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Technical Assistance for Turkey in Horizon 2020 Phase-II
EuropeAid/139098/IH/SER/TR

'Accelerator – Important Changes to the SMEI'

Turkey in Horizon 2020 Phase II

Webinar, 10:00 – 12:00

23rd July 2019

Philip Sowden

- Background in manufacturing
- SME programmes at regional, national & International levels
- Worked with EC for over 30 years
- SME Key Expert on two previous projects in Turkey
- Responsible for SME programmes in the present project

Webinar 1 content

- What is the EC?
- What is the SME Instrument?
- What is an SME in European terms?
- Who is SMEI aimed at?
- What is expected of me and my business?
- What do evaluators look for?
- Is it for me and my business?
- Available on our project web site:
www.turkeyinh2020.eu

Webinar 2 content

- Brief recap
 - Closer look at Technology Readiness Levels
 - What is 'Accelerator'?
 - Look at changes compared to SMEI
 - Implications for SMEs
 - Is Accelerator suitable for my business?
-
- Webinars 1 & 2 are available on our project web site: www.turkeyinh2020.eu

Quick recap:

What is the EC, Horizon 2020 and the SME Instrument?

EU – the European Union

union of 28 Member States

EC – the European Commission

the executive body for the EU



EU has 28 Member States and 5 Current Accession States

- Albania
- North Macedonia
- Montenegro
- Serbia
- **TURKEY**



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Changes to the SME Instrument



REPUBLIC OF TURKEY
MINISTRY OF INDUSTRY
AND TECHNOLOGY



COMPETITIVE
SECTORS
PROGRAMME



TÜBİTAK

A few statistics so far...

SME Instrument in numbers



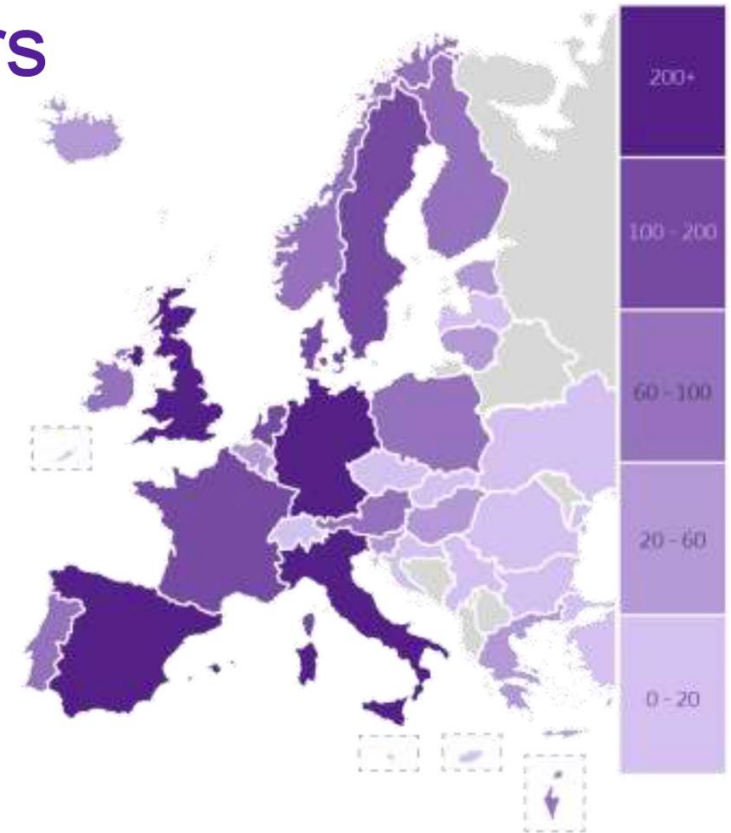
3018 companies



1.3 billion



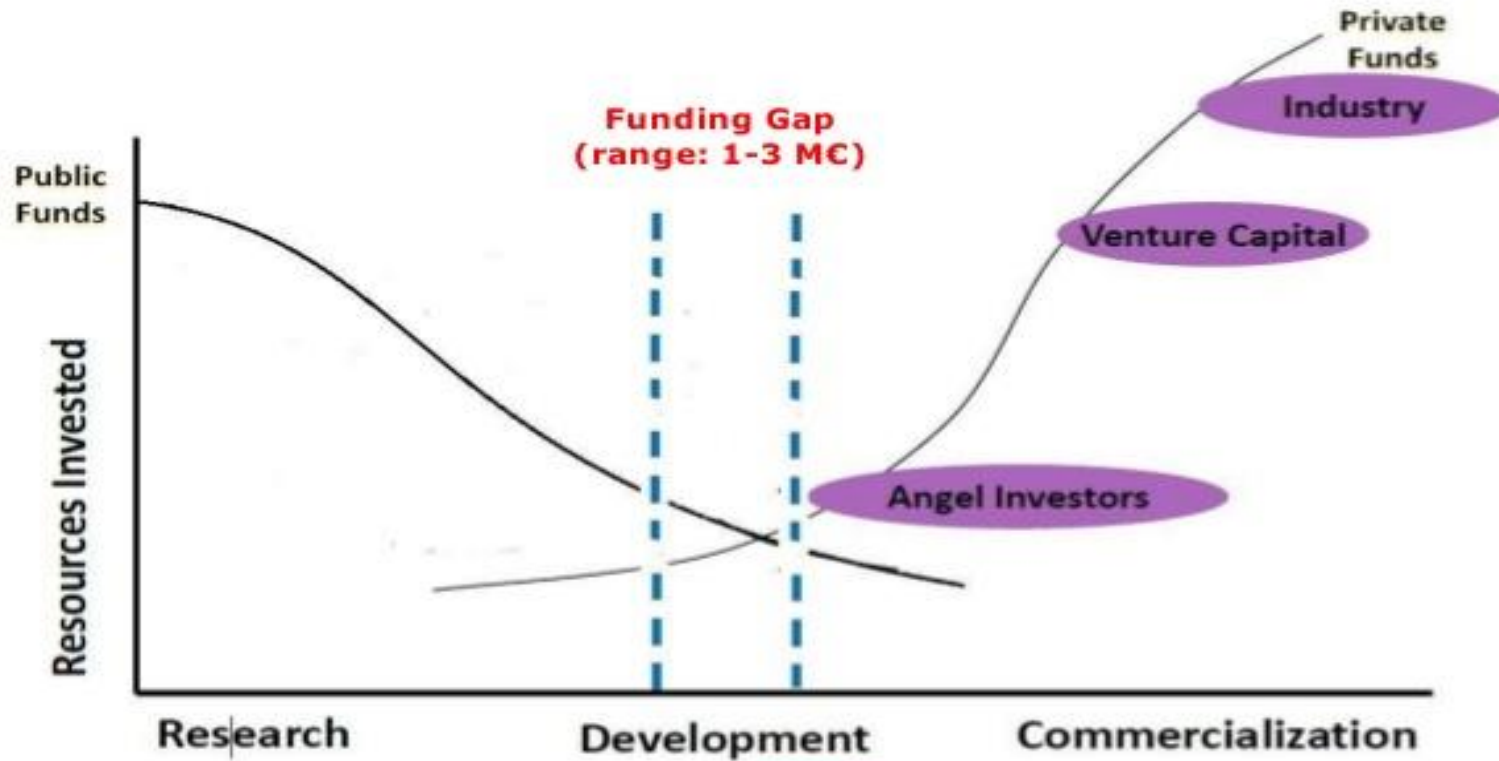
5% - 8% success rate





University

Small
Business

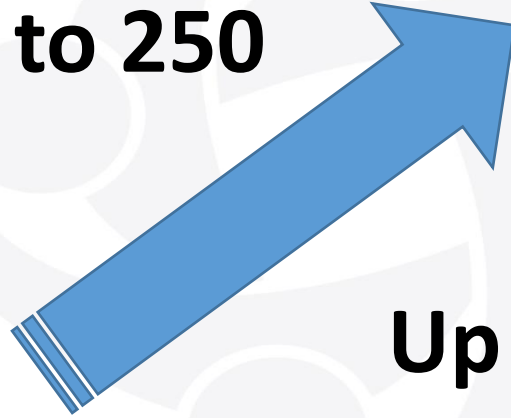


Let's look first at what remains the same as the SME Instrument...

EC defines an SME as...



1 to 250

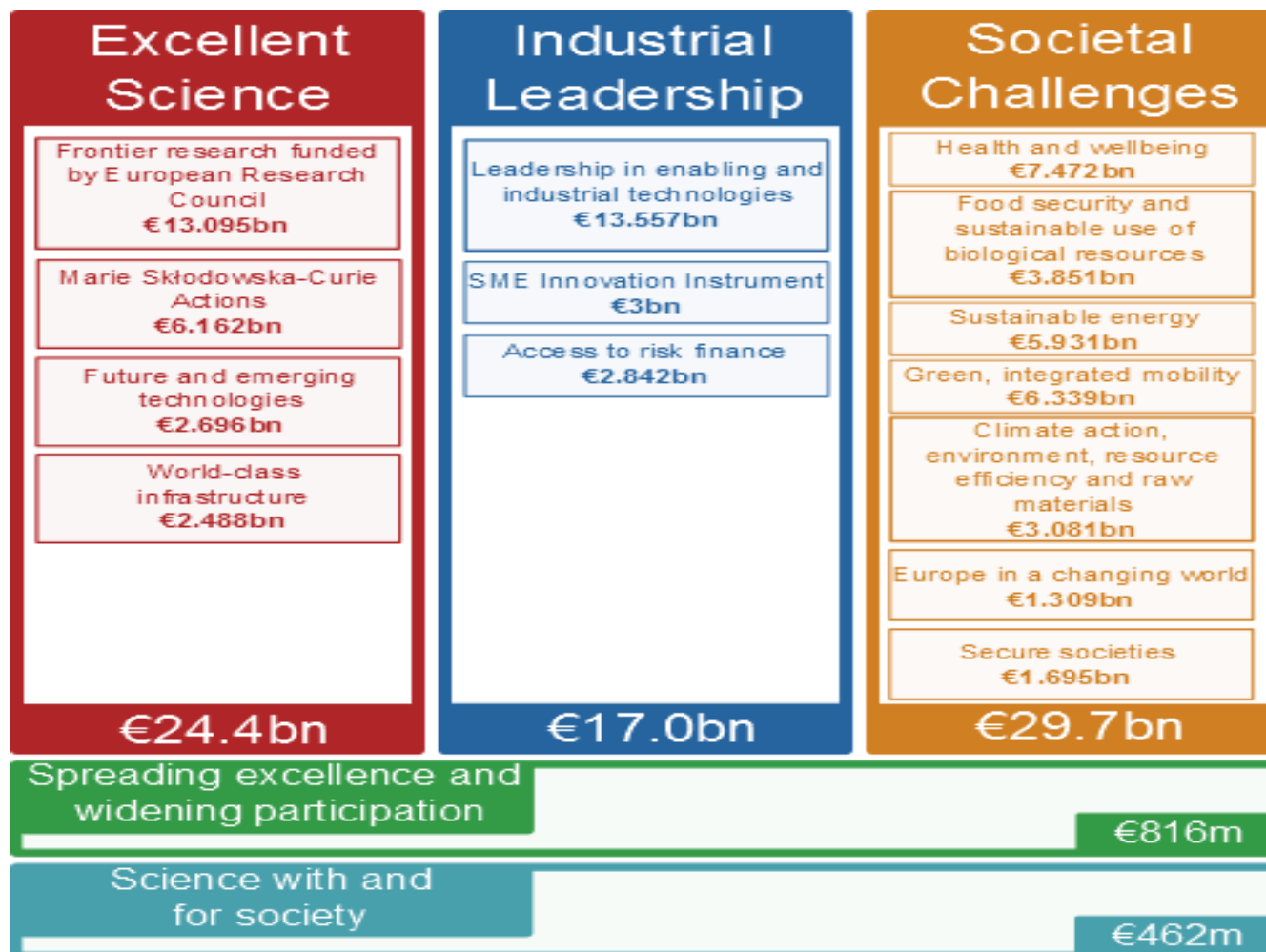


Up to €50m turnover



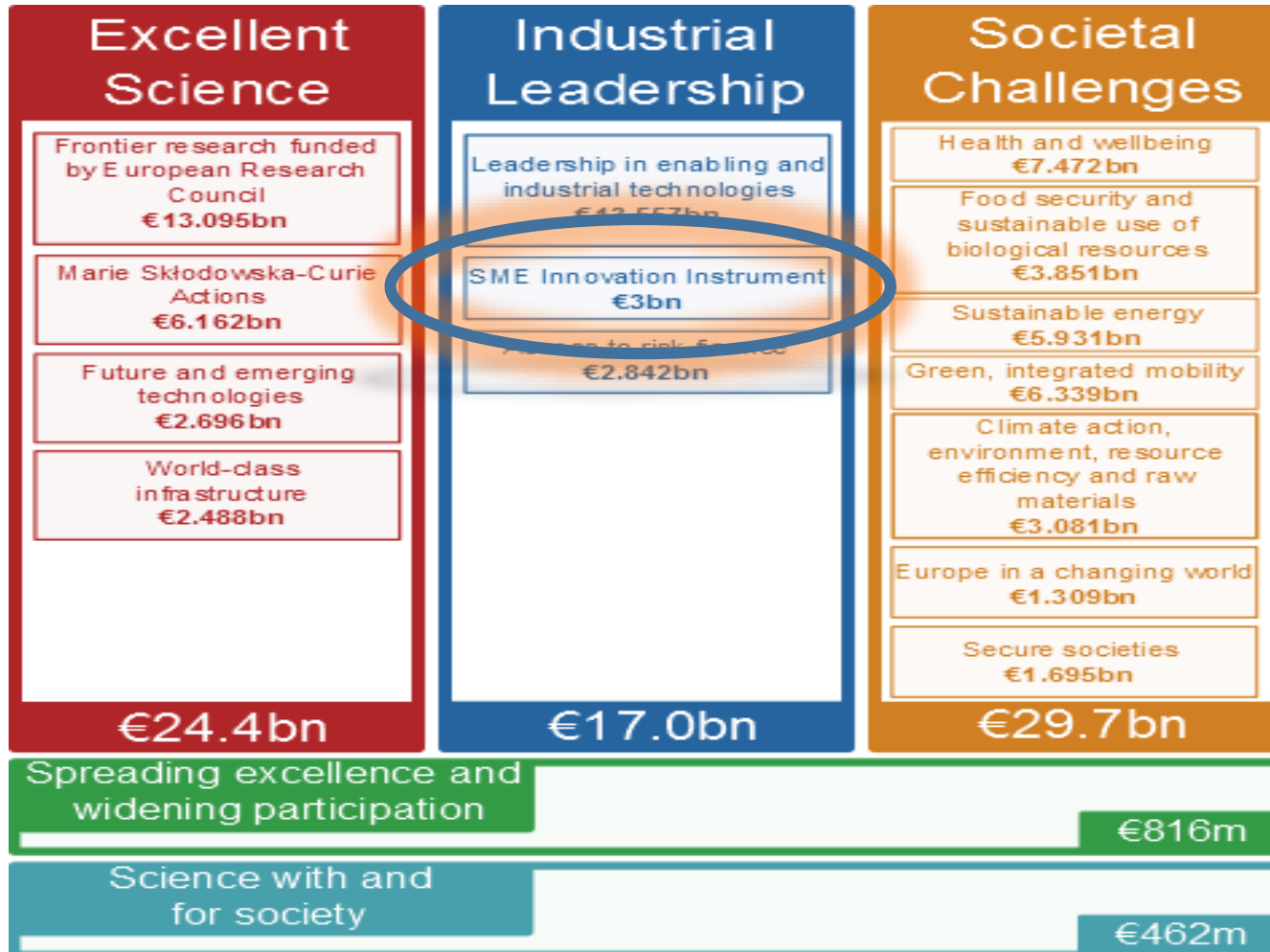


Horizon 2020





Horizon 2020



Six key criteria remain...

Product, service or business model is:

1. Cross-border
2. High growth
3. Close to market
4. Disruptive
5. Scalable
6. At the prototype stage

1. Cross-border

- European dimension
 - Relevance to Europe – innovation, jobs, knowledge, etc.
 - Analysis of target markets
 - Look at competitors
 - ‘Fit’ with European goals



2. High growth

The OECD defines a **high growth** business as:

‘A firm of 10 or more employees that grows either its employees or turnover by an average of more than 20 per cent per year for three consecutive years.’

- Potential for high growth as a result of the project is also taken into account

4 Related Criteria

3. Close to market
4. Disruptive
5. Scalable
6. At the prototype stage



At Technology Readiness Level - **TRL 6 - or above**

TRL - Technology Readiness Levels – are going to be even more important under ‘Accelerator’; let’s take a closer look...

MEASURE YOUR TECHNOLOGY READINESS LEVELS - TRL

How technology ready is your service/product?



Technology Readiness Levels as adapted by the CloudWATCH2 project

Find out more about CloudWATCH2 TRL: http://bit.ly/TRL_MRL

TRL 0

IDEA - unproven concept, no testing performed.



...your **EXCELLENT** IDEA should be **DISRUPTIVE**...

Innovation

- **INCREMENTAL**

Small changes which influence market share; the progressive advance of a product

- **STEP-CHANGE**

More significant changes by adding new technology to give a major market lead

- **DISRUPTIVE**

Creates new markets and value networks by disrupting the existing ones

Innovation



TRL 1

BASIC RESEARCH – You can describe the needs, but have no quantified evidence.



...establishing **NEED** and potential **IMPACT** are crucial to EC funding!

TRL 2

TECHNOLOGY FORMULATION – Concept and application have been formulated



TRL 3

NEEDS VALIDATION – You have an initial ‘offering’ and stakeholders like your idea.



TRL 4

SMALL SCALE PROTOTYPE ENVIRONMENT – Built in a laboratory ('Ugly' prototype or Alpha version)



TRL 5

LARGE SCALE PROTOTYPE – Tested in intended environment.



TRL 6

PROTOTYPE SYSTEM – Tested in intended environment;
prototype close to expected performance.



Criterion 5 – ‘Scalable’

‘Demonstrates an ambition to significantly scale up production’

- Move from final prototype to mass sales
 - Own production
 - Production under licence
 - Joint venture

TRL 7

DEMONSTRATION SYSTEM – Operating in working environment at pre-commercial scale.



TRL 8

FIRST OF A KIND COMMERCIAL SYSTEM – All technical processes and systems to support commercial activity are in a ‘ready state’.



TRL 9

FULL COMMERCIAL APPLICATION – Technology on ‘general availability’ for all consumers.



So, it all looks the same so far – what are the changes?



- **‘Horizon 2020’** will run up until 31st December 2020
- **‘Horizon Europe’** will then run for 6 years to 2027



€77bn.

HORIZON 2020

- **‘Horizon 2020’** will run up until 31st December 2020
- **‘Horizon Europe’** will then run for 6 years to 2027

€94bn.



Horizon Europe

The SME Instrument gets a name...

The European Innovation Council (EIC) Pilot has created..

ACCELERATOR

Same basic logic...

- Lack of finance for breakthrough & disruptive innovators – Start-ups, SMEs, Entrepreneurs
- Estimated total equity-funding gap = €70bn.
- Many SMEs can't find high-risk capital needed to get to private investor stage
- *ACCELERATOR* bridges this gap in finance and risk-taking

Same basic focus...

- Three key aspects:
 - IMPACT
 - EXCELLENCE
 - IMPLEMENTATION - Quality and efficiency
- High growth potential, high-risk applicants
- Disruptive innovations
- Sound business plans

Same 3 Key Award Criteria...

EXCELLENCE: Does your project have high innovation potential beyond 'State of the Art'?

IMPACT: Does your project meet the pressing needs of European and global markets?

IMPLEMENTATION: Does your project have a coherent and efficient workplan?

Major policy changes...

- Greater emphasis on **COMMERCIALISATION**
- ...even more emphasis on **IMPACT**
- **NO** thematic areas
- **OPEN** calls
- Greater involvement in **private sector financing**
- EC will also invest **venture capital**
- Seen as supporting SMEs which need 'One last push' before scaling up to market-ready products
- Longer term - move from grants to equity investments

Why EC investment?

‘We are not in the logic of making money; what we want is to take risks where the private sector won’t.

For public investments, failure is the measure of success; if we were to succeed disproportionately, it would mean that we simply displaced private investment’

Julien Guerrier, Director of the Executive Agency for Small and Medium Enterprises, European Commission

So who will be offered what?...

- **Phase 1** grant support **disappears** after **5th September** cut-off
- **Phase 2** grant support of up to **€2.5m** will be available to projects at **TRL 6, 7 & 8**
- ‘Blended Finance’ will also be offered to projects at **TRL 6, 7 & 8**
- Private sector/EC equity only will be offered to projects at **TRL 9**
- **Phase 3** as before; coaching and mentoring will be available to all

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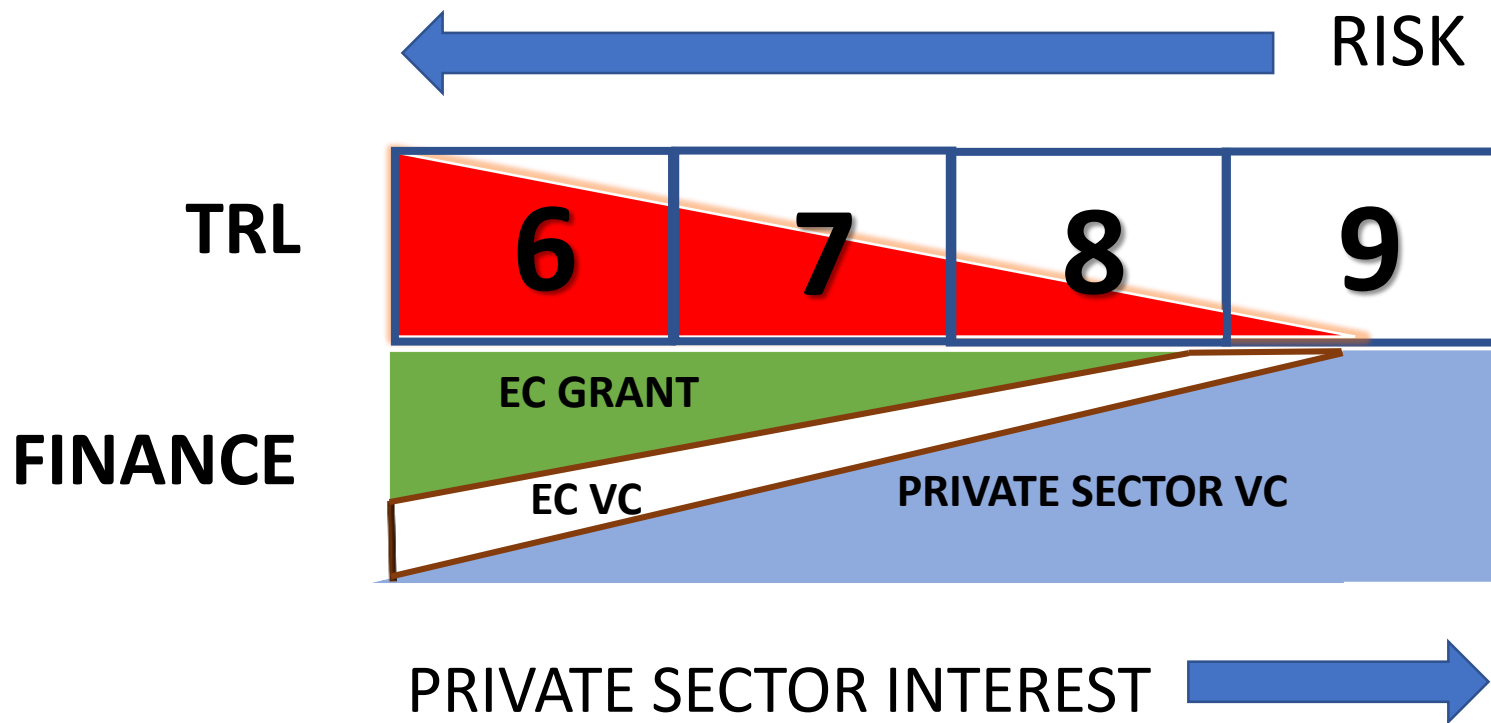
'Blended Finance'

- A new development to get more engagement with private sector and better use of EC funding
- Grant plus loan and/or equity investment of up to **€15m.**
- EC will have a 'Special Purpose Vehicle' (**SPV**) to make investments where private sector consider risks too great
- Any income to EC from equity investment will be put back into programme to fund further projects

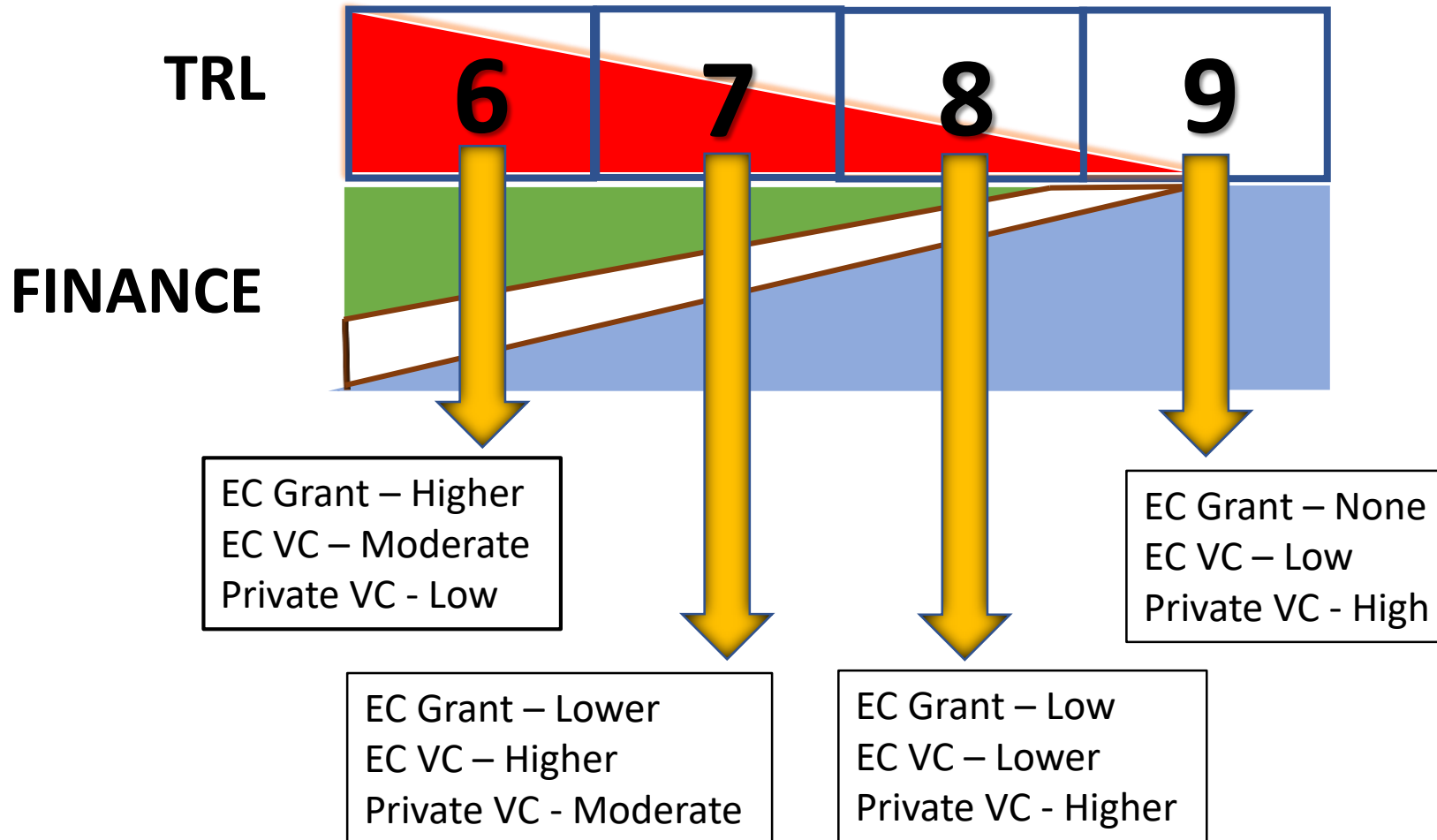
Blended Finance has complexities...

- Applicants must tick box on proposal submission to say they are prepared to consider BF if offered
- If 'No', they may be offered a straight grant, but if rejected there will be no offer of BF
- EC will consider all applications for suitability for BF
- If applicants have ticked 'Yes' to BF and EC consider it suitable, they will decide on financing mechanism to be offered

Blended Finance; Risk versus Finance



Blended Finance – What are our chances?



So TRL will be far more important...

- Essential to correctly assess TRLs - this will be the key to the type of funding offered
- Applicants agree to consider blended finance if evaluators conclude that project is suitable
- Investment part will be subject to due diligence by SPV team and/or private sector

'Due diligence' ...

Investigation taken before entering into an agreement or contract...

- Review of product, market, customers
- Assessment of accounts; debts, turnover, profits, assets
- Management team
- Patents
- Ownership
- Etc.

...gives confidence that investments will be safe and expectations will be realised.

Remember, if equity investors are involved...

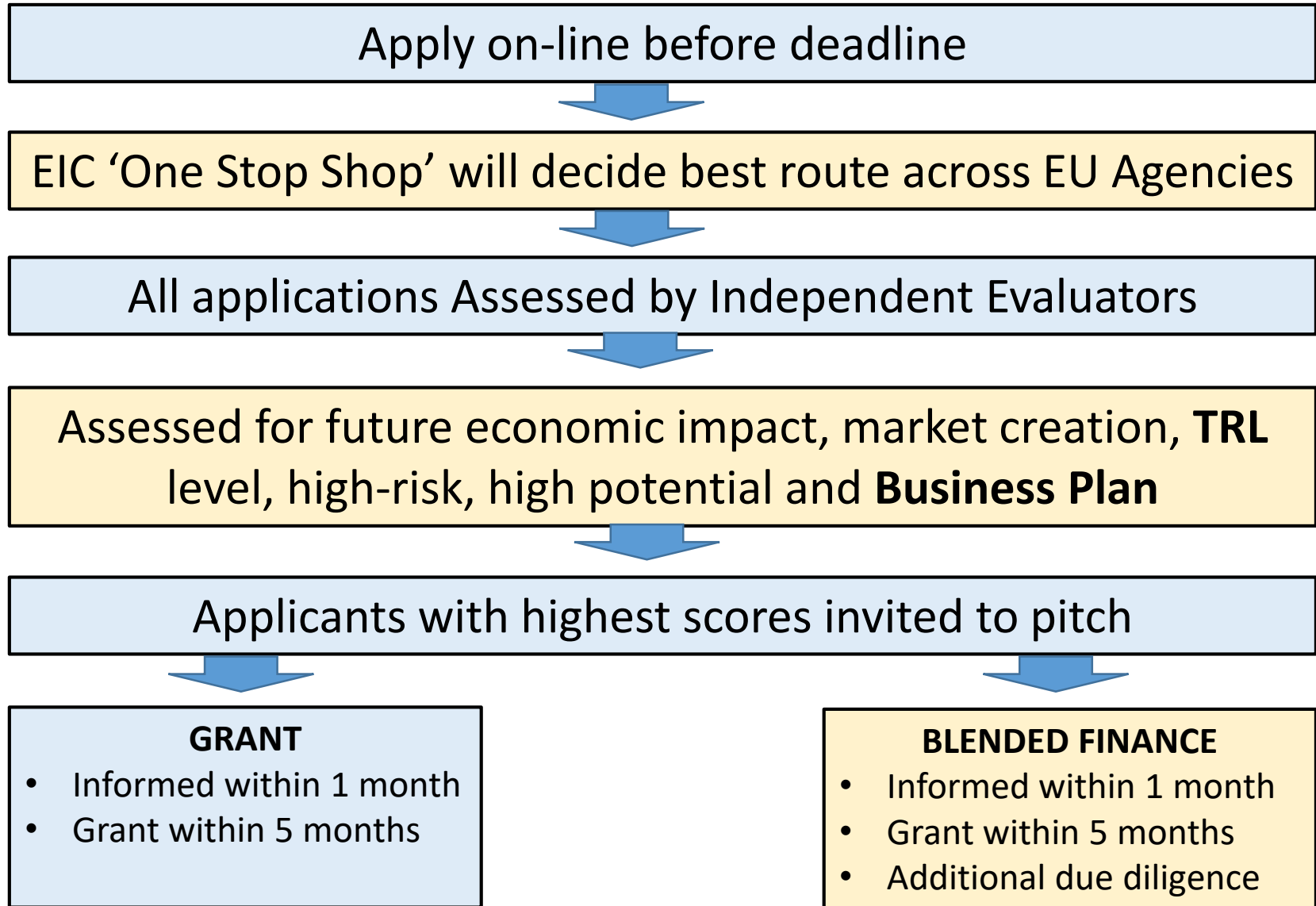
More cash, but...

- Greater scrutiny
- Greater adherence to milestones and results
- Pressure for a good return, to be achieved quickly
- Involvement in management

But!

- Quicker to market
- Commercial approach
- More saleable company/product
- Possibility of more investment

Accelerator Application Process



Accelerator: pitching process

Jury Interview

Six Juries composed of at least 5 experts

Panel Review

All experts from all juries



Jury briefing



Interview of Applicants



Jury debriefing



Agreement on **the list of projects** proposed for **funding**

Is Accelerator for me and my business?

- Are you an SME?
- Has your company successfully commercialised a product?

Project checklist

- What customer/market needs will this project solve? Evidence?
- Is the project is highly innovative?
- Is it above current state of the art?
- Does it have the potential to disrupt existing markets in your sector?
- Is the project at TRL 6 or above?
- Is the management team on board with the project?
- IP protection, or a clear IP strategy in place?
- Anticipated project cost level?
- Am I prepared to allow for external investment, due diligence, etc?

FP support is external; have you looked internally?

- **'Absorptive Capacity'** – How able is the business to take advice on board and action it?
- Are staff **trained** in proposal writing?
- Do they have too strong a **technical bias**?
- Proposals are in English – how are the **language skills** in the business?
- **External review** is always helpful – both technical and on proposal structure/content
- Do **management** give enough time and priority?

What Accelerator is not!

- Not an easy option
- Not for companies with no clear strategy or business plan
- Not for pursuing academic research
- Not for companies with no clear knowledge of markets and customer needs
- **Must be driven by commercial potential over fascination with technology!!**

Other elements of EIC Pilot...

EIC Pathfinder Pilot

- For Future and Emerging Technologies (FET)
- Grants of up to €4m.
- Collaborative, inter-disciplinary research
- Targeted calls
 - Artificial Intelligence
 - Zero emission energy generation
 - Implantable autonomous devices and materials
- Consortia of at least 3 entities from 3 countries

Other elements of EIC Pilot...

Fast Track to Innovation (FTI)

- For mature ground-breaking technologies, concepts and business models which are close to market
- Grants of up to €3m.
- Consortia of 3 to 5 entities from 3 different countries

Other elements of EIC Pilot...

EIC Horizon Prizes

- Winners meet defined challenges
- Boost breakthrough innovation across sectors
- Fosters cutting-edge solutions
- Bring major benefits to citizens and society
- Individual prizes of 5 or 10 million Euro

Health Warning!!

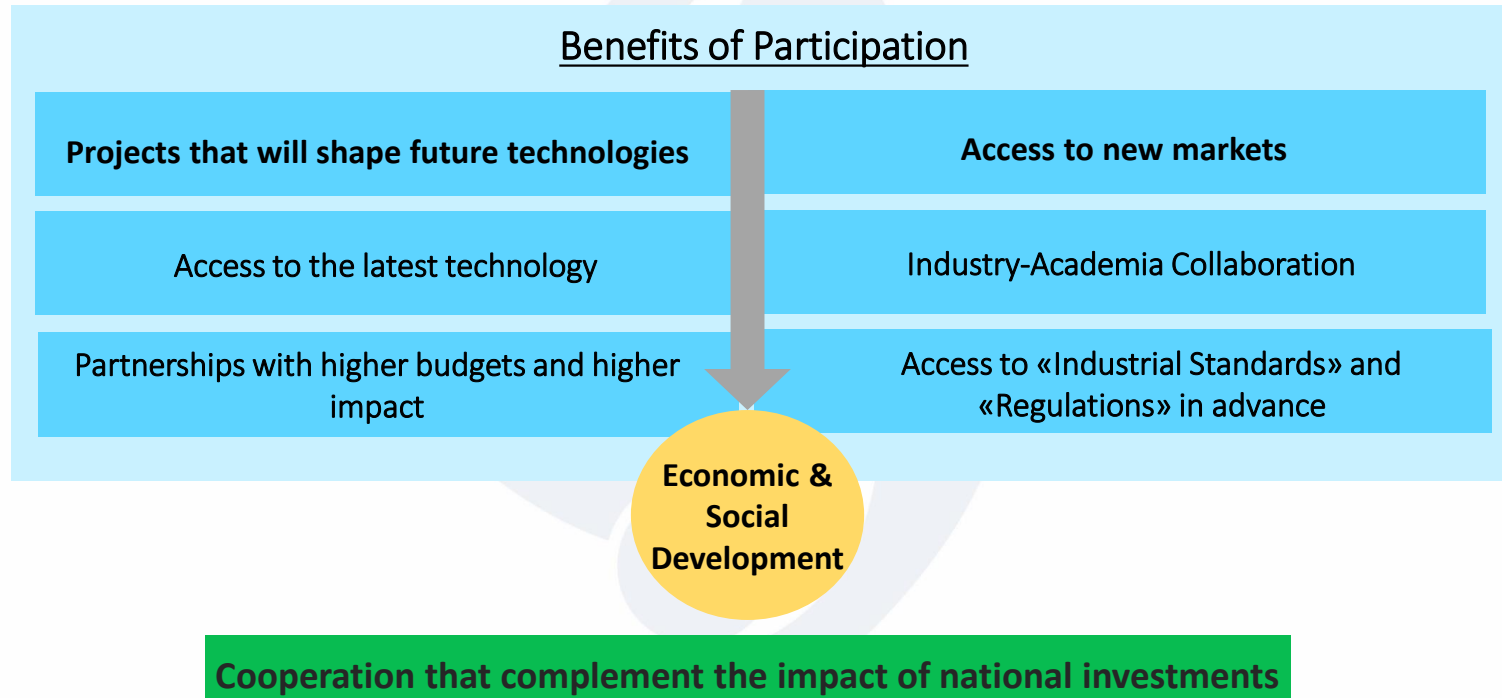
- EIC Accelerator Pilot is a **pilot** and may be subject to change ahead of full adoption under Horizon Europe in 2021
- Equity investment aspect has yet to be finalised on rules, ethos, levels of participation, private sector engagement, SPV, etc.
- Submission dates and budgets may change
- **Always check on line and/or with TÜBİTAK to get the current information**

Turkey in H2020 Phase II Project...

...provides a range of courses to help achieve more SMEI success:

- Project writing support
- Company specific training on proposal writing
- Project writing 'camps'
- 9 Webinars for SMEs
- Pitching workshops
- Enhanced proposal writing for 10 'Seal of Excellence' winners
- Investment readiness training
- Events – brokerage, missions, focus group training, etc.
- IMS support

Why to participate in Horizon2020?



Thank you for participating



Contact

Office Address

Turkey in Horizon 2020 Phase II Project

No:8/12 Çankaya Mah. And Sok.

06680 Çankaya/Ankara, Turkey

Tel: +90 312 467 61 40

<http://www.turkeyinh2020.eu/>

Aleksander Bakowski
a.bakowski@idi.ie

Odysseas Spyroglou
o.spyroglou@idi.ie

Philip Sowden
p.sowden@idi.ie



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