

European funding for innovative SME's



Horizon2020 - SME Instrument



Who can apply? (1)

- Exclusively for **small and medium-sized enterprises** (SMEs)
(employment < 250 and turnover ≤ €50m or balance sheet ≤ €43 m)
- Only „**for profit**” enterprises
- **No consortium required** (but allowed – with another SMEs)
- SMEs from the EU Member States or countries associated with the program H2020

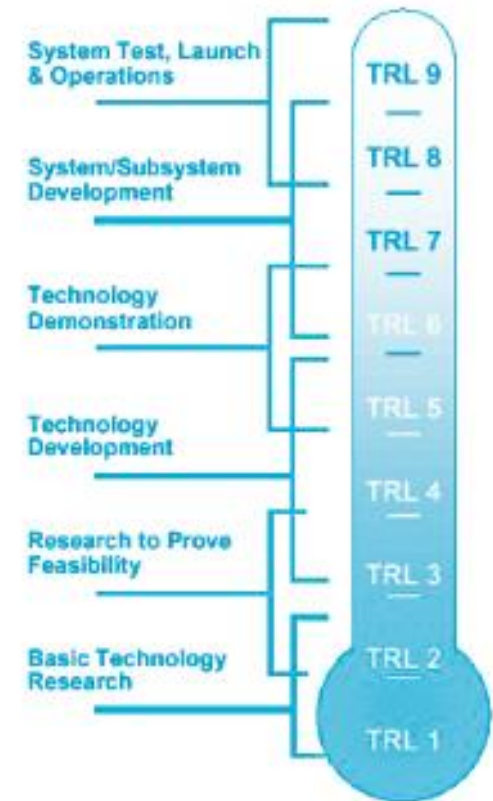
Who can apply? (2)

- **Innovative solution** – disruptive innovation, radical change on international market
- High growth potential companies, interested in implementing their innovations **on the European and international markets**
- Solution on **min. 6 TRL** (technology readiness level)

BIO Technology Readiness Level (TRL)

HORIZON

TRL	Definitions
TRL 1	basic principles observed
TRL 2	technology concept formulated
TRL 3	experimental proof of concept
TRL 4	technology validated in lab
TRL 5	technology validated in relevant environment
TRL 6	technology demonstrated in relevant environment
TRL 7	system prototype demonstration in operational environment
TRL 8	system complete and qualified
TRL 9	actual system proven in operational environment



PHASE 1

PHASE 2

COMMERCIALISATION



- **Phase 1: Feasibility study € 50.000 (70%, lump sum)**
 - **Result:** Business plan to market your innovation internationally
 - **Feasibility study:**
 - Market differences between countries
 - Market barriers
 - Stakeholder analysis
 - IP strategy
 - Best innovation scale-up strategy
 - **Duration:** 3 - 6 months
 - **Proposal:** Short project plan, 10 pages
 - **Succesrate:** +/- 10%



- **Phase 2: Execute business plan (max. 2,5 mln, 70%)**

- **Result:** Closer to the market
- **Overcoming market barriers:**
 - Demonstrations/pilots
 - Tweaking prototype
 - Scaling production
 - Involve value chain
 - Certification
- **Duration:** 12 - 24 months
- **Proposal:** Elaborate business plan, 30 pages
- **Pitch**
- **Succesrate:** +/- 5%



- 4 Calls yearly for both Phase 1 and Phase 2
- No limit on resubmissions
- 4 evaluators (2 business background, 2 technological)
- Criteria:
 - - **Impact (x2)**
 - - Excellence
 - - Quality en efficiency implementation
- Phase 2: Pitch in Brussels

1. EXCELLENCE

- Challenge and solution
- Approach

2. IMPACT

- Entering the market
- Business model
- Financing
- Intellectual Property Right (IPR) and legal framework
- (phase II) Communication and access to research data

3. IMPLEMENTATION

- Team
- Work plan – Work package and deliverable
- Resources

○ Challenge and solution

- Business needs, technological challenges, market opportunity
- Description of your innovation
- What is the market's state of the art.? → compare with available solutions

○ Approach

- What's unique in your solution
- Historical evolution of your category and recent trends on the market
- Current development stage – prototype, trials, pilot studies
- What do you want to achieve in the project
- Further stages to commercialization of your innovation
- (phase II): current TRL
- (phase II): which milestones led to the current development stage (PoC completed, early field trials under way?), results obtained on technological, practical and economical feasibility
- (phase II): Expected outcomes of the Phase 2 project, success criteria

- **Entering the market**

- Users/customers; relation with them (e.g. market survey, testing/feedback, letters of intent); unique selling point;
- Type and size of the market (e.g. niche,/high volume, new/mature, size: volume, value, geographical scope)
- Main direct and indirect competitors
- Barriers to entry; how to overcome them

- **Business model**

- Describe your value chain (suppliers & customers)
- What is your business model, including revenue model (phase II: + your commercialization plan with an approximate time-to-market)
- Why is your model scalable? How do you intend to scale-up and reach European and/or global markets?

○ **Financing**

- Company's ownership and capital structure
- Expected growth potential of your solution in terms of turnover, profit and jobs
- (**phase II**): Innovation's impact on company financials (profit/loss, turnover, cash flows), jobs, efficiency/ productivity improvement in 3 years following the project's launch
- Estimated funding requirements, plans to ensure subsequent financing (**phase II**: + timeline to reach the commercialization stage, how to finance the 30% cofinancing rate)

○ **Intellectual Property Right (IPR) and legal framework**

- Legal and regulatory requirements for exploitation of your innovation
- Description of your IPR assets, key knowledge items, strategy for knowledge management and protection
- Your measures to ensure commercial exploitation (freedom to operate)

- **Phase II: Communication and access to research data**
 - How will you publicly communicate about your innovation during the period of the grant
 - How will you manage/ exploit/ share the research data generated during project measures to provide open access to peer-reviewed scientific publications to result from the project

3. Implementation (1)

- **Team**
 - Describe your team & their achievements & experience
 - Describe roles of the team; role of the company's owners; main strengths and weaknesses of the team
- **Phase I: Work plan – Work package and deliverable**
 - One work package: feasibility study
 - One deliverable: feasibility report including a business plan
 - Work package description – objectives, description of work
- **Phase II: Work packages, deliverables, milestones, risks**
 - Overall structure of the work plan, timing of work packages, their components
 - Detailed work description (list of WPs, description of each WP, list of deliverables)
 - List of milestones, critical risks & mitigating actions

3. Implementation (2)

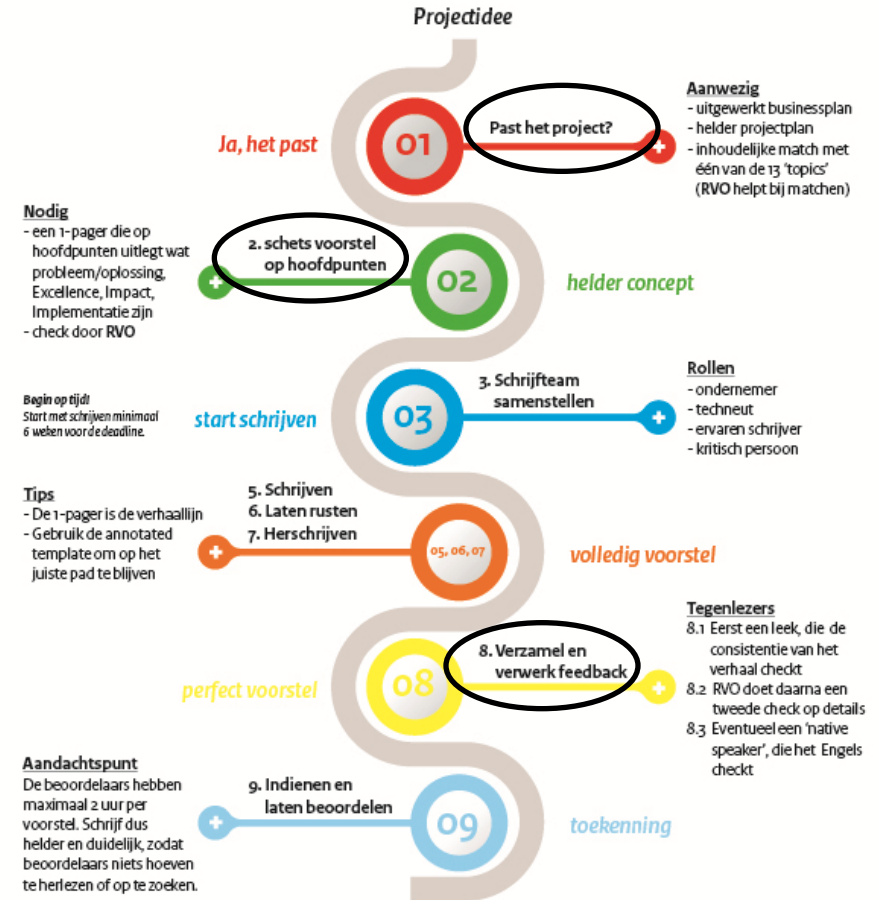
- **Resources**
 - Budget table
 - (**phase II**): Description of your resources, equipment, facilities required - how you will access them; summary of staff effort; "other direct costs" items

Cut-off dates in 2019

	Phase I	Phase II
2019	13 February	9 January
	7 May	3 April
	5 September	5 June
	-	9 October

<https://ec.europa.eu/easme/en/section/sme-instrument/how-apply>

- Intake: matching your project idea with European instruments and estimating your chance of succes
- Help to draft a solid project outline
- Tools, tips & tricks for writing
- Review concept proposals
- Practise phase II pitch at RVO
- Invite winners for exchange with newcoming SME



De succesfull company profile:

- The price pitchers
- The international innovators
- The science -wizards
- The spin-out of university /company

"We are looking for high growth, highly innovative SMEs with global ambitions that want to disrupt the established value networks and existing markets. You should be driven, actively investing in innovation, and looking to grow."

It's a good sign if your company is based in an innovation hub, has received grants or venture capital funding, received innovation-related tax benefits, or won an innovation prize in the last 2 years."

Is Fast Track to Innovation an alternative?

Similarities...

- 70% subsidy
- Same type of projects
- (but more often bigger demonstrations)



Differences...

- You need an international consortium (3-5 partners of 3 memberstates)
- Less money per participant (max. € 3 mil per project)
- Closer to commercialisation (TRL 6 → TRL 8)
- Different template en evaluationcriteria

An Enhanced EIC pilot for 2019-2020

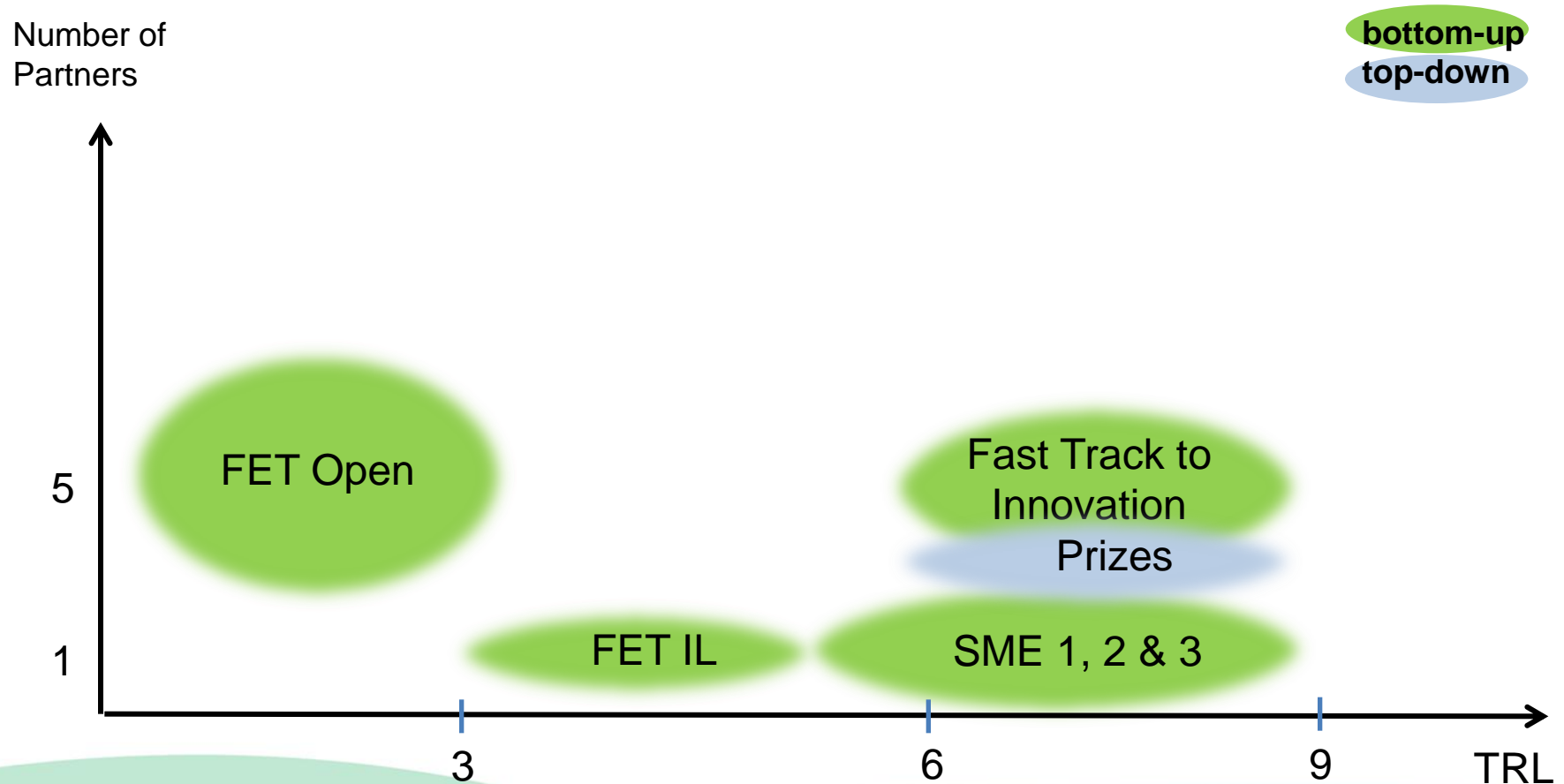
'The European Council invites the Commission to launch a new pilot initiative on breakthrough innovation within the remaining period of Horizon 2020. A European Innovation Council will be set up under the next Multiannual Financial Framework to identify and scale up breakthrough and disruptive innovation.'

European Council conclusions, 28 June 2018

Filmpje



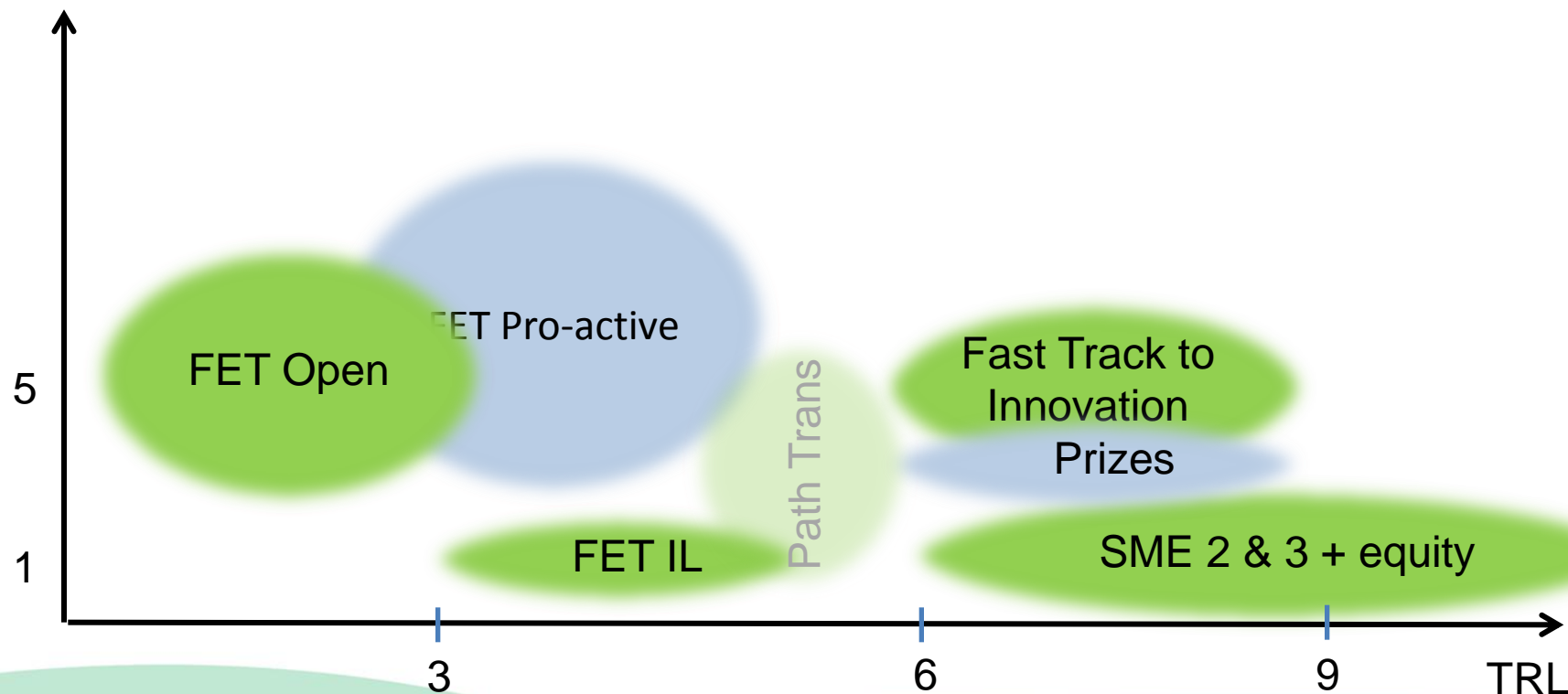
European Innovation Council 2018



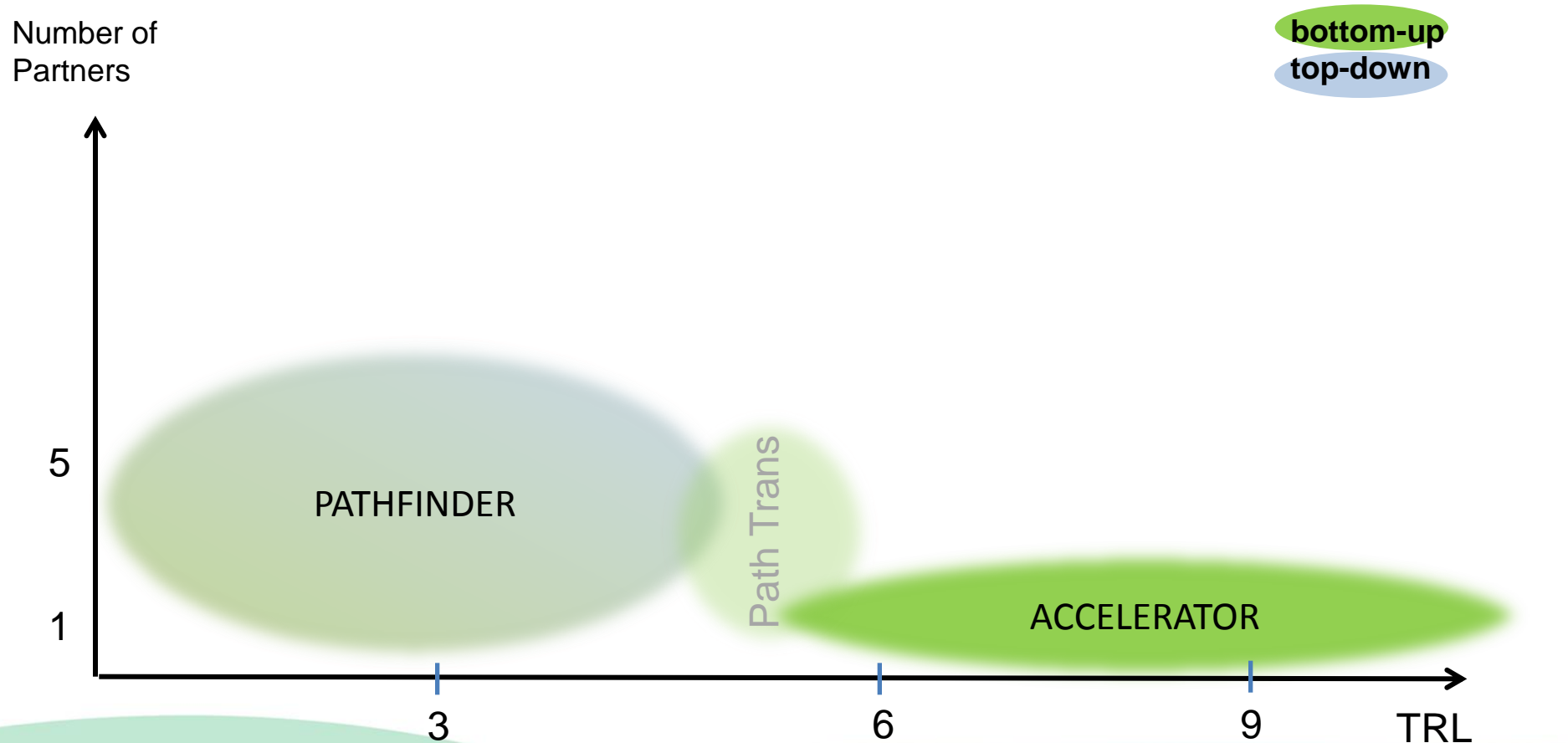
European Innovation Council medio 2019

bottom-up
top-down

Number of
Partners



European Innovation Council 2021



An Enhanced EIC pilot for 2019-2020

Main objectives of an enhanced pilot are to:

- 1.Support disruptive and breakthrough innovation**, complementing the longer term technological and sectoral strategies supported elsewhere in Horizon (e.g. Public Private Partnerships, EIT KICs) and generating impact from the support for breakthrough science (e.g. ERC)
- 2.Finance high risk innovations**, which are too high risk for private investors or for financial instruments (future InvestEU, current EFSI, InnovFin and VentureEU). Moreover, the EIC should generate a pipeline of projects and companies that are investable for InvestEU and/or private investors
- 3.Scale up the high potential innovative startups and SMEs in Europe**, which is not possible at Member State level, through providing higher levels of finance and connecting startups to EU wide ecosystems.

An Enhanced EIC pilot for 2019-2020

In order to achieve this, the EIC introduces **three main novelties**:

- 1. Reformed and simplified funding instruments**, designed for disruptive and breakthrough innovations from early stage (**PATHFINDER**) to development and scale up (**ACCELERATOR**).
- 2. Management, with a more flexible, pro-active approach** needed for high risk projects and fast moving technologies and markets.
- 3. Governance, with a EIC Advisory Board** to bring in leading innovators and create visibility.

An Enhanced EIC pilot for 2019-2020

1. **Reformed and simplified funding instruments**, designed for disruptive and breakthrough innovations from early stage (**PATHFINDER**) to development and scale up (**ACCELERATOR**).

The **Pathfinder**:

- from early tech to early commercial;
- provides grants to high-risk cutting-edge projects exploring new territories aiming at developing radical and innovative technologies;
- encompasses FET-Open and **FET-Proactive** (as they run today);
- Both **FET-Open** and **FET-Proactive** will also benefit from the **Business Acceleration Services**
- it is a grant only instrument.

TOPICS:

- ✓ Human-Centric Artificial Intelligence,
- ✓ Implantable autonomous devices and materials,
- ✓ Future technologies for social experience,
- ✓ Measuring the unmeasurable -- Sub-nanoscale science for Nanometrology,
- ✓ Digital twins for the life-sciences,
- ✓ The time of change,
- ✓ Environmental Intelligence.

In addition, an EIC Transition Activities Pilot is also foreseen, based on FET projects that have recently finished or are in the last year and have excellent innovation potential (specific areas to be determined).

An Enhanced EIC pilot for 2019-2020

1. **Reformed and simplified funding instruments**, designed for disruptive and breakthrough innovations from early stage (**PATHFINDER**) to development and scale up (**ACCELERATOR**).

The **Accelerator**:

- from early commercial to market deployment and scale-up;
- aims at promoting co-investment by initiating the financial support where market response is absent and/ or insufficient;
- encompasses the **SME Instrument** [Phase 2 and 3];
- it is a grant instrument with an **optional equity component** (at least € 100 million coming from Access to Risk Finance).

Under the current (and future) legal framework, there is a need for a new entity to manage and deliver the equity participation. Considerations with the EIB group are underway for the establishment of a **Special Purpose Vehicle (SPV)** by the summer of 2019.

To note:

- ✓ SME Instrument **Phase 1** will be discontinued as from 7 May 2019
- ✓ **SME Instrument Phase 2 first 2019 two calls will not have the equity option.**

✓ The **Fast Track to Innovation** and **Horizon prizes** schemes will continue **under 'Other actions' of the V&I**.
Research and Innovation

An Enhanced EIC pilot for 2019-2020

The **decision making process under the Accelerator** is as follows:

1. SMEs apply for support for either a grant (as currently, indicative funding of up to €2.5m) or a combination of a grant and an equity investment (grant component up to €2.5m, equity component up to €[10-15]m):
 - one pipeline/ entry point for proposals whether grant only or blended finance;
 - Adjustment of the award criteria to 33.33% for impact, 33.33% for excellence, 33.33% for quality and efficiency of implementation, to make way for the assessment of different levels of risk i.e. technological, financial, market, management, regulatory.
2. Initial decision by the EC (based on expert evaluation and interview panel recommendations) – 'Go/ No Go' decision
3. EC (agency) initiates grant agreement with SME [for blended finance, possible immediate release of grant component];
4. Based on 'Go' decisions SPV team(s) will start full due diligence process;
5. SPV manager will report the result of the due diligence to the Commission and submit the investment package to the SPV governance for approval.

Structure of the SPV:

As far as (Luxembourgish) fund structures are concerned the options are: a Specialised Investment Fund (SIF), an Investment Company in Risk Capital (SICAR) or a Reserved Alternative Investment Fund (RAIF). Ideally the SPV should be established as a vehicle that has the legal ability to establish fully segregated and ring fenced pool of assets within a single fund structure (umbrella fund).

An Enhanced EIC pilot for 2019-2020

2. **Management, with a more flexible, pro-active approach** needed for high risk projects and fast moving technologies and markets.

Top-minds* with a sense of urgency and committed to making an impact

selected from multiple spheres (universities, companies, laboratories, research organisations, etc.) professionals with visionary thinking, leadership skills, sense of financial/ budgetary responsibility, technical expertise and communication skills. However, some nuances would be added to the role and mandate of the Programme managers so to guarantee the key final decisions (portfolios, budgets, decision to stop a given project, etc.) are always taken by the Commission.

*3 to 5 Programme Managers

'Hands on' role involving the daily management of projects and portfolios at all their stages

In the Pathfinder, the Programme managers main tasks would be to constitute and steer tech- or challenge-based portfolios of projects. The Accelerator would also rely on their expertise to ensure the fastest scaling up possible.

An Enhanced EIC pilot for 2019-2020

3. Governance, with a **EIC Advisory Board** to bring in leading innovators and create visibility.

It is proposed to already set up the **EIC Advisory Board** in “shadow” form as an expert group.

The role of a member of the EIC Advisory Board will be to advise the Commission on:

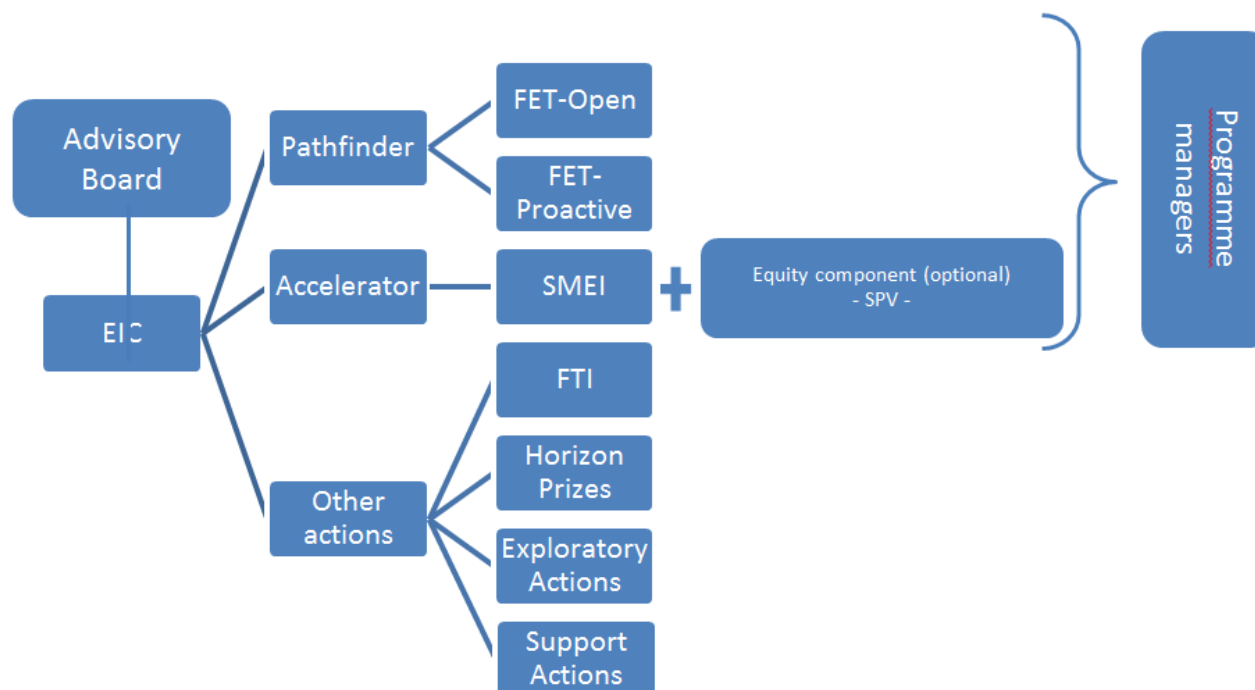
- the overall strategy for the EIC component under Pillar III 'Open Innovation' in the Horizon Europe proposal, and the EIC pilot 2.0
- the work programme for the implementation of the EIC actions;
- the criteria for assessment of the innovativeness and risk profile of the proposals and the appropriate balance of grants, equity and other forms of financing for the EIC accelerator;
- the identification of strategic portfolio of projects;
- the profile of programme managers.

Furthermore, the EIC Board may upon request address recommendations to the Commission on:

- any matter which from an innovation perspective may enhance and foster innovation eco-systems across Europe, the achievements and impact of the objectives of the EIC component and the capacity of innovative firms to roll out their solutions;
- identify in cooperation with relevant Commission services possible regulatory barriers faced by entrepreneurs, in particular those awarded support under the EIC component;
- emerging technology trends from EIC's portfolio, to inform the programming in other parts of the Specific Programme;

Research funding inspection issues where advice from the EIC Board is needed.

An Enhanced EIC pilot for 2019-2020



An Enhanced EIC pilot for 2019-2020

Budget

Covering activities of the future EIC Pathfinder	FET Open	A1	247.5	214.0	461.5
	FET <u>ProActive</u> <i>Financed 50% by FET Proactive (2020) and 50% by a contribution from ARF (2019)</i>	A2	68.0*	68.0*	136.0
Covering activities of the future EIC Accelerator	EIC Accelerator (grants dimension)	D	508.1	583.0	1,091.1
	EIC Accelerator (equity dimension - from ARF/ <u>InnovFin</u> budget)		47.0	53.0	100.0
	SME Instrument Phase 3, coaching and evaluation (3% of SMEI budget, 1% each))	E	16.5	18.0	34.5
	EIC Prizes	B		40.0	40.0
	SME Instrument Phase 1 (10% of SMEI budget)	C	27.6		27.6
	FTI	F	100.0	100.0	200.0
	Other accompanying measures (public procurement, experts, etc ...)	H	2.0	0.5	2.4
	Total (in EUR Mio)		1,016.7	1,076.5	2,093.1*/**
			Year 2019	Year 2020	Years 2019-2020
	Out of which grants supporting exclusively SMEs	J = C+D+1/3E	541.2	589.0	1,130.2

*To be confirmed – FET-Proactive budget will be between EUR 50 million and EUR 68 million

* of which an aggregated EUR 168 million from the 'Access to Risk Finance' WP part in 2019 and 2020

** of which at least an aggregated EUR 100 million for equity support under the Accelerator in 2019 and 2020.

Network with EaP PLUS grants!

The EaP PLUS Team announces the last round of the Call for 'Grants for networking' in Brokerage Events or Preparatory Meetings.

The grants for networking call financially support the participation of local researchers from Eastern Partnership countries in Brokerage Events related to Horizon2020 and Preparatory Meetings for the development of H2020 project proposals.

<https://www.eap-plus.eu/object/call/240>

EaP Plus grants (2)

For this end the scheme will financially support the EaP researchers from:

- Research entities e.g. research institutions/organizations, higher education institutions etc.,
- SMEs and Industry,
- Local authorities,
- Civil Society

...To attend either a Brokerage Event or a Preparatory Meeting.

- SUBMISSION deadline May 30th 2019!!!