

F7 Advisory Group on SMEs - Recommendations 2009

SMEs are at the heart of European industrial R&D and innovation. Far from being the poor cousin of larger companies they are a vibrant and innovative part of the European economy. SMEs account for 99% of all firms in Europe, approx. 2/3 of total private sector employment and play a disproportionately important role in generating employment and positive knowledge spill-overs.

SMEs come in different shapes and sizes: Some are new, science-based, and research oriented enterprises investing equity to turn an idea into a marketable product or service. Many are established in so-called low-tech or medium-tech sectors and manage to innovate a traditional business while funding their R&D with proceeds from their well established activity. Others are companies with no research capacity at all that are driven to seek external R&D support in order to overcome a pressing and sometimes collective need.

SMEs focus their R&D activity in many technology areas and scientific disciplines and they are at the forefront of service innovation. Their business often straddles various segments and is increasingly inter-disciplinary. In order to fully harness their contribution to the European Research Area a bottom-up approach is needed.

Many radically new ideas have been developed in start-ups and micro companies. At the same time there are hundreds of European medium size companies which are technology leaders in their field and serve a niche market worldwide. SMEs often benefit greatly from cooperating with large companies because they can provide a steady flow of business, marketing muscle, and at times capital. To a great extent the performance of many large European companies is dependent on the ingenuity, flexibility, and tenacity of European SMEs.

SMEs are often less risk averse than larger companies and many are repeat participants in the EU framework programs. SMEs have limited management capacity, but a clear understanding on how their project fits with their business activity. SMEs are particularly sensitive to changing rules and great swings in program procedures because knowledge and experience acquired cannot be used for a large number of projects. SMEs have limited financial resources so their R&D projects must be executed in financially manageable steps, the cost of preparing a project must be reasonable, and time-to-decision as well as time-to-funding must be short.

The 7th framework program is by far the most important EU measure to enhance the competitiveness of the European economy and to strengthen its potential. The participation of small and large companies thus is crucial if it is to clear the path for new growth. Without it FP7 would remain a purely academic exercise. Within the business sector it is innovative SMEs that deserve attention.

With this in mind the advisory group puts forward the following recommendations:

Access to FP7 Calls for SMEs and Targeting SMEs

1. The Advisory Group recommends to move with determination to reach the 15 %-target for SME participation in FP7. The goal is achievable, but needs extra efforts to be achieved within the remaining years of FP7.
2. The Advisory Group recommends to all program committees, particularly in the Cooperation pillar, and to the Commission to regard SME participation as an integral goal and vital to the success of FP7. It recommends that program committees implement measures aiming at higher SME participation, including support actions and joint calls. It strongly encourages the program committees in the Cooperation pillar to follow-up on this goal and to identify and define their own strategies to improve SME participation. The SMEs-go-Health initiative in the Health Specific Program and the SME-focussed calls in the ICT Specific Programs may serve as examples.
3. The Advisory Group recommends implementing a minimum quorum for SME participation in each core FP7 program and the industry driven programs (e.g. JTIs, Technology Platforms).
4. The Advisory Group recommends implementing comparable SME-focussed measures in the mission oriented programs outside FP7 (e.g. CIP, ETAP, etc.).
5. The Advisory Group recommends that FP7 program delegates on the national level specifically collect input from SMEs regarding their research needs when preparing the annual work programs.
6. The Advisory group recommends improving communication in modern media. Even if excellent brochures and web sites are available, a majority of SMEs are still

unaware of the FP7 possibilities and the conditions for accessing them, or they find the available information overwhelming, or difficult to understand. New ways of reaching these companies are needed and e-learning modules and short videos could be a valuable alternative. They work best if embedded in a broader context of information, consultation and implementation support activities available on the EU and national level. It is also important to present SMEs with the full spectrum of possibilities of R&D-programmes, including referral to national programmes appropriate for some SMEs.

7. The Advisory Group recommends that the Commission continues to carry out a quantitative and qualitative monitoring of SME participation in the Framework Program against the objectives set (participation, success rates, impact).
8. The Advisory group recommends a stronger cooperation of DG Research and DG Enterprise in research & innovation program development and execution.

Developing the 'Research for the Benefit of SMEs' Program

The Advisory Group recommends to further develop this program

- a. keeping a regular call itinerary,
 - b. increasing annual funding to ease oversubscription
 - c. dedicating a small part of this funding to demonstration activities
 - d. increasing the weight of the impact criterion
 - e. in a bottom-up program
 - f. with IPR exclusively owned by SMEs.
9. Regarding the 2011 Work Programme, the Advisory Group welcomes that the budget of € 218 million allows launching two calls. It recommends having two clearly separate calls, one for SMEs and one for SME associations, with ringfenced budgets. The two calls can be launched and closed at the same time provided the decision period for rejected proposals and the time-to-contract is shortened in the interest of the participating SMEs.
 10. The Advisory Group supports encouraging demonstration activities in research projects so as to bring new developments closer to the market and to

commercialisation. This could notably be done by increasing the weight given in evaluations to projects with significant demonstration activities. Furthermore, the Advisory Group encourages the Commission to prepare a pilot action targeted at SMEs that have participated in successful projects financed by the SME specific scheme.

11. The Advisory Group endorses the Commission's intention to provoke a political discussion on the future of the Eranets. Their funding should only be continued if there is a clear political will and commitment by the Member States to develop the schemes.

Making It Simpler & Faster

12. The Advisory Group recommends that the Executive Agency further improves on program administration in order to shorten decision period for rejected proposals and the time-to-contract to approx. 6 months.
13. The Advisory Group recommends that the Commission and the Executive Agency embark on a formal process to improve existing rules of participation, eligibility, and accounting as well as administrative procedures so as to ease the administrative burden on participating SMEs building on the results of the consultation that ended 30 September 2009. Such changes should consider thresholds as a means for applying simplified rules.
14. The Advisory Group recommends that the tasks and processes carried out by the Unique Registration Facility (URF) be fully digitized and linked to national electronic databases in order to speed the availability of records and minimize the cost and time necessary for changes and verification of data.