

SME SUPPORT IN HORIZON2020

The Target: Small and Medium Innovative, High-Growth-Potential Enterprises

The general case for providing public assistance to SMEs is that they are the principal source of net employment creation in the economy as well as important generators of innovation, both radical and incremental. But most of this employment and innovation is generated by only a quite small percentage of SMEs¹. These Small and Medium Innovative, high-Growth firms (SMIGs) – with European and global growth ambitions – should be the prime target of SME support in Horizon2020.

The June 21st Commission stakeholder workshop on SMEs highlighted several important aspects:

- While SMIGs can only be reliably identified *ex-post*, policy can reasonably aim to target potential SMIGs, characterised by their business plans, growth ambitions, previous entrepreneurial success, etc.
- Few SMIGs are research-driven, and few are new-technology developers. Most are technology users and adaptors. Their innovativeness often lies in novel business or organisational models.
- The support needs of SMIGs are potentially many, spanning the entire innovation cycle: identifying market opportunities; demonstrating the market viability of new products, processes or services; building supply chains; accessing early-stage and development finance, and more besides. Often, intensive and longer-term accompaniment (“coaching”) may be appropriate.
- The notion of subsidiarity – the division of labour between the EU and national or regional levels – takes on particular meaning in the case of SME support, since the specific needs of individual SMEs, especially where longer-term accompaniment is appropriate, will often call for proximity, i.e. local or regional design and delivery of assistance.

The Tools: European, National, Regional (and local)

European SME-specific support schemes should target SMIGs with European and global growth ambitions.

The EU has developed SME-specific schemes that have proven effective. They should be maintained and improved², and be better integrated with complementary national and regional SME support programmes.

¹ A recent UK study commissioned by NESTA, for example, found that only 7% of SMEs exhibit high growth.

² SMEs should also continue to have the possibility of participating in the “non-SME-specific” parts of the Horizon2020 comparable to the thematic areas of the current Framework Programme.

The current *Research for SMEs* programme provides unique support to medium-tech SMEs with European or global growth ambitions, allowing them to use the services of research providers and to build transnational value chains³.

The *EUROSTARs* programme supports high-tech, research-capable SMEs through a Europe-wide competition for excellence.

The CIP programme, which will be an integral part of Horizon2020, has launched a valuable initiative to stimulate the greater use of *innovative public procurement* in Europe, including through the introduction of programmes at national level modelled on the US *Small Business Innovation Research (SBIR)* programme. Such schemes target SMEs able to offer highly innovative, disruptive solutions to the public sector (defence, health care, etc.). This initiative should continue

The CIP programme has also given support to *pilot and demonstration projects* for ICT applications and “eco-innovations”. Such “post-research” support should be generalised in Horizon2020 to all thematic fields and areas of application.

In general, other SME-specific support should be delivered nationally or regionally – but there may often be a case for EU involvement, e.g. through the Structural Funds. Thus, some regions in Europe already use Social Fund monies to provide entrepreneurship training, while others employ European Regional Development Fund resources to operate programmes providing “innovation vouchers” or “exploratory awards” to SMEs seeking to develop or explore innovation opportunities. Similarly, a case can be made for the greater use of EU funds – managed via the EIB Group – to support the development of national and regional, and indeed European, venture capital markets, so as to stimulate both the early-stage and development-phase growth of SMIGs.

EU-level non-financial support to national and regional programme development – e.g. through ERA-NETs, the SBIR initiative referred to earlier, and other “policy-learning” activities – should continue.

By better coordinating these different EU, national and regional initiatives and programmes – distinguishing co-funding and delivery – there is scope to build a more effective and comprehensive EU support framework for SMIGs with European and global growth ambitions.

The achievement of effective co-ordination will depend primarily on the willingness of national and regional governments to align their own programmes in relation to the EU-specific initiatives and to ensure the presence of competent intermediaries able to deliver the integrated set of support services.

³ ... its European added-value residing in the fact that few national or regional programmes support engagement with non-national players.