Horizon 2020 funding for innovative SMEs and technology transfer – something for you?

Martin KOCH, Policy Officer
DG Research and Innovation, Unit B3 “SMEs, Financial Instruments and State aid”

What is Horizon 2020?

- Framework funding programme for all EU research & innovation-related activities (2014-2020)*
- A core part of Europe 2020, Innovation Union & European Research Area:
  - Responding to the economic crisis to invest in future jobs and growth
  - Addressing people’s concerns about their livelihoods, safety and environment
  - Strengthening the EU’s global position in research, innovation and technology

* Total budget amount of EUR 79 billion (in current prices including inflation)
What is new?

- **A single programme** bringing together three separate programmes/initiatives*
- **Coupling research to innovation** – from research to innovation, all forms of innovation
- **Focus on societal challenges** facing EU society, e.g. health, clean energy and transport
- **Simplified access**, for all companies, universities, institutes in all EU countries and beyond

*The 7th Research Framework Programme (FP7), innovation aspects of Competitiveness and Innovation Framework Programme (CIP), EU contribution to the European Institute of Innovation and Technology (EIT)

Three priorities

- **Excellent science**
- **Industrial leadership**
- **Societal challenges**
Horizon 2020 support for SMEs: integrated approach

- Collaborative projects: 13%
- SME instrument: 7%

Eurostars II
Enhancing Innovation Capacity
Market-driven Innovation

Access to Risk Finance

20% budgetary target in Leadership in Enabling Industrial Technologies & Societal Challenges*

’Innovation in SMEs’

* = EUR 8.65 billion (in current prices) of direct SME support, incl. approximately EUR 3 billion to be allocated to the SME Instrument over the period 2014-2020

Horizon 2020 grant funding

- For research and innovation-driven SMEs
  - The new SME Instrument
  - Eurostars II

- For technology transfer
  - European Research Council (ERC) Proof of Concept grants
**The new SME instrument**

- Grants to innovative SMEs of all types, with a strong ambition to develop, grow and internationalise
- Only SMEs are allowed to apply
- Single company support possible
- Three-phase approach: proof-of-concept, demonstration and commercialisation
- Each phase accessible to all SMEs, at any time from the moment calls are open (quarterly cut-off dates for phases 1 and 2)
- 70% funding via an EU grant (exceptions possible)
- Implemented centrally by one agency (EASME)
- Bottom-up approach regarding topics (within the frame of Horizon 2020 Societal Challenges and Enabling Technologies)
- Continuously open call with 4 cut-off dates per year

---

### Phase 1: Concept and feasibility assessment

**Input:** Idea/Concept: “Business Plan 1” (~ 10 pages) 10% budget

**Activities:**
- Feasibility of concept
- Risk assessment
- IP regime
- Partner search
- Design study
- Pilot application etc.

**Output:** elaborated “Business plan 2”

Grant: lump sum 50,000 €

~ 6 months

---

### Phase 2: R&D, demonstration, market replication

**Input:** “Business plan 2” plus description of activities under Phase 2 (~ 30 pages) 88% budget

**Activities:**
- Development
- Prototyping, testing, piloting
- Miniaturisation
- Scaling-up, market replication, research

**Output:** "investor-ready Business plan 3”

Grant: 0.5-2.5 M EC funding

~ 12 to 24 months

---

### Phase 3: Commercialisation

**Promote instrument as quality label for successful projects**

**Facilitate access to private finance**

**Support via networking, training, information, addressing i.e. IP management, knowledge sharing, dissemination**

**SME window in the EU financial facilities (debt facility and equity facility)**

**Possible connection to Procurement**

**No direct Funding**
**Eurostars II**

- European joint programme initiative (public-public partnership), co-funded by 34 EUREKA countries & the EU (through Horizon 2020)
- Support for R&D-performing SMEs wishing to exploit promising R&D results and bring new products or services to the market
- Transnational approach: collaboration of an R&D-performing SME with at least one other partner from another EUREKA country that is also participating in Eurostars 2
- Bottom-up approach: SME defines the nature of the project; open to all technology areas
- Average project volume: EUR 1.4 million (upper limits in terms of funding depend on national funding bodies in respective EUREKA countries)
- Funding rates vary between 35-100% of eligible costs depending on national funding rules/rates in countries participating in Eurostars 2
- Total budget: ca. EUR 1.2 billion; Eurostars 2-participating countries will contribute EUR 861 million, EU contribution of EUR 287 million (max.)

**ERC Proof of Concept grants**

- Support of researchers in universities and research institutions aiming to translate R&D to the market
- First-step to market grant of up to EUR 150,000 for up to 18 months
- Open (only) to researchers who have received ERC grant funding beforehand (ERC Starting/ Consolidator/ Advanced grants); clear link to ERC-funded project
- Supported activities: Technical validation, market research, clarifying IPR strategy, investigating business opportunities
- Expected outcome: "Package" to be presented to investors; increasing investor-readiness
- Call for proposals (2 deadlines per year), external experts check innovation potential
HORIZON 2020 risk finance support

- Part of the Horizon 2020 budget – EUR 2.725 billion (3.69%) - will not be provided through grant funding but in the form of risk-sharing (for loans and guarantees) and by providing risk finance (equity); at least 1/3 of Horizon 2020 risk finance support shall go to innovative SMEs

- Goal: Stimulate more investment in research and innovation, notably by the private sector

- Addressing financing gaps: Intervention only if there are financing gaps in the R&I delivery chain (notably due to high risk)

- Building a bridge from R&D to Innovation: Effective and cost-efficient way to complement grant funding under Horizon 2020 and translate R&D results to the market

- Demand-driven approach (“first come, first served”)

- Implemented via banks, funds and other intermediaries at European level (European Investment Bank, European Investment Fund) and national/ regional level

Access to debt finance:

- Loans and guarantees for RDI investments:
  - Loans and guarantees for investments in Research & Innovation
  - Targeted at midcaps, larger companies, research institutes, stand-alone projects, PPPs, other entities; particular approach for innovative midcaps
  - Loan amounts above EUR 7.5 million

- Loan guarantee facility for innovative SMEs & small midcaps:
  - Guarantees for loans to innovative SMEs & small midcaps
  - Loan amounts between EUR 25,000 to 7.5 million
Access to Equity finance:

- Early stage finance for innovative enterprises
  - Notably seed and start-up companies
  - Limited growth-stage finance also possible

- Pilot facility for Technology Transfer (under development)
  - Bring R&D results from public research organisations and universities to the market through
  - Creation of spin-off companies; licensing

Accompanying measures including:

- Technical and financial assistance (of EIB)
- Improving investor-readiness of start-ups, SMEs and small midcaps
- Piloting co-investment by Business Angels

Pilot facility for Technology Transfer: key policy aspects

- Targeting the transfer of R&D results with a high commercial potential from public research organisations to the market
- Finance (equity, subordinated loans) for technology transfer through the creation of companies (PoC, seed, early start-up phase) or licensing
- Support targets both at PoC and the very early stage of new companies before conventional, commercial venture capital would be available

First conceptual thoughts on a Technology Transfer Finance Facility (TTFF)

- Proof of clear EU added value (addressing a market gap; co-investing in and not crowding-out of existing schemes at national or regional level; cost-effective implementation)
- Finance in the form of equity or quasi-equity (including subordinated loan finance)
• TTFF is intended to be a **pilot facility** for the period 2015-2017, with (limited) support from Horizon 2020 (Access to Risk Finance part)

• **Achieving critical mass** is crucial; EU level partner implementing the TTFF pilot would need to mobilize additional financing capacity ("matching contribution" to the EU contribution) and take own risk

• **Decentralized approach:** TTFF would invest in capable TT funds/schemes/ TTOs which provide finance to promising spin-outs or licensing possibilities to commercialize R&D results

• TTFF approach is accompanied by a **Capacity Building action** – call launched in December 2013 and closed in April 2014; selection process on-going

• **Goal:** Improve the investor readiness of projects, research teams and TTOs, also includes mentoring, not about patenting or licencing

• **Timeline:** Q3/4 2014- Q3/4 2016

• **Expected results:** 60 TTOs to benefit, more TT investment

---

**H2020 Instrument Intervention Logic**

- Public Funds
- Private Funds
- SMEs
- Mid-caps
- Larger Business
- University
- Industry
- Venture Capital
- Angel Investors
- GROWTH
- INNOVATION
To sum it all up...

- Horizon 2020 provides various funding opportunities for innovative SMEs and technology transfer
- Support for innovative SMEs
  - Directly through grant funding from the SME Instrument (including Proof of Concept) and Eurostars 2
  - Through guarantees for loans provided by banks and other intermediaries (Loan guarantee facility)
  - Through early-stage equity finance provided by funds and other intermediaries (Equity facility)
- Support for Technology Transfer
  - Directly through ERC Proof of Concept grants
  - Under development: Risk finance via a Technology Transfer Finance Facility (TTFF)

Horizon 2020


Financial Instruments
- RSFF
- RSI
  - [www.eif.org/what_we_do/guarantees/RSI/index.htm](http://www.eif.org/what_we_do/guarantees/RSI/index.htm)

Thank you very much for your attention!