



Policy Paper - *Briefing note*

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Towards an SME friendly IST programme

Lessons learned from FP6 and policy recommendations for FP7
with special emphasis on the situation in the new member states

Briefing note (abridged)
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Introduction

This briefing note summarizes the key findings and recommendations from the policy paper "Towards an SME friendly IST programme. Lessons learned from FP6 and policy recommendations for FP7 with special emphasis on the situation in the new member states". For the in-depth analysis of the issues raised the reader is kindly referred to the full text version of the policy paper.

Executive Summary

While many high level EU initiatives aim to support SMEs, there are still significant challenges to their full integration in the multi-annual framework programme for research and development (FP) in general and the IST programme in particular.

Key barriers include a mismatch of SME ideas with open calls, insufficient integration of SMEs in the policy making process, only partially suitable instruments, problems with integrating SMEs in consortia, their weak and often subordinate position in negotiations and project execution as well as some disadvantageous evaluation criteria.

In order to overcome these barriers several **policy recommendations** are suggested:

- SMEs should be better integrated in the policy making process on the EU level, either by funding a High tech SME¹ representation or by encouraging existing SME interest representations to deal with these issues.
- Resources for IST priorities of interest to SMEs should be increased and support for SMEs should be concentrated on these areas in particular.
- Coordination between SME support projects and within the relevant Commission services should be enhanced.
- Suitable instruments for SMEs, such as "Take Up Actions" (see chapter 2.3.2)² and "exploratory awards" (see chapter 2.1.1.) should be re-introduced. In FP7, instruments should be rebalanced in favour of STREPs.
- The financial situation of SMEs should be better taken into account by introducing a higher overhead rate, improving their cash flow, clarifying the financial rules and the access to management 7% (see chapter 2.3.8 and 2.6.1.) and by exploring how to facilitate subcontracting to SMEs.
- The integration of SMEs in consortia core teams should be supported. Their position in negotiations should be strengthened by publishing a code of conduct for handling of financial information.
- A SME ombudsman office should be established to tackle any issues arising in project execution. A code of conduct should be established.
- Generally, the rules and procedures should be simplified and innovative ways in which the bureaucratic burden for SMEs could be lightened should be investigated (e.g. subcontracting options).

¹ For the definition of High Tech SMEs see chapter 1.3 of the policy paper.

² Chapter references are relevant for the main policy paper only, not for this abridged version.

Supporting IST SMEs: a Multi-level Approach

Below we present the detailed list of recommendations as derived from the analysis conducted in the policy paper. It is hoped that these recommendations can contribute to increased SME participation. This is not only desirable in order to increase competitiveness and growth but also to concretely show that the EU acts in the interest of the SME entrepreneur who is, after all, also a citizen of the Union. In fact, in an era of increased Euroscepticism, demonstrating the benefits of EU actions will be essential.

The following table structures SME challenges as well as our recommendations on three levels:

- an overall policy level
- a financial level
- an administrative level

While these levels are in practice highly intertwined such a distinction has the advantage of focusing on specific areas and being able to point out concrete support possibilities. Each section has in italics one or several general challenges and corresponding possible solutions with concrete instances and suggested support actions elaborated below.

Summary Table: a Multi- level Approach to SME Challenges and Support Actions

Challenges	Suggested solutions and actions
Overall Policy level	
<p><i>Mismatch of SME ideas with open calls</i></p> <ul style="list-style-type: none"> - some existing IST priorities do not fit SME needs - for some innovative SME corresponding IST priorities do not exist (hence no funding can be made available) - insufficient interest representation of High Tech SMEs 	<p><i>Better integration of SMEs in policy design, (e.g. the annual work programme)</i></p> <ul style="list-style-type: none"> - supporting existing SME interest organisations to devote resources to high tech sector and/or - support the set up of specialised high tech SME interest organisations - increase support for those IST priorities of interest to SMEs (software & services in FP6, content in FP7) - support inclusion of SMEs in European Technology Platforms
<p><i>Not sufficient support for ICT SMEs in the national context</i></p>	<ul style="list-style-type: none"> - EC to further encourage national investment in ICT, with special support actions for SMES - EC to encourage networking of national policy makers in and between the EU member states.
<p><i>Lots of different EU funded SME support projects</i></p> <ul style="list-style-type: none"> - with often less than optimal coordination 	<p><i>ensure better coordination between EU funded SME support actions internally and also with other relevant stakeholder</i></p> <ul style="list-style-type: none"> - enhance central coordination facilities in the Commission, also between DG INFSO and Media and ENTR (e.g. SME Unit in DG INFSO and Media) <p>and/or</p> <ul style="list-style-type: none"> - fund a “meta project” coordinating SME support actions and integrating other relevant stakeholders (SME organisations, policy makers)

Challenges

Suggested solutions and actions

Instruments only partially suitable for SMEs

Take action to ameliorate the situation, such as

- reinstating exploratory awards
- reinstating take up actions
- rebalance the instruments in favour of STREPs in FP7

Financial level

SME resources (cash flow) very limited

- if problems occur with transfers from the Commission / Coordinator this can have severe repercussions for SMEs

Several concrete measures to support SMEs in this regard:

- find regulatory means to improve effective cash flow for SMEs
- introduce higher overhead rate for SMEs
- encourage and clarify use of FC model (instead of FCF)
- ensure proper access to management 7% (from coordinator)
- consider subcontracting for involving SMEs (100% funding)

Project phases/administrative level (integration, evaluation, negotiation, execution phases)

SME integration in consortia problematic

- Danger of domination of "big players" in consortia

Several concrete measures to support SMEs in this regard:

- info days when the work programme is issued, not when the call is announced so as to avoid early formation of closed consortia
- study how to encourage consortia to take SMEs in their core team
- Publish "SME friendly" model consortium agreement

Challenges**Suggested solutions and actions**

SME position in evaluation can be disadvantageous

- "Impact" criterion
- Non-technical evaluation criteria (e.g. management plan)
- removal of anonymity in technical evaluation

- Modify definition of "impact" to take SMEs better into account
- Increase weight of technical evaluation criteria
- Re-introduce anonymity

SME position weak in contract negotiations

- publish contract negotiation guidelines for SME participants
- publish a code of conduct for handling of financial information in negotiations
- try to solve collective responsibility guarantees for SMEs centrally

SME position in execution phase can be precarious

- Establish an SME ombudsman office
- Publish a code of conduct

General complexity of rules and procedures

simplify procedures for SMEs in FP7

- long term: reworking of the rules
 - short term: promote subcontracting as a simple way of SMEs to get involved
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