Factsheet: SMEs in Horizon 2020

Small- and Medium-sized Enterprises (SMEs) are encouraged to participate across Horizon 2020. They can participate in collaborative projects as part of a consortium and benefit from support via a dedicated SME instrument, designed specifically for highly innovative smaller companies.

Horizon 2020’s integrated design and specific features supporting simplification should lead to a minimum of 20%, or about € 8.33 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, around € 3 billion will be allocated to the SME instrument¹.

The SME instrument

The new instrument aims to fill gaps in funding for high-risk mature research by SMEs as well as to stimulate breakthrough innovation. It provides easy access with simple rules and procedures. It is used across all Horizon 2020 societal challenges and the enabling and industrial technologies specific objective. It encourages 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 are able to apply for funding. Even a single company can apply and receive support, helping market relevance and go-to-market prospects of project results. The companies themselves can decide how best to organise their respective projects and choose with whom to collaborate, including with subcontractors if they lack in-house capabilities.

¹ All figures are quoted in current prices.
**How it works**

Support is provided in three different phases covering the innovation cycle.

Phase 1: a **feasibility part** allows 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.

Phase 2: 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.

Phase 3: the **commercialisation phase** is supported indirectly through the organisation of market-driven networking and training activities, supporting access to finance and access to customers. The support provided under phase 3 is offered in parallel to SMEs that already receive support under phase 1 or 2.

In addition, a coaching and mentoring scheme is open 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 is 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, promotes market-oriented transnational research activities of research performing SMEs in any field. The budget of the programme is set to 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 are actions that aim at developing and providing better innovation support services to SMEs, spanning fields like cluster and internationalisation support.
Financial instruments (equity and debt) support for 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, which is expected to translate into over EUR 10 billion in finance for R&I-driven SMEs.

Two financing facilities are available for SMEs and small mid-caps as part of a set of financial instruments 'InnovFin – EU Finance for Innovators' under Horizon 2020:

- **InnovFin SME Guarantee** enables loans, guarantees and other forms of debt finance to be extended to entities of all forms and sizes, notably research and innovation-driven SMEs, by selected financial intermediaries;

- **InnovFin SME Venture Capital** provides finance for mainly early-stage investments, with a particular focus on early-stage SMEs with the potential to carry out innovation and grow rapidly, through investment in selected funds.

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 by the European Investment Fund. 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)

is to support 100 close-to-market innovation actions with a budget of €200 million. Open to any type of legal entities, the FTI pilot is administered as a single, continuously open call until the last cut-off date on 25 October, 2016. Proposals must be under the specific objective "Leadership enabling and industrial technologies" and/or the "Societal Challenges". There is a total of three cut-off dates in 2016. Time-to-grant following each cut-off date is set at six months.

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2 Small Mid-caps are defined as enterprises, as defined in Article 1 of the Title I of the Annex of the Commission Recommendation 2003/361/EC where the following cumulative conditions are fulfilled:

a. They have a number of employees up to 499 where the staff headcount is calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation 2003/361/EC;

b. They are not micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC.