint application - 17 FIs)	France	125.0	24-Jun-13
13	Credito Valtellinese Group (joint application - 4 FIs)	Italy	50	24-Jul-13
14	Raiffeisen Leasing Polska	Poland	30	31-Jul-13
15	Halkbank	Turkey	50	17-Sep-13
16	Bpifrance financem ent	France	80	25-Sep-13
17	Sparbanken Öresund AB	Sweden	17.5	09-Oct-13
18	Bankinter (increase)	Spain	20	15-Oct-13
19	Alba Leasing	Italy	60	17-Oct-13
20	BES	Portugal	80	24-Oct-13
21	Deutsche Bank PBC	Poland	25	29-Oct-13
22	FiBank	Bulgaria	7.5	08-Nov-13
23	BPI increase	Portugal	50	18-Nov-13
24	IKB Leasing	Hungary	25	26-Nov-13
25	Unicredit Bank Austria (increase)	Austria	20	06-Dec-13
26	Komerční banka increase	Czech Republic	30	06-Dec-13
27	AWS (counter-guarantee)	Austria	11.5	13-Dec-13

Total Signed

#	Countries covered*
1	Austria
2	Czech Republic
3	Germany
4	Ireland
5	Italy
6	Netherlands
7	Poland
8	Portugal
9	Spain
10	Turkey
11	France
12	Sweden
13	Hungary
14	Bulgaria
15	Slovakia
16	Croatia
17	Estonia
18	Denmark
19	Switzerland

\* including applications in process

Regular update on EIF's Website:  
[http://www.eif.org/what\\_we\\_do/guarantees/RSI/Rsi\\_intermediaries.htm](http://www.eif.org/what_we_do/guarantees/RSI/Rsi_intermediaries.htm)

## RSI EXAMPLE: ZETA BIOPHARMA (AUSTRIA)



- **Zeta Biopharma**: a plant construction company in Austria with **237 employees** providing process technology for biopharmaceutical applications by supplying global pharmaceutical companies with individually designed plants
- The company is one of only two in Europe to use freeze and thaw containers for storage and transport of substances for the pharmaceutical industry. These liquids can be frozen in a controller storage facility for years and are often sent to markets worldwide.
- The working capital loan covers Zeta's high working capital requirements during the long lead times in plant engineering and manufacturing. It helps the company to implement additional R&D projects and to achieve faster growth.
- RSI Intermediary: **UniCredit Bank (Austria)**
- Loan Amount: **EUR 2.5 million**

## ➤ Equity finance

- **Early stage finance** for innovative enterprises (notably seed and start-up companies); limited growth-stage finance also possible together with COSME ; indirect implementation (i.e. via VC funds mainly) / ("**GIF 1.2**") [*budget 2014-2015: around €75 million(\*)*]
- **Pilot facility for technology transfer** (*under development*) to bring R&D results from public research organisations and universities to the market (licensing; creation of spin-off companies) ("**TTFF**") [*budget 2015; around €60 million(\*)*]

*(\*) subject to budget availability / final allocation decision*

## ➤ "Top-up"/policy targeted contributions (2014-2015)

Principle: additional budget coming from another part of Horizon 2020, another EU MFF programmes, ...

### • Under Debt facilities

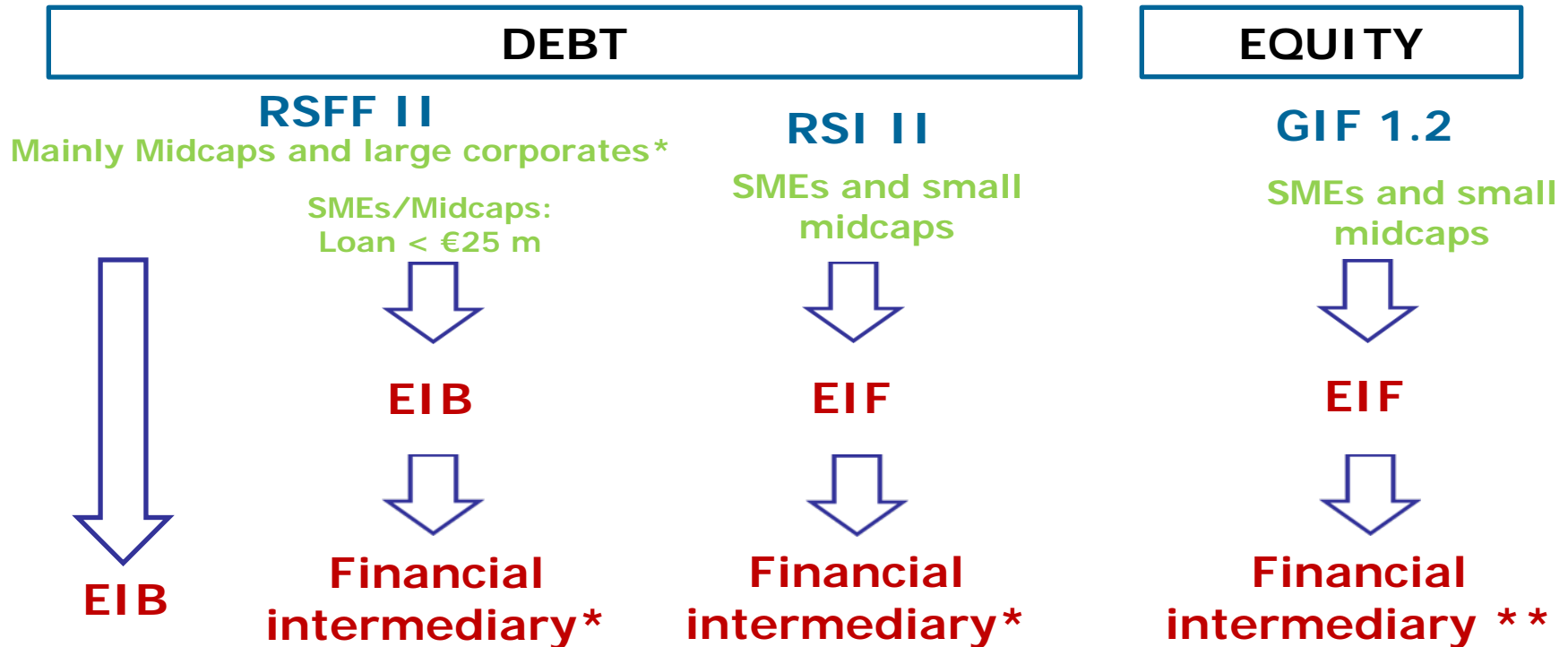
- Climate-Change Window (from LIFE) (2014-2015) (€20 million / year)
- *Joint Guarantee Instruments for R&I-intensive SMEs and Small Midcaps ("SME Initiative") (ESIF-COSME-H2020) (2014-2016) (up to €60 million / year) [TBC]*
- *First-of-a-kind, commercial-scale industrial demonstration projects in the field of competitive low-carbon energy (2015 – tbc) (p.m.) [TBC]*

### • Under Equity facilities

- Piloting Co-Investments by Business Angels in Innovative ICT Firms (2015) (€15 million)

**Nota Bene:** subject to agreement of relevant governing bodies (like related H2020 programme committees; individual MS decision regarding SME initiative)

## H2020 FI - whom should companies contact? (starting phase)



\*Bank or a financial institution selected on the basis of the call for expression of interest that signed an agreement with the EIF

\*\*Fund selected on the basis of a call of expression of interest that signed an agreement with the EIF

\*All entities will be eligible also PPPs, universities, research infrastructures, etc, provided they can borrow money



# Links to other EU programmes: COSME

*Horizon 2020 and COSME are complementary programmes to generate growth and jobs*

## **Different focus:**

- Horizon 2020 = innovation-driven growth
- COSME = support to create favourable business environment and competitiveness

## **Closely coordinated with for instance:**

- Complementary financial instruments (debt and equity), with facilities in both programmes serving complementary objectives
- Enterprise Europe Network set up under COSME, but support to SMEs for EU funding



# More information

## ➤ FP7 Financial Instruments

### ❖ RSFF

<http://www.eib.org/products/rsff/>

### ❖ RSI

[www.eif.org/what\\_we\\_do/guarantees/RSI/index.htm](http://www.eif.org/what_we_do/guarantees/RSI/index.htm)

## ➤ EU Access to Finance

### ❖ Specific portal

[www.europa.eu/youreurope/business/index\\_en.htm](http://www.europa.eu/youreurope/business/index_en.htm)

## ➤ Horizon 2020

❖ <http://ec.europa.eu/programmes/horizon2020/en/what-horizon-2020>

## ➤ Horizon 2020 – Access to Risk Finance WP2014-2015

❖ <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/access-risk-finance>



# HORIZON 2020

**Thank you  
for your attention!**

**Find out more:**  
[www.ec.europa/research/horizon2020](http://www.ec.europa/research/horizon2020)





# Background slides



# Background slides:

# Midcaps

## *parenthesis* **How do we define 'midcaps'?**

### ❖ **small midcaps** *working definition*

- **250 to 499 employees in full-time equivalents**

### ❖ **medium & large midcaps** *working definition*

- **500 to 3000 employees in full-time equivalents**

## **facts on 'innovative midcaps'** *PWC report*

- **NACE-based definition used – autumn 2012 data**
- **ca. 28 000, of which half bringing innovations to market**
- **these 'active innovators' employ over 9 mn people**
- **Germany, UK, France ... Austria, Belgium, Spain, Sweden**
- **most are small midcaps, but the most demand for finance comes from medium & large midcaps**



# Background slides:

**State of play of RSI (Risk-Sharing Instrument)  
pilot under FP7**



# SMEs and Small Midcaps

## Who or what is eligible for a loan?

- Loan is for **investments in R&I with significant technology or application risk**  
*or*
- Loan is to a **"fast-growing" R&I-driven enterprise**  
(meaning >20% p.a. in growth or employees over last 3 years)  
*or*
- Loan is to an **"enterprise with significant R&I potential"** —  
which means what, practically?
  - ❖ **Catalogue of criteria — just one must be met (below)...**

**\* Actual criteria, subject to fine-tune**

## ***"Enterprise with significant R&I potential"***

- Expenditure in **innovation** in last balance-sheet is at least **20%** of loan volume
- At least **90% of loan is earmarked in business plan** over next 2 years for R&I expenses or investment
- Firm awarded **grants, loans or guarantees from EU or national R&I support schemes** within last 2 years
- Firm awarded an **innovation prize** within last 2 years
- Firm registered a **patent** within last 2 years
- Firm has been invested in by **high-tech VC fund**
- Firm is based in **science, technology or innovation park**
- Firm received **tax benefits linked to R&I** investment within last 2 years

## Status of RSI implementation (as of 31/12/2013)

- **47** applications (including **4** increase)
  - **44** for the direct guarantee
  - **3** applications for the counter-guarantee
- **27** guarantee contracts signed
  - covering **14** countries
  - for a total guarantee amount of EUR **1,206** million
- Enabling > EUR 2,5 bn of loans/leases to innovative SMEs and small mid-caps
- **14** guarantee contracts under process (including **5** new countries not yet covered by RSI)

# Supporting “Innovative SMEs and Small Mid-Caps”

As of 30/09/2013

Eligibility criteria	Nbr Transaction	Committed Amount in EUR
1 - Innovation products/processes	129	70,571,360.50
5 - Innovation support	76	59,436,005.14
3 - Innovation expenses	52	27,799,005.39
10 - Innovation tax credit	29	17,372,223.34
2 - Fast-growing enterprise	28	14,137,203.29
4 - 90% R&D and/or innovation	20	13,863,056.36
7 - Patent	13	12,697,391.97
6 - Innovation prize	12	11,320,160.00
9 - Techno park	22	10,486,918.14
8 - Investment from a venture capital fund	1	650,000.00
<b>Grand Total</b>	<b>382</b>	<b>238,333,324.14</b>

Committed Amount to SMEs per RSI criteria

