

Position Paper

UEAPME¹ position on future Innovation and R&D Programme Horizon 2020 – the main concerns of innovative Crafts and SMEs in Europe

General comments on Horizon 2020

Many documents from the European Commission and independent experts demonstrate that Europe is not suffering from lacks in research, especially not in fundamental research, but Europe is not able to transfer the results of its excellent research into innovation, which translates into insufficient competitiveness, lack of growth as well as lack of employment.

The European Union will not overcome these deficits without exploiting the innovation potential of Europe's small and medium-sized enterprises. The HORIZON 2020 programme proposed by the European Commission has the potential to improve the competitiveness of Europe's economic and to strengthen sustainable growth and job creation, by starting from the needs of our society and from market ideas and covering all steps in the innovation cycle from ideas to market application.

UEAPME appreciates the stronger focus of the societal challenge and industrial leadership pillar in the proposed HORIZON 2020 programme on the impact for the society and the economy, but we would like to see also a more output oriented approach in the excellence pillar. Even fundamental research should keep its potential contribution to the solution of societal needs and economic welfare in mind.

UEAPME is especially pleased with the proposal for a specific SME instrument (SBIR type instrument), which covers the whole innovation cycle from the feasibility phase to market application and market introduction by using a demand-driven and market-oriented approach. The SME instrument should be used for all areas of societal challenges and enabling technologies. However, such a programme will only work and deliver results if it is properly implemented and adapted to the needs of innovative SMEs.

As regards the implementation of the SME instrument, UEAPME has reasonable doubts on whether the responsible Commission services will be able to achieve the stated goals and are willing to respond to the needs of innovative SMEs.

Therefore, UEAPME asks the European Parliament and the Council to ensure already during the current legislative process that the future regulations for Horizon 2020 answer the need of innovative SMEs:

- **The SME instrument needs a dedicated budget of 15% of the overall programme.**
- **The SME instrument needs a single management structure and a single entry point.**
- **The SME definition covers already 99.8% of all companies; no need to widen it.**
- **SME needs more flexibility between COSME and Horizon 2020 as regards the financial instruments**

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/regexp1/index.html).

1. The SME instrument needs a dedicated budget of 15% of the overall programme.

The current Commission proposal states that with the proposed “integrated” approach towards SMEs, the Commission expects that around 15% of the overall budget for societal challenges and industrial leadership pillar will go to SMEs. This means that the management structure of each of the numerous programme areas in each annual work programme will decide how much funds will be used to the SME instrument. In such a system, UEAPME sees the risk that not all management entities will give the needed awareness to SME projects. Furthermore, the implementation and the marketing of the new SME instrument will only make sense if the instrument is visible, can count on a defined share of the budget with a certain number of calls each year and a level of competition which avoids discouragement due to continued over-subscription.

Furthermore, the most recent report on the SME participation in the current FP7 shows that SMEs have reached 13.7% in the overall budget for FP7. This demonstrates that innovative SMEs are able to leverage the budget attributed to them in the programme, if the implementation tools are adequate for SMEs. Therefore, UEAPME ask for a dedicated budget for the SME instrument of 15% of the overall programme.

2. The SME instrument needs a single management structure and a single entry point.

The SME-specific instrument will be used for all societal challenges and enabling technologies. These different areas will be managed by different management structures and / or agencies. If the newly designed SME instrument is implemented by every management structure or agency in its own way, the instrument will be neither coherent nor transparent for SMEs.

The only chance to ensure a coherent and accessible implementation of the SME instrument over all societal challenges and enabling technologies is to charge one single management body (i.e. an agency) with the implementation of the SME instrument for all the different areas.

Such a single management structure will allow a single entry point, transparent procedures and coherent rules. Furthermore, a single structure is also the precondition for a market and idea driven bottom-up approach, because the management will be able to guide a project in the right direction.

3. The SME definition covers already 99.8% of all companies; no need to widen it.

UEAPME is aware that there are several attempts by different groups to change the SME definition used for Horizon 2020. Large enterprises are lobbying the Commission to delete the ownership criteria in the current definition, which would allow branches of multinationals to access SME funds. Furthermore, some industry branches and Member States want to increase the SME threshold up to 1000 to 2000 employees, to also allow the so-called “mid-caps” to access the SME funds and SME instruments.

UEAPME reminds that the current SME definition covers already 99.8% of all companies; a further increase of the thresholds would make the definition meaningless. However, if the legislator sees the need for a SME-type instrument or other measures for innovative “mid-caps”, it must be ensured that such support for these companies does not reduce the possibilities for real SMEs. Therefore, in such a case UEAPME would demand separate calls, call specifications adapted to the needs of such “mid-caps” and separate budgets for such calls.

4. SME needs more flexibility between COSME and Horizon 2020 as regards the financial instruments

The Commission proposal for COSME and Horizon 2020 says that SME loans up to € 150.000 can be supported by COSME and above this threshold loans for innovative projects can be supported by Horizon 2020. Even if the average SME loan supported by CIP is well below € 100.000, there are important guarantees, especially for business transfers and internationalisation, which covers loans significantly above the 150.000 threshold. Therefore, we see many discussions in the EP and at Council level to increase the threshold for COSME (up to 1 Million).

UEAPME also sees good reasons for a higher threshold for loans guaranteed by COSME, especially for business transfers and asks for more flexibility in the regulation to make it more adaptable to market needs – nobody knows what SMEs will need up to 2020. However, increasing the threshold for COSME and keeping the kind of separation between COSME and Horizon 2020, means that the lowest amount of loans for innovative projects will also increase to the same level. This means that most of the SMEs will not have access to FIs from Horizon 2020 anymore.

Therefore, UEAPME strongly demands to keep the system flexible and allow also in future loan portfolios of “normal” SMEs to be supported by guarantees from COSME and specific (riskier) portfolios with loans for innovative projects to be supported by guarantees from Horizon 2020. Furthermore, both types of portfolios can also be supported by structural funds at regional / national level.

Such a solution will not break the existing rules, because already now we have “normal” portfolios supported by CIP, “innovation” portfolios supported by FP 7 (Risk Sharing Instrument) and both can be supported by JEREMIE.

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