



EUROPEAN COMMISSION
 DIRECTORATE GENERAL FOR RESEARCH & INNOVATION
 DIRECTORATE GENERAL FOR ENTERPRISE & INDUSTRY

3rd Shadow Programme Committee meeting on Horizon 2020 SMEs and Access to Risk Finance,
12 November 2013, Brussels

1. Introduction and welcome

The co-chair, Director Clara de la Torre (DG RTD) welcomed governmental experts to the third meeting of the Horizon 2020 Shadow Programme Committee on SMEs and Access to Risk Finance. The agenda was adopted.

Clara de la Torre reminded participants that all questions asked during the previous session and those submitted by email had been taken into account and that the updated versions of the WPs as well as the minutes of the previous meeting were sent to the participants on 29 October. As an addition to the minutes, Clara de la Torre stressed that the SME Instrument will be dealt with in specific configurations of the Programme Committees as far as the calls are concerned, though the Horizontal Committee will be responsible for strategic matters. This Committee on SMEs and Access to Risk Finance could have a monitoring role.

She recalled that the indicative agenda for the approval of the Horizon 2020 package was the following: November (plenary session between 19-21 November)- vote in the Parliament (MFF was adopted by the Parliament on 19 November); currently the Research Working Party of the Council is finalising the Specific Programme; 11 December- adoption of the 2-year Work Programme by a single Commission decision and publishing of the calls for proposals. There will be a certain degree of flexibility that will allow some modifications for the second year as the budgetary procedure for 2015 was not ready yet.

2. WP 2014-2015 - Access to Risk Finance

Jean-David Malo and Steve Rogers answered questions of Member States that were submitted to the Commission by email. Questions were grouped in thematic categories. Main points raised were:

Financial Instruments

Financial instruments under Horizon 2020 and COSME will be complementary to each other, in view of which they will be able to provide financing to both innovative and non-innovative 'risky' SMEs. This will be strengthened by the establishment of common and/or coordinated governance structures, as follows:

-GOVERNANCE-

- A single Equity Steering Committee (successors to GIF-1 and GIF-2, plus TT Financing Facility).

- A Steering Committee for COSME's Loan Guarantee Facility, succeeding CIP's SMEG.
- A single Steering Committee for the successors to RSFF and RSI.

The aim of the SME Initiative on the other hand is to ensure complementarity and at the same time avoiding gaps and duplication of support. Some details, notably regarding European Structural & Innovation Funds (ESIF) are subject to ongoing negotiations between the various parties concerned.

Financial instruments under Horizon 2020 will be a continuation and refinement of the financial instruments under FP7, and the order of magnitude of budgets, projected over seven years, is broadly the same as currently.

Loan Service for R&I (RSFF II)

Currently we have a confirmed in-principle top-up in the area of energy for the first-of-a-kind demonstration projects (for 2015). No specific budget has been decided yet, and some additional work is needed to define which projects could be supported. The sub-facility concerned will support the SET-Plan's activities and the text describing the in-principle top-up will be exactly the same as the one in the Energy Work Programme. Other areas besides energy can have the same sort of sub-facility if they wish to provide a top-up from the respective budgets.

The selection and the eligibility criteria for intermediaries will be part of the Delegation Agreement. As soon as the content of the Delegation Agreement has been finalised, a detailed presentation will be made to the members of the Programme Committee.

All kinds of entities will be able to apply for funding under RSFF II and 'other entities' stand for those that are not a midcap, a large company or university.

SMEs & Small Midcaps R&I Loan Service ('RSI II')

Eco-innovation will become a focus area only if the agreement on a clear definition that can be used without undue effort by loan officers in intermediary banks is reached.

Intermediaries will be obliged to pass on the full benefit of their participation in the facility to final beneficiaries.

Funding and reporting processes will be defined in the agreements between the Commission and the EIF and between the EIF and the intermediaries. The first calls for expression of interest are expected to be published in early 2014, depending on the progress of the negotiations with the EIF.

Climate-Change Window under RSI II

A top-up is foreseen in the area of Climate Change, where the LIFE programme intends to allocate, subject to the adoption of its first work-programme, a ringfenced 20 M EUR in 2014 and further 20 M EUR in 2015 for the support of SMEs and small midcaps active in the climate change mitigation and adaptation field.

Participation is at the moment restricted to the 28 Member States. In principle, the LIFE Regulation offers the opportunity for EFTA countries, candidate countries, potential candidates and countries to

which the European Neighbourhood Policy applies, plus countries that are members of the European Environmental Agency to participate if providing funding to LIFE.

Joint Guarantee Instruments for R&I-Intensive SMEs & Small Midcaps ('SME Finance Initiative')

The European Council during its meeting in October again supported the SME Initiative but in order to introduce this initiative the legal base of ESIF needs to be modified. Currently a new Article 33 bis is being negotiated in the trilogues. The particular issue at stake is the specific agreement on the implementation which would be at the level of MS and not as it is now at the level of regions. It will require a derogation to the general principle.

The maximum contribution from the ESIF is foreseen at the level of 8.5 bn EUR in total. The contributions from COSME and Horizon 2020 had undergone a small adjustment and were set at the level of 180 M EUR for 3 years, for each programme translating into 60 M EUR per year. If the initiative is not implemented, the Horizon 2020 provision will be reallocated to RSI II .

Equity Facility for R&I ('GIF-1.2')

Multistage funds will be invested into together with COSME.

Piloting Co-Investments by Business Angels

50% of the funding will be ringfenced for ICT firms and the remaining 50% will be demand driven. The focus is put on ICT due to the fact that there will be funding from the ICT line under LEITS. If the validity of the idea is demonstrated, other KETs are likely to join.

A selection process for the entrusted entity to manage this pilot has not been envisaged at this stage as negotiations are just starting with the EIF. According to the Financial Regulation no public call is required, therefore cooperation with the EIF is foreseen due to its experience in the angels field and its geographical coverage.

External expertise

Assessing the Investment Potential of SMEs Emerging from Phase I of the SME Instrument

SMEs that enter the SME Instrument scheme directly at Phase II or that progress to Phase II before the end of 2014 can also be considered. However, the priority for 2014 will be SMEs emerging from Phase I.

Technical and Financial Advisory Service for Risk Finance in R&I

Support will be given via the expertise of the EIB to prepare very ambitious and large projects. The aim is to help the stakeholders make their programme financially viable and prepare a sound business plan. In principle stakeholders in such projects can benefit from this expertise up until the stage before the loan is signed.

Studies

The deadline for both the two Calls for proposals will be 15 April 2014.

The number of projects to be selected has not been set. It may be one project if it can provide the whole spectrum of activities requested but it can as well be several projects. Everything will depend on the quality of projects received.

Assessing the Potential for EU Investment in Venture Capital Funds-of-Funds

The suggestion from some governmental experts that the study's scope should include ways of helping ensure earlier and better exits for investors, especially in countries where capital markets are underdeveloped or stagnant, will be taken into account in the drafting of the Terms of Reference. The study will be launched as soon as is compatible with public procurement procedures.

3. WP 2014-2015 - Innovation in SMEs

The co-chair, Director Joanna Drake (DG ENTR) welcomed governmental experts to the 3rd meeting of the Horizon2020 Shadow Programme Committee for the afternoon session. She reminded of the result from the second meeting, recalling the budget distribution for Innovation in SME. In response to written comments from some delegations information about the scope of the Committee and coordination activities with ESIF, was provided.

Development of the scope of work of the Committee:

With respect to the SME instrument the Commission proposed in the horizontal configuration:

1. The Horizontal Configuration has a strategic responsibility for horizontal aspects, including the SME target, which in turn includes the SME instrument.
2. The different thematic committees of the societal challenges and LEIT areas are responsible for decisions on topics for which the SME instrument shall be applied.
3. This committee will have a monitoring role on the implementation of the SME instrument.

With respect to EUREKA / Eurostars:

The Initiatives based on article 185 and 187 TFEU are not subject to comitology as they are subject of separate legislative processes. As it has been the case under FP7, this committee will be informed about all significant development regarding EUROSTARS.

Coordinating activities with the European Structural and Investments Funds:

There are no concrete activities, but two opportunities. DG REGIO is going to publish 'Guidelines' for coordinated funding with ESIF with other European Programmes. This is an important opportunity for example to better integrate the Enterprise Europe Network project in the regional business support.

SME proposals for phase 2 of the SME instrument that could not be funded should receive a "label of excellence" that should encourage national / regional programmes to take into account the positive evaluation results made in the context of evaluation for SME instrument and the results of the phase

1. Opening a door within national structural funds for those awarded this label of excellence would be a lighthouse project to enhance SME innovation support.

IMP³rove and the objective to 'Enhance SMEs' innovation management capacity' – presentation (Sven Schade) and discussion of scoping paper

The presentation is attached as annex to the minutes.

The scoping paper sent to delegates 2 week before the meeting included detailed information about the IMP³rove – Innovation management tool, and information about significant direct grant for 2014-16 to the IMP³rove Academy.

The presentation was focusing:

- on the short history of IMP³rove, the ownership of the tool
- on the uptake of IMP³rove in Member States and contributions to a better understanding of SME innovation
- on the concept of the IMP³rove Academy:
- on realising synergies between the IMP³rove Academy and the services of the Enterprise Europe Network.

Questions and comments: Written contributions were received from several delegations that recommended not to make IMP³rove a compulsory tool for assessing innovation management capacity in the Network, but to allow alternatives. Questions focused on the capacity building environment for the key account managers (PT and AT), the use of and access to the CEN standard (DK and NO), the data protection and possible data exchange with other benchmarking system (DK) and the time-frame of a commitment to IMP³rove and method to identify tools for the network. (AT)

The Commission explained that alternative assessment tools already introduced in the Member States could be proposed for the services by the Network if they assess innovation management performance as in CEN / TS 16555-1. The IMP³rove assessment tool is primarily an offer to the regions / Member States that have no tools in use and have a need to develop capacities and skills. In this light the IMP³rove Academy shall use the proposed direct grant to provide access free of additional charges to assessment tool, supporting services and trainings for network partners intending to utilise the IMP³rove tool. Other network partners not using IMP³rove but already established tools in the regions might participate in trainings within the given capacities and at conditions to be defined.

The IMP³rove Academy founded as a separate, not-for profit legal entity by two of the original project Partners (AT Kearney, Germany and APRE, Italy) shall receive a license from the owners of the IP-rights (EC 75%, AT Kearney 19% and Fraunhofer 6%) and is entrusted with the management of the database according to highest data protection standards and the provision of training environment. The IMP³rove Academy shall provide licenses for different users, which might include, if technically feasible, exchange of benchmarking data. The initial time-frame is set for two years, giving the possibility to establish a learning system. After 2 years, in 2016 there will be enough experience to reassess and re-calculate possible future grants to further develop the system. A commitment for 7

years was currently not practical as the IMP³rove Academy is in effect a not-for-profit start-up and future needs are difficult to assess.

The Commission will make accessible essential and necessary information from the latest CEN/TS 16555-1 call for proposals.

At the end of the discussion Joana Drake asked the Committee opinion on the proposed action. There was no further question or expression of objection, thus the action was considered as accepted by the Shadow Programme Committee.

Cluster facilitated projects for new industrial value chains – Marco Malacarne

The presentation is attached as annex to the minutes.

The purpose of the presentation was to share the EC vision for INNOSUP 1 call. MS delegations had requested the Commission to further explain the concept of new industrial value chains and emerging industries.

Three major elements of the concept were presented by Marco Malacarne:

- clusters help bring different competences together to address specific challenges and boost economic growth.
- innovations are no longer based only within individual firms, sectors or regions, but are cross-cutting.
- new industrial paradigms may evolve from cross-sectoral collaboration and innovation that may give rise to emerging industries

Questions and comments: Concentrated on the Cluster Cooperation Platform registration (BG), the number of projects going to be funded (SE, DE) and the financial aspects (HU) of this scheme.

The Commission responded that:

The issue whether or not to focus support on any specific cross-sectoral domain has yet to be agreed. The alternative is to maintain the same thematic-sector openness that has been followed so far under earlier similar support actions (under the CIP Programme). Final design will be influenced by ongoing actions under CIP where a number of promising emerging sectors (mobile/mobility, service innovation, eco-innovation) had been identified.

Registration on the Cluster Cooperation Platform is not obligatory, the goal is not to create champions in advance. Thus the proposals need to be convincing, ambitious and serious. Proven excellence in cluster management might support such claims. The proposals need to demonstrate their collective business plan. The call with a planned budget of 24.9mio € should aim at funding 5-7 projects, each involving several regions and a significant number of SMEs (the main beneficiaries)..

Additional funding for example from regional European Structural and Investment funds shall not be a pre-condition for support under this action but it would show to evaluators that the proposal

enjoys the commitment of the participating regions. These matters should be further discussed at the next PC meeting.

Presentation of changes to WP – Sven Schade

The purpose of the presentation was to inform the Member States delegates which changes had been made in the WP since the 2nd meeting, and answering MS written questions and comments.

The presentation is attached as annex to the minutes.

Questions and comments:

Questions of the delegations related mainly to the SME instrument, in particular the division of available funds between phases (UK), young entrepreneurs (FI) and start-up eligibility (PT), the calculation and award of lump sums (FI, RO), on the budget on the coaching scheme (NO, AT, UK), (SL) and on the possibility to subcontract services during phases 1 and 2 (FI).

With respect to other actions UK and FI requested information on a budget division between IPR-helpdesk, IPorta II and the European Label for Voucher programmes (UK, FI) on the funding of the advisory group and its composition (AT, SL), and the possibility to extend the coaches community (INNOSUP 9) to Key Account Managers.

Sven Schade for Commission explained that the budget for the actions related to IPR and innovation vouchers is put together in order to have some flexibility, to be able to answer the quality of proposals. The IPR-helpdesk currently receives 1 million€/year, that will be the earmark, and for the European label for innovation voucher programmes an initial estimate is 0.9 million€. The remaining would initially be foreseen for IPorta which might undergo however still some revision to increase impact.

Bernd Reichert, DG RTD, responded to the questions related to the SME instrument:

The template provided in the “Innovation for SMEs part” is the master other parts of the work programme will use as well. Differences will only occur in very exceptional cases. As discussions at the very detailed level are still ongoing, small changes might still occur, however the overall content of the template is stable.

The SME instrument is 70% funding and the cut off dates are already inserted in the WP. The only exception foreseen so far will be the Societal Challenge “Health”, which intends to use the 100% funding rate.

The funding in phase 1 will be reimbursement in form of a lump sum amounting to 50.000 €. Applicants will not have to justify this amount but will have to be able to present the output related to the activities envisaged under phase 1 (feasibility and viability studies, including e.g. market and IPR analyses).

The available budgets will split into 10% for phase 1 and 88% for phase 2. 2% shall be dedicated to Phase 3 activities, where applicable, and coaching. This will allow to have a sufficient number of companies in phase 1 while guaranteeing a relatively high success rate between phases 1 and 2

(around 30%-50% depending on the number of applications directly submitted into phase 2). Of course these figures are indications to start the SME Instrument with and might change depending on the actual evolution. The overall amount available for the SME instrument is 251 M€ in 2014 and 265 M€ in 2015.

The Coaching scheme will be available in both phase 1 and 2. The call for expression of interest is foreseen for January 2014 at the latest.

Sub-contracting is allowed both in phase 1 and phase 2. No specific selection procedures are required, but the SMEs will need to provide a short justification for the choice of a specific sub-contractor or describe the envisaged process to choose one at a later stage of the project.

Although start-up companies are eligible for the SME instrument, the envisaged target group are companies with a high potential to grow and internationalise, which – depending on the industry sector – are often companies being for quite some time in business and having reached a critical mass allowing for and sustaining higher growth rates.

The advisory group is primarily advising the Commission on subjects related to the establishment of the work programmes. A call for expression of interest was published earlier in 2013 from which the Commission made a selection based on the personal expertise. An informal preliminary meeting took place on 30 September, but the formal work of the group will only start in January. Compositions and mandates are currently submitted for publication on the respective websites of the Commission.

4. Final remarks and next steps

Clara de la Torre asked the Committee for the informal opinion of the Shadow Programme Committee members on the text of the Access to Risk Finance Work Programme 2014-15. A positive opinion was expressed without any further comments. A formal opinion by written procedure will be requested after the texts have been revised by lawyer linguists (content will not change) and adopted by the Commission. The precise timing for seeking this formal opinion is not known at the moment but it can be expected that it will be at the beginning of January.

At the end of the meeting Joana Drake asked the Committee for the informal opinion of the Shadow Programme Committee members on the text of the Innovation in SMEs Work Programme 2014-15. Agreement was given without any further comments. A formal opinion by written procedure will be requested after the texts have been revised by lawyer linguists (content will not change) and adopted by the Commission. The precise timing for seeking this formal opinion is not known at the moment but it can be expected that it will be at the beginning of January.