

INCEPTION IMPACT ASSESSMENT

Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options.

TITLE OF THE INITIATIVE	European Partnership for innovative small and medium-sized enterprises
LEAD DG (RESPONSIBLE UNIT)	DG Research and Innovation
LIKELY TYPE OF INITIATIVE	Proposal for a Decision of the European Parliament and the Council on the participation of the Union in a European Partnership for Innovative SMEs under Horizon Europe
INDICATIVE PLANNING	Q1 2020
ADDITIONAL INFORMATION	-

The Inception Impact Assessment is provided for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Inception impact assessment, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

The proposal for Horizon Europe, the future EU's future research and innovation (R&I) programme for 2021-2027, outlines the approach (Article 8) and criteria (Annex III) for R&I partnerships under the umbrella term 'European Partnerships'. According to the political agreement between the Council and European Parliament, "European Partnerships shall be established for addressing European or global challenges only in cases where they will more effectively achieve objectives of Horizon Europe than the Union alone and when compared to other forms of support of the Framework programme". The overall financial framework for the upcoming partnerships still has to be agreed by the co-legislators. Different forms of partnerships can be implemented depending on needs and criteria. One such form is institutionalised partnerships set up under Article 185 or Article 187 of the Treaty on the Functioning of the European Union (TFEU). The draft legislation outlines possible areas in which institutionalised partnerships could be set up, including Innovative and R&D intensive small and medium-sized enterprises. In the course of the strategic planning, the Commission, in close cooperation with the Member States, has identified 'Innovative small and medium-sized enterprises' as a candidate for such a partnership.

The Commission is considering a partnership to help SMEs innovate, collaborate and grow and to support their integration into global value chains and new markets. This will contribute to the EU's long-term competitiveness and economic growth.

The proposed partnership would build on the existing Eurostars2 programme but would significantly revise its scope and expand its partners. This would be done by broadening its scope to all innovative SMEs, while keeping the focus of projects on applied R&D and innovation by cooperating with countries beyond the EU through collaboration with EUREKA's non-European partners. The Eurostars2 programme, established in 2014 under Horizon 2020, supports international cooperation between SMEs and has 36 participating countries from Europe and worldwide. It was preceded by the Eurostars Joint Programme (2008-2013) under FP7.

Problem the initiative aims to tackle

Europe is good at creating start-ups, but too few of them go on to grow and scale up. The EU's economic and productivity growth pattern is uneven. This is reflected in differences both between Member States and regions and between fast-growing, innovative companies and firms that lag behind, in particular SMEs (see [Innovation Scoreboard 2018](#)). To help European SMEs scale up, sustainable growth is required: linking and networking them at European level will unlock their potential to scale up and provide the means necessary to compete with other business ecosystems around the world. For a long time, SME support programmes have been core components of regional and national R&I policies and of support through the European Structural and Investment Funds. However, their inherently national focus often limits their impact. This is increasingly the case, with SMEs directly targeting global markets instead of slowly expanding their home markets. There is a need for public support programmes to align with the ambitions of businesses, particularly as companies see access to national and international markets as one of the biggest barriers to scaling up their business (see <http://www.scaleupinstitute.org.uk/scaleup-review-2018>).

A number of other initiatives and instruments have been developed for the Horizon 2020 programme to support

research and innovation activities in SMEs. One is the Risk Sharing Finance Facility instrument and its component addressing SME needs in terms of equity and loans, the Risk Sharing Instrument. Another example is the SME Instrument addressed to innovative SMEs (not necessarily those carrying out R&D) demonstrating a high level of technology readiness and at the final phase of innovation activities. While each of these instruments responds to the particular needs of a certain type of SMEs, none is specifically dedicated to cross-border collaboration among R&D-performing SMEs. Nor do they combine this focus with the integration and harmonisation of national programmes as the Eurostars2 initiatives do.

Basis for EU intervention (legal basis and subsidiarity check)

The legal basis for EU intervention is the Horizon Europe programme (based on Article 182 TFEU). In implementing the programme, the EU may make provisions for participation in research and development undertaken by several Member States or in programmes run jointly by several Member States (in accordance with Article 185 TFEU), or may set up joint undertakings (in accordance with Article 187 TFEU).

The nature and magnitude of the issues are such that action at EU level is needed, rather than the Member States acting alone.

- The markets alone do not deliver a sufficient level of R&D investments, particularly for R&D-performing SMEs. Market failures create a 'financing gap' where R&D-performing SMEs do not have access to sufficient funds and Member States acting alone will not be able to make the required public intervention. Some Member States' total investments in R&D are comparatively low and do not support cross-border collaboration.
- There is a need for EU intervention that adds value by having a positive effect on national funding (by leveraging public funding). EU intervention also needs to encourage stronger integration and harmonisation, reduce fragmentation and inefficiencies, and allow for Member States to jointly support SME cross-border collaboration in R&D.

B. Objectives and Mapping of Policy options

The objective of the proposed seven-year initiative is to support fast-growing and innovative SMEs in developing new products, processes and services that help to improve people's daily lives and boost the EU's competitiveness. It will do so by funding market-led, cross-border, collaborative R&I as well as accompanying measures supporting market uptake. The envisaged partnership aims to achieve the following specific objectives.

- To act as a growth platform and innovation multiplier at EU level by providing access to new knowledge, collaborations, value chains and market opportunities, thereby leading to improved market share and sales for participating SMEs.
- To speed up time-to-market (notably through a simplified grant management and time to grant).
- To support business growth and scale-up worldwide, leading to increased employment and turnover. For SMEs to grow and scale up to take advantage of the single market, an orchestrated approach is needed by all partners EU-wide.
- To help reduce the risk inherent in SME finance by leveraging private investment and public funding. A long-term commitment providing sustainable support for the participating countries means that €1 will leverage a minimum of €2.3 in public funding alone. Without this commitment, Member States may not have sufficient confidence to commit to higher funding levels, due to a lack of stability.
- To increase EU added value by promoting the synchronisation and harmonisation of national support instruments (thereby increasing efficiencies at national and EU level) through a common and sustainable approach that requires a stable partnership.

The relevance of the priority and continuation of support under the Framework programme, including the form of support, will be subject to evaluations and assessments in line with the criteria set out in the Regulation of Horizon Europe.

Policy options:

The interim evaluation of Eurostars2 raised the issue of whether the current model of EU participation based on Article 185 TFEU would be the most effective and best suited to meeting the EU's goals and objectives if a successor programme were considered. Under Horizon Europe, the coordination activities of national research policies could also be supported by other approaches than those based on Article 185. Therefore, the following policy options will be considered:

Baseline scenario (option 0): No partnership, calls for proposals as part of the European Innovation Council under Horizon Europe.

The baseline is support from the European Innovation Council (EIC) only, limited to mainly mono-beneficiaries and not covering cross-border collaboration. Europe's most innovative start-ups and SMEs will be identified and funded, but without involving Member States and their programmes to support SMEs.

Compared with implementation through calls for proposals, partnerships (options 1-3) jointly address priorities together with Member States, the private sector, foundations and other stakeholders following a common strategy.

Option 1: Co-programmed European Partnership

Under this option, Member States would design a common programme to be implemented under their responsibility, with national funding pooled to launch regular calls for cross-border R&I projects of innovative SMEs. EU support would be limited to the costs of implementing the programme (administration, costs of call organisation and evaluations) while ensuring complementarity with the EIC's activities. As opposed to the baseline scenario, this would allow resources from national/regional programmes supporting SMEs to be pooled with a high level of flexibility, since financial management would be handled at a decentralised level under national rules.

Option 2: Co-funded European Partnership

As under Option 1, Member States would design a common programme to be implemented under their responsibility, with national funding pooled to launch regular calls for cross-border R&I projects of innovative SMEs. EU support would contribute to the costs of funding projects as well as of implementing the programme (administration, costs of call organisation and evaluations) while ensuring complementarity with the EIC's activities.

Option 3: Institutionalised European Partnership, based on Article 185 TFEU

As under Options 1 and 2, Member States would design a common programme to be implemented under their responsibility, with national funding pooled to launch regular calls for cross-border R&I projects of innovative SMEs. Implementation through Article 187 TFEU is discarded as an option because efforts to set up a dedicated Joint Undertaking would be disproportionate to the size and nature of the proposed partnership. The existing implementation structure designated by Member States has proven to be efficient in its implementation.

C. Preliminary Assessment of Expected Impacts

Likely scientific and economic impacts

Eurostars2 has succeeded in helping SMEs grow their business endeavours through innovation via collaborative projects. By facilitating access to international markets and value chains, the programme has demonstrated significant impact, particularly in job creation, economic development and long-term cross-border cooperation.

Learning from the evaluations of the previous Eurostars programmes, a future partnership could provide several key improvements.

- It could increase the coherence, effectiveness and efficiency of national R&I ecosystems that support innovative SMEs.
- It could give the individual projects greater impact by improving the selection process (strictly following the ranking list), and ensuring tailor-made support for the uptake of results.
- It could provide better services to beneficiaries through simplified eligibility criteria, common funding rules, central grant management and shorter time to contract.
- It could widen the geographical coverage. Specific emphasis will be placed on the possible participation of SMEs from all EUREKA countries. Action will be targeted at countries with lower R&D&I intensity and it will be ensured that the national commitment of resources meets demand.
- It could help European SMEs internationalise. They work increasingly on a global scale or are looking for possibilities to expand globally. The new partnership offers a wealth of new global opportunities for participating SMEs, enabling project partners to enter foreign markets or access existing or new value chains. It will be carried out in line with the EUREKA global strategy.

Likely social impacts

The social impacts mainly relate to employment and labour markets, in terms of creating high-skilled jobs, as well as making the public administration more efficient, in particular by decreasing the administrative burden for SMEs. In addition, the knowledge and innovative solutions that result from the proposed European partnership for innovative SMEs projects will help strengthen the uptake of innovation in society and improve socio-economic welfare.

Likely environmental impacts

The knowledge and innovative solutions that result from the proposed European partnership for innovative SMEs projects will help deliver environmental impact.

Likely impacts on fundamental rights

n/a

Likely impacts on simplification and/or administrative burden
A simpler, more strategic and coordinated approach to the setting-up and implementation of European Partnerships under Horizon Europe will significantly reduce the administrative burden for applicants and beneficiaries. Horizon Europe legal basis requires thorough assessment as to the necessity for establishing institutionalised partnerships, and whether other, more flexible partnership forms could achieve the identified objectives. In addition, it lays down requirements (e.g. related to central management of financial contributions, access to data, and links with the monitoring and evaluation framework of Horizon Europe etc.) that support further simplification, harmonisation and more effective implementation.
D. Evidence Base, Data collection and Better Regulation Instruments
Impact assessment
An impact assessment is being prepared to inform the Commission's decision on whether to propose the establishment of an institutionalised European Partnership and to support the preparation of this initiative. If this decision is positive, the impact assessment is likely to be made available in the first quarter of 2020.
Evidence base and data collection
A full impact assessment is required for all partnerships, which might be institutionalised based on Articles 185 and 187 TFEU. In this context, an external study will provide coordinated input for the preparation of impact assessments, which could lead to and would accompany the proposals for institutionalised partnerships (based on Articles 185 and 187 TFEU). The study will be based on desk research, Commission and stakeholder consultation, quantitative and qualitative data collection and analysis and inputs from panels of experts. It will develop a single common methodology to ensure coordinated inputs to individual impact assessment studies of each envisaged partnership.
Consultation of citizens and stakeholders
In line with the Better Regulation guidelines, the Commission seeks to consult stakeholders as widely as possible. The consultation strategy aims to involve a broad range of stakeholders, including national authorities, the research community across the EU, industry, EU institutions and bodies, and others. A structured consultation of Member States in the Shadow Strategic Configuration of the Programme Committee Horizon Europe in May-June 2019 provided early input into the preparatory work. A single open public consultation from mid-2019 (in English, French and German) will cover all 12 potential institutionalised partnerships based on Articles 185 and 187 TFEU. It will collect input from a broad range of stakeholders, on both the overall approach and the individual candidates for institutionalised partnerships based on Article 185 or Article 187 TFEU. It can be accessed via the Commission's Have Your Say web portal. As the results are expected to inform debate during the 'R&I days' (Brussels, 24-26 September), it might be necessary to shorten slightly the 12 week consultation period. Once all consultation activities are closed, the Commission will publish a synopsis report (summarising the results) on the consultation page.