



This project is co-financed by the  
European Union and the Republic of Turkey  
Bu proje Avrupa Birliđi ve Türkiye Cumhuriyeti tarafından  
finanse edilmektedir



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

# Project Writing Training for SMEs

Adana, 22<sup>nd</sup> October 2019

<http://www.turkeyinh2020.eu>



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# Turkey in Horizon 2020 Phase II

Philip Sowden – SME Key Expert

<http://www.turkeyinh2020.eu>

# Presentation:

## The EC, H2020 and the SME Instrument

### Important changes

### How can our project help?

# EU – the European Union

union of 28 Member States

# EC – the European Commission

the executive body for the EU



# EU – the European Union

union of 27 Member States

# EC – the European Commission

the executive body for the EU



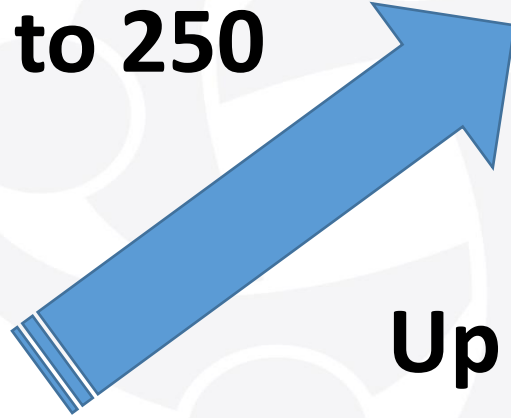
# EU has 28 Member States and 5 Current Accession States

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

# EC defines an SME as...



**1 to 250**



**Up to €50m turnover**



# SMEs are very important to Turkey



**92% of Enterprises**

**78% of Employment**

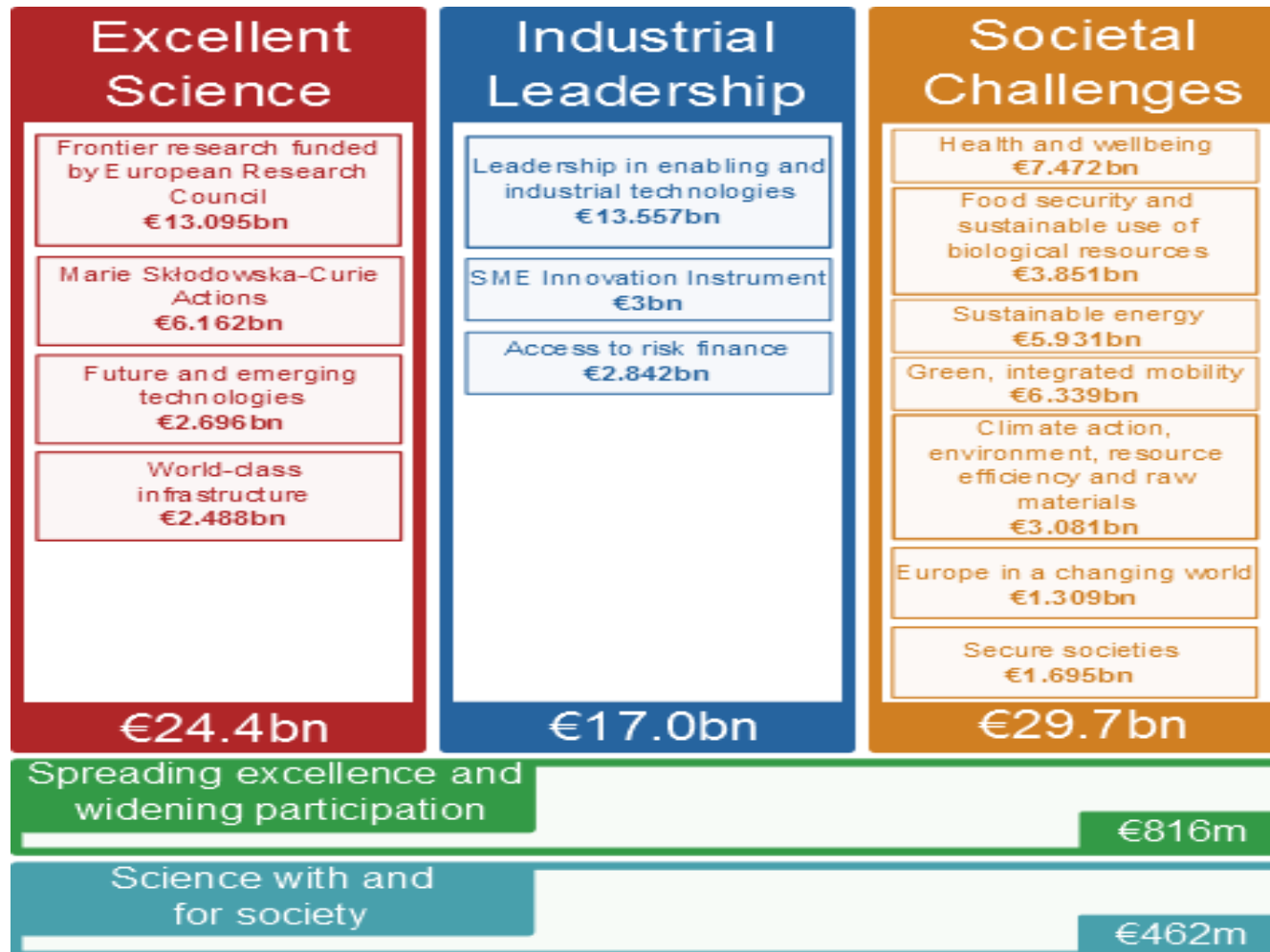
**53% of GDP**



# Horizon 2020 Framework Programme...

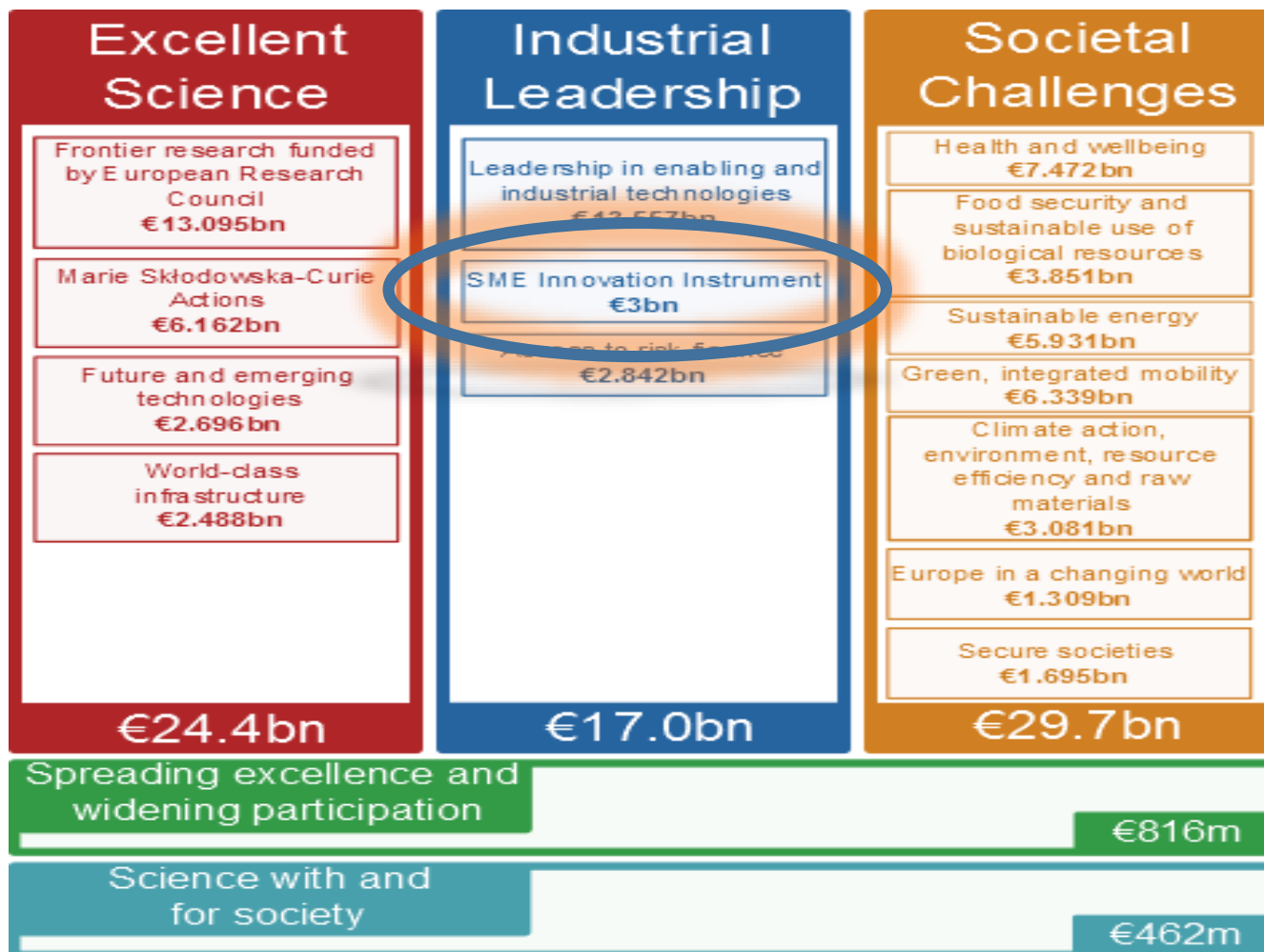


# Horizon 2020





# Horizon 2020



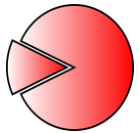
# The SME Instrument so far...



5041 Companies



€2.27bn. spend



5% - 8% success rate



See SME Instrument Accelerator Data Hub:

<https://sme.easme-web.eu>

# Most popular topics



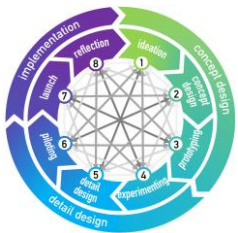
**ICT**



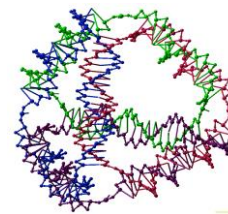
**HEALTH**



**ENERGY**



**BUSINESS MODEL  
INNOVATION**



**NANOTECHNOLOGY**



**ICT**

# Key criteria for SMEI projects...

Product, service or business model is:

1. Cross-border
2. High growth
3. Disruptive
4. Close to market
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 with 10 or more employees that grows employees or turnover by an average 20%+ per year for 3 consecutive years.’***

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



# Four Related Criteria

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



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

# Degrees of 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 (Criterion 3)**

Creates new markets and value networks by disrupting the existing ones

# 3 - Disruptive Innovation



# 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](http://bit.ly/TRL_MRL)

# Criterion 4 – ‘Close to Market’

**TRL 6 - PROTOTYPE SYSTEM** – Tested in intended environment; prototype close to expected performance.

**TRL 7 - DEMONSTRATION SYSTEM** – Operating in working environment at pre-commercial scale

**TRL 8 - FIRST OF A KIND COMMERCIAL SYSTEM** – All issues resolved and ready for market

**TRL 9 - FULL COMMERCIAL SYSTEM** – Fully available for market entry

# Criterion 5 – ‘Scalable’

‘Demonstrates an ambition to significantly scale up production’

- Able to move from final prototype to mass sales:
  - Own production
  - Production under licence
  - Joint venture

# Criterion 6 – ‘Minimum - at the Prototype Stage’

# MEASURE YOUR TECHNOLOGY READINESS LEVELS - TRL

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# The SME Instrument is now in transition...



REPUBLIC OF TURKEY  
MINISTRY OF INDUSTRY  
AND TECHNOLOGY







- **‘Horizon 2020’** will run up until 31<sup>st</sup> December 2020
- **‘Horizon Europe’** will then run for 6 years



€77bn.

# HORIZON 2020

- **‘Horizon 2020’** will run up until 31<sup>st</sup> December 2020
- **‘Horizon Europe’** will then run for 6 years

€94bn.

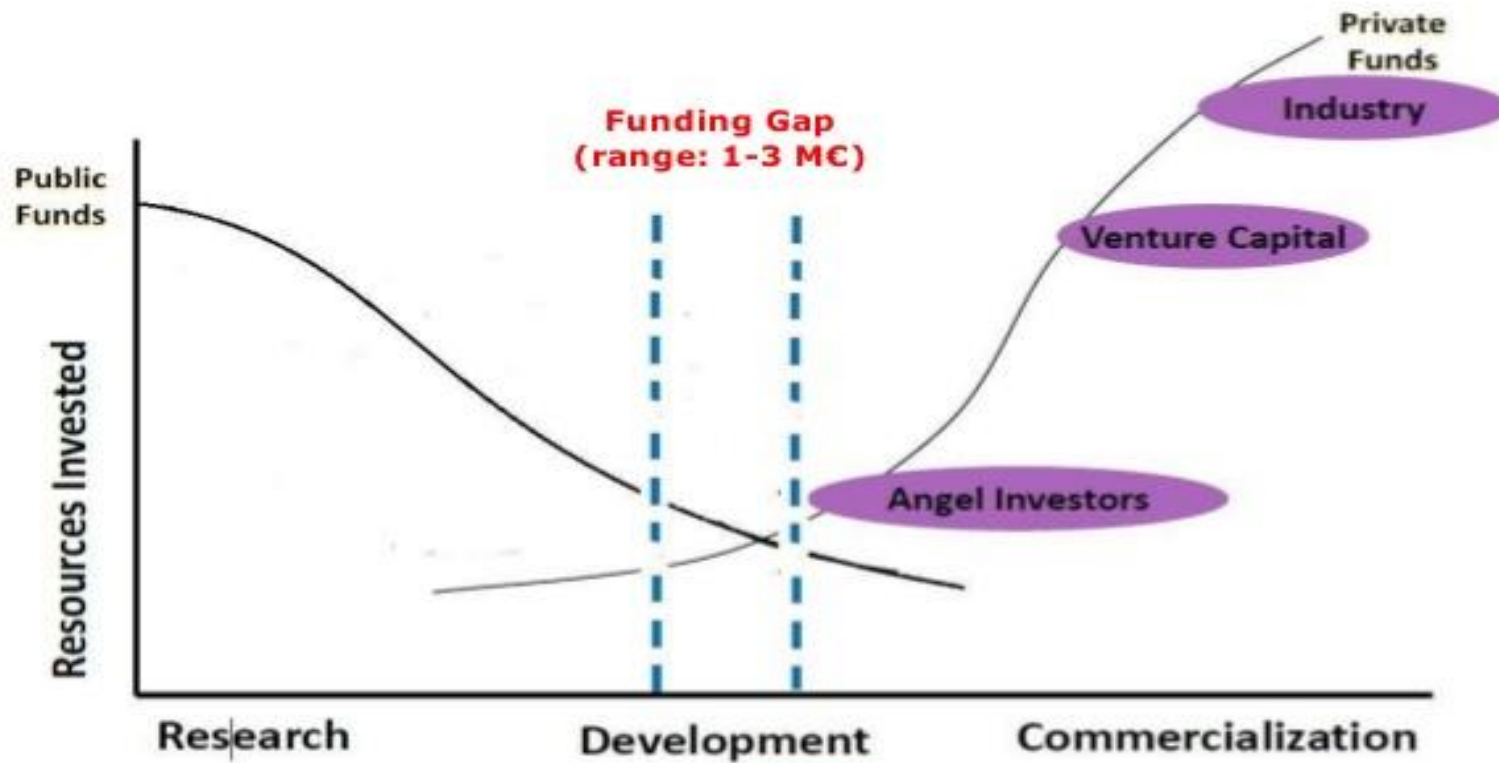


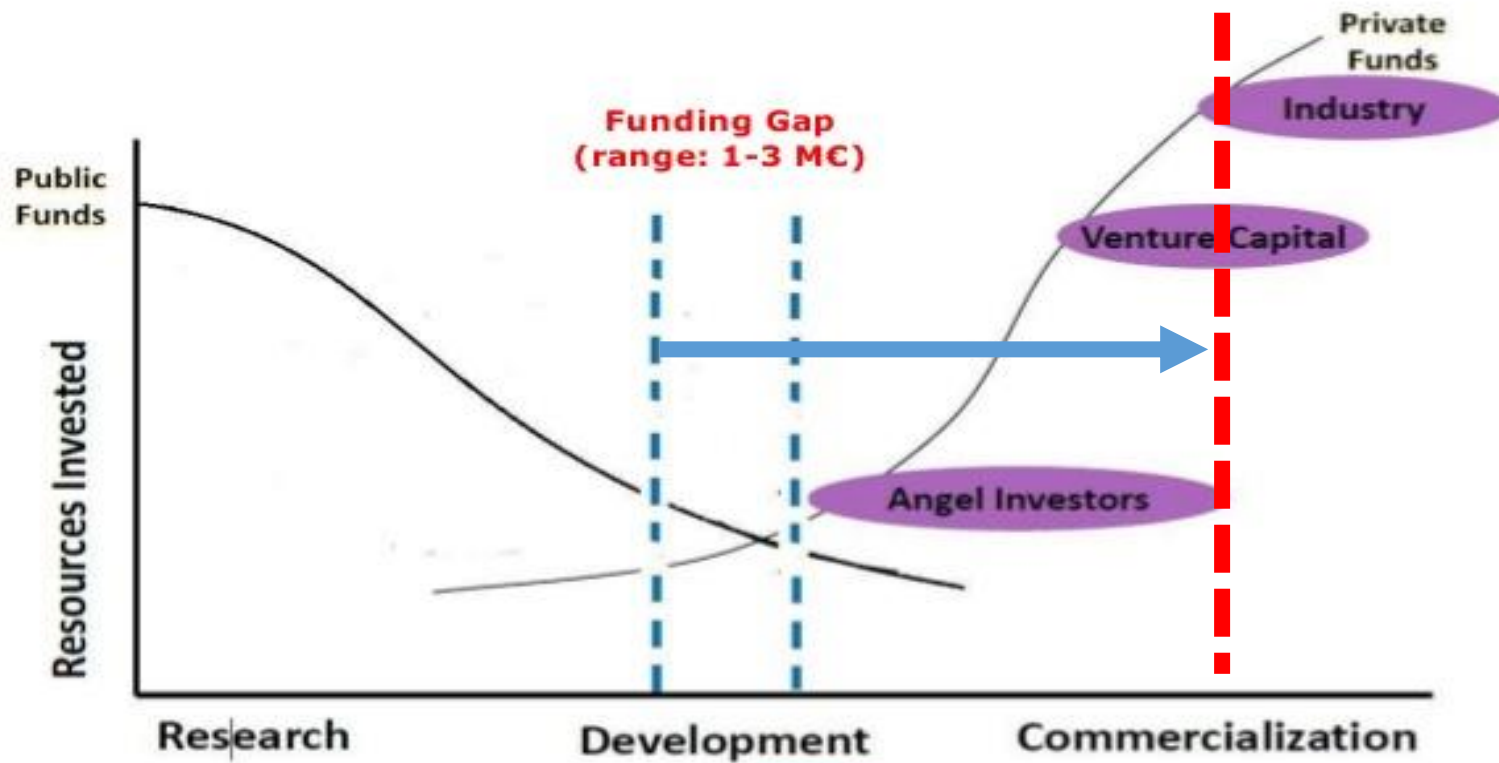
## Horizon Europe

# SME Instrument now has 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:
  - **EXCELLENCE**
  - **IMPACT**
  - **IMPLEMENTATION** - Quality and efficiency
- High growth potential, high-risk applicants
- Disruptive innovations
- Sound **business plans**

# Same 3 Key Award Criteria...

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

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

**IMPLEMENTATION:** Does the project have a coherent and efficient workplan, excellent team and strategic fit?



# Major policy shifts...

- 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

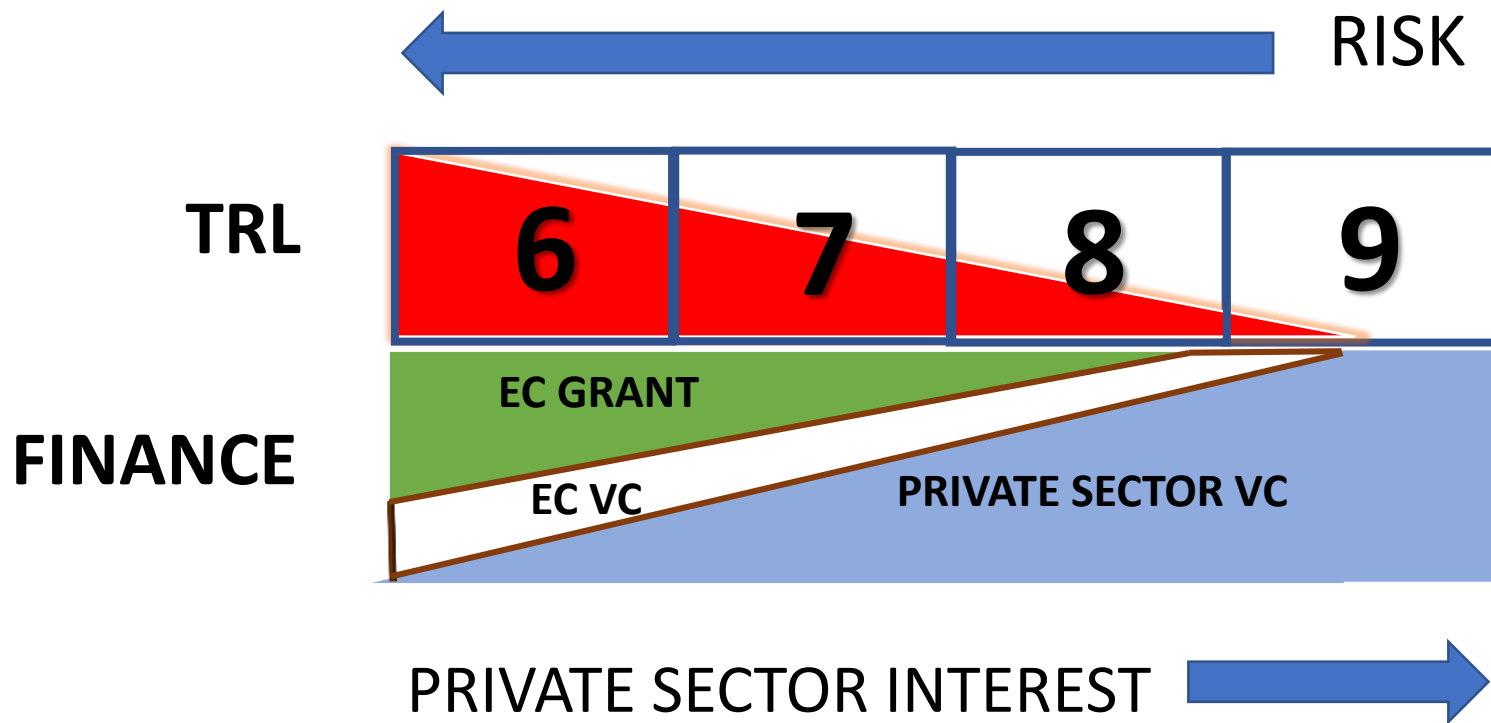
# So what is the funding?...

- **Phase 1** grant support disappeared at 5<sup>th</sup> September cut-off
- **(Phase 2)** grant support of **70%** up to **€2.5m** is available to projects at **TRL 6, 7 & 8**
- **'Blended Finance'** is also offered to projects at **TRL 6, 7 & 8**
- Private sector/EC equity only is offered to projects at **TRL 9**
- **Phase 3** as before; coaching and mentoring is available to all

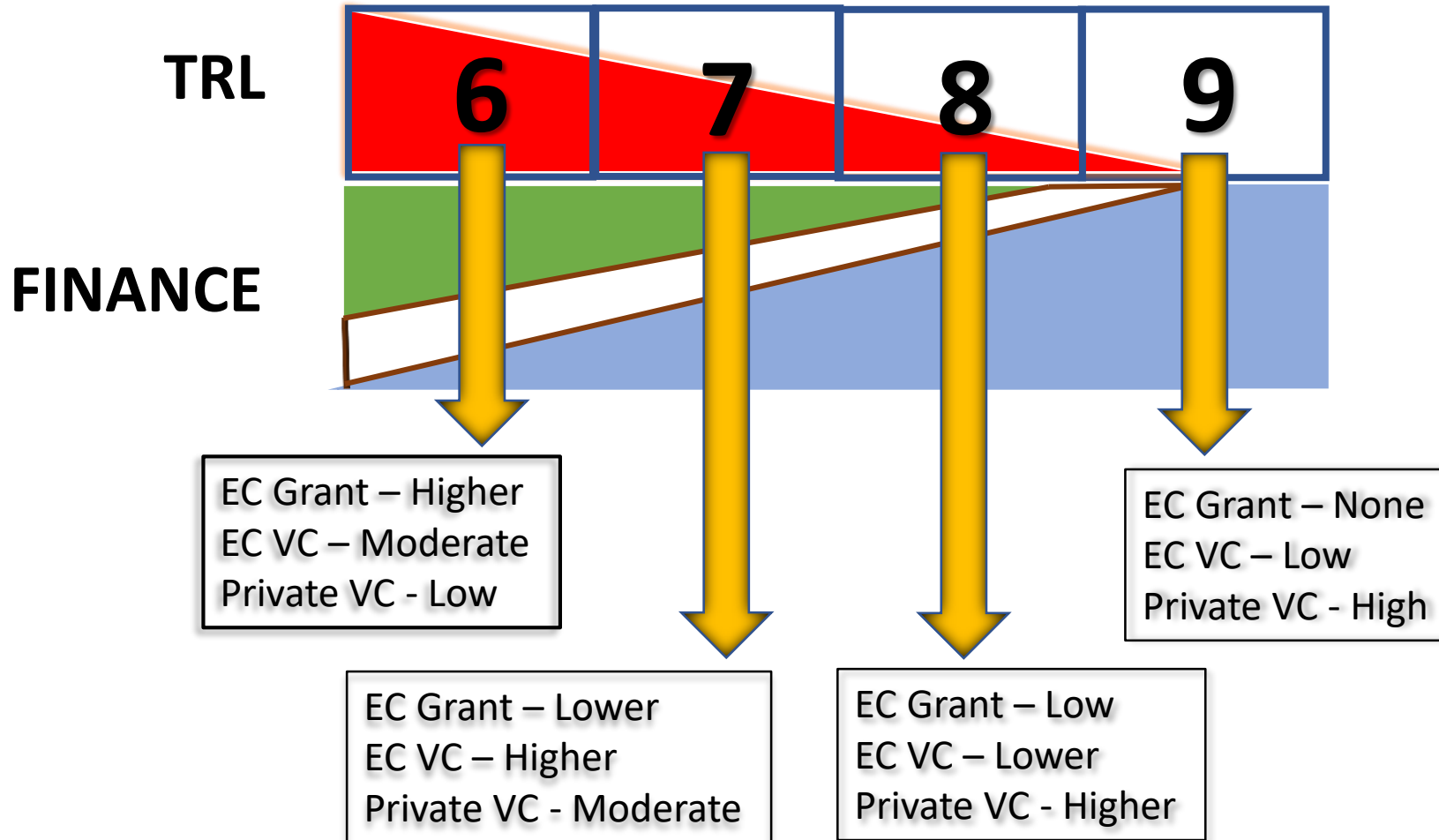
# 'Blended Finance'

- 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' (**EIC Fund**) 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; Risk versus Finance



# Blended Finance – What are your chances?



# Blended Finance has complexities...

- Applicants must decide on proposal submission if 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 agreed to consider BF and EC consider it suitable, they will decide on financing mechanism to be offered
- If due diligence fails; any grant offer will be withdrawn

# So, TRL will be far more important...

- Essential to correctly assess your TRL(s) - 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 (EIC Fund) team and/or private sector

# 'Due diligence' ...

An investigation 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

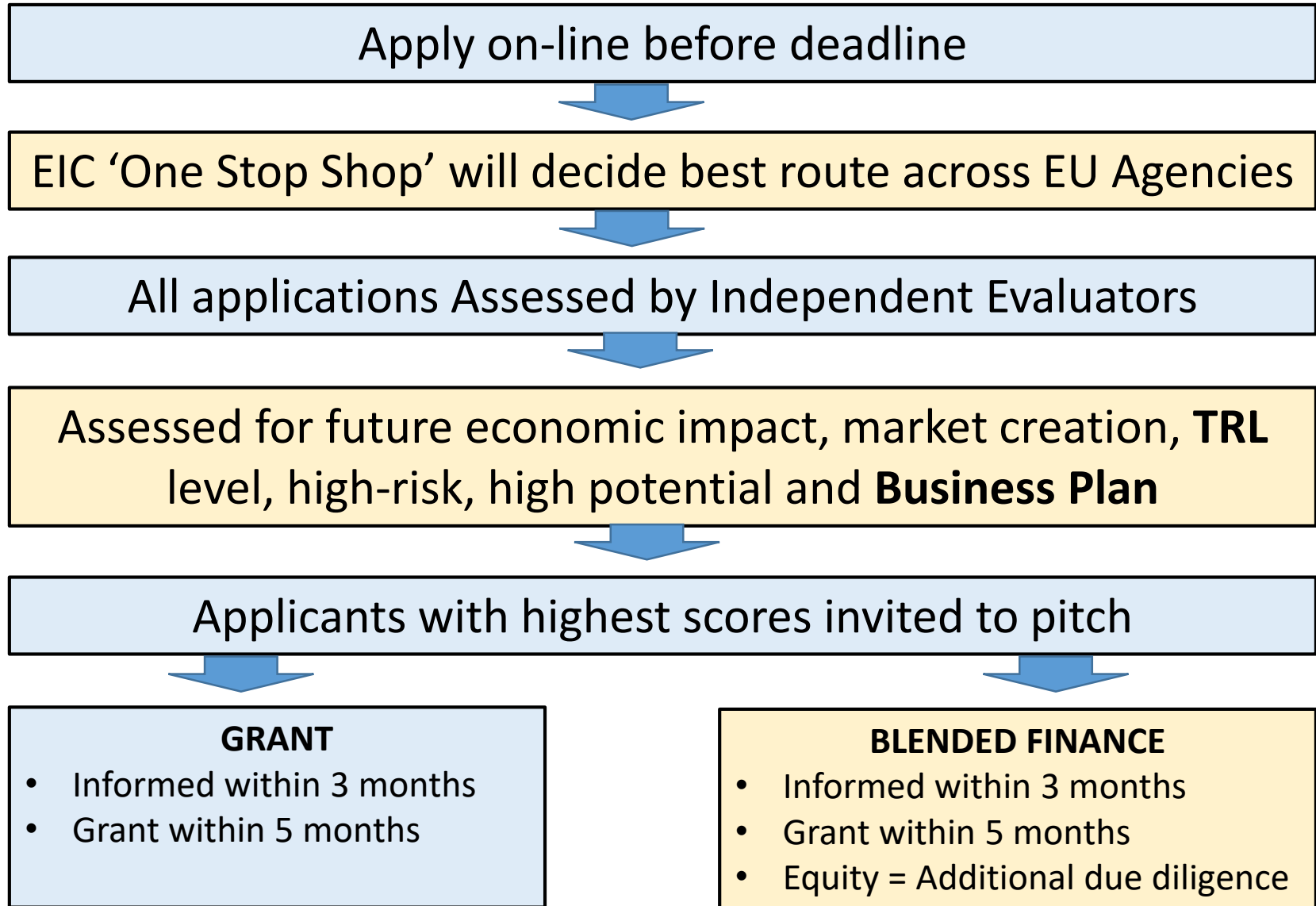
## **BUT!**

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

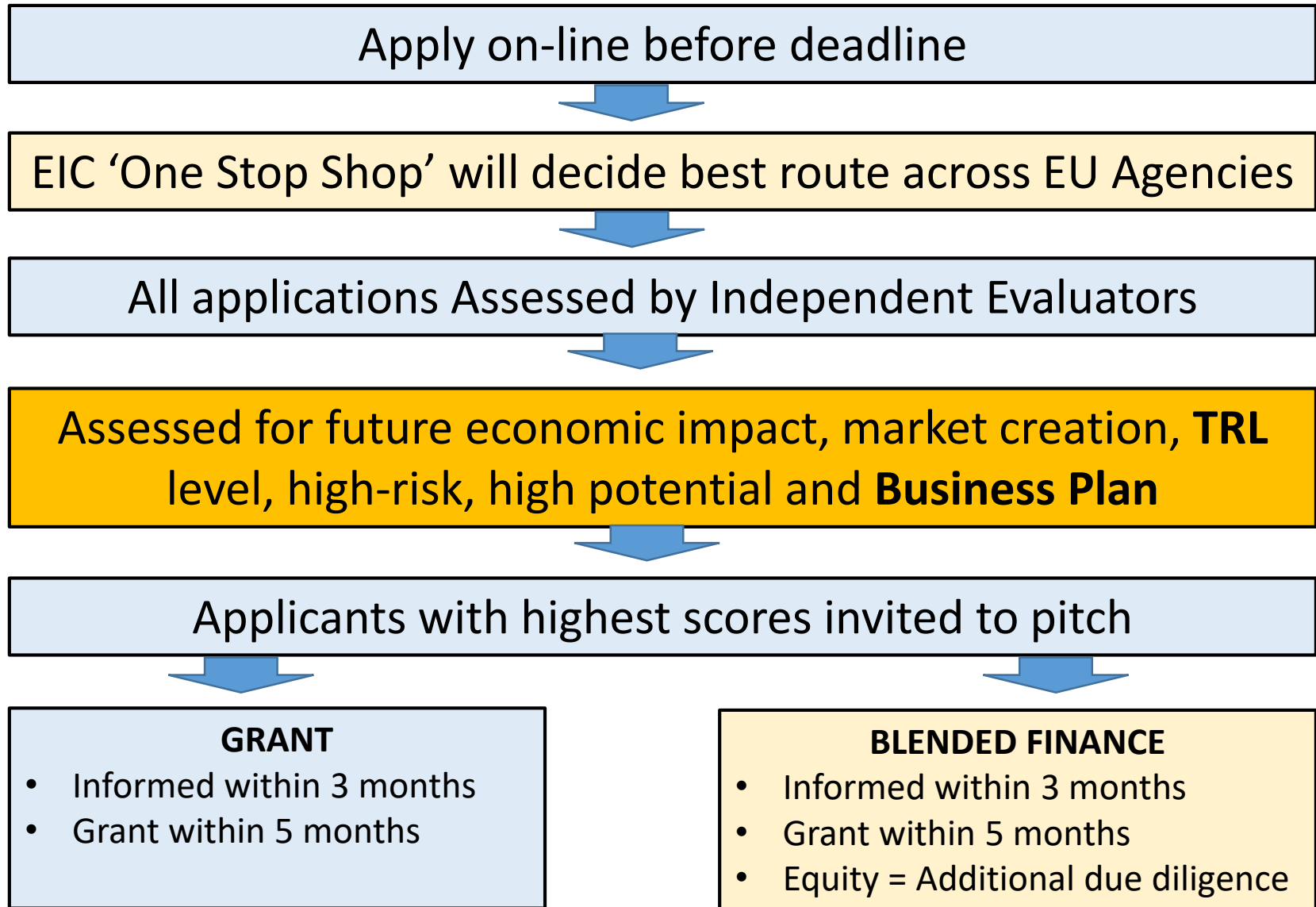
# So how does an SME use Accelerator?

- SME must register and establish it fits EC definition of SME
- SMEs must then register in Participants Register on EC Funding & Tenders Portal
- Once accepted a Participant Identification Code (PIC) number is issued
- PIC number must be used on all communications
- See Horizon 2020 manual at:  
[https://ec.europa.eu/research/participants/docs/h2020-funding-guide/index\\_en.htm](https://ec.europa.eu/research/participants/docs/h2020-funding-guide/index_en.htm)

# Accelerator Application Process



# 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?

- Are you an SME as defined?
- Registered with the EC – PIC number?

## **Project checklist**

- What customer/market needs will project solve? Evidence?
- Highly innovative?
- Above current state of the art?
- Potential to disrupt existing markets?
- Are there risks that put off investors?
- TRL 6 or above?
- Management team on board?
- IP protection, or clear IP strategy in place?
- Anticipated project costs?
- Prepared to allow for external investment, due diligence, etc?

# Health Warning!!

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

# So, how do Turkish SMEs perform against the Key Criteria...

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

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

**IMPLEMENTATION:** Does the project have a coherent and efficient workplan, excellent team and strategic fit?



# EXCELLENCE

- Great national success in building innovation capabilities
- Some excellent science & technological developments have resulted

## **BUT!**

- End focus often on getting more research/grants, not marketable products/services
- Little emphasis on responding to market needs
- Pursuit of science & technology instead of solving needs

# IMPACT

- Large Turkish market in need of innovative products
  - Significant impact can be made nationally
- BUT!**
- Can result in complacency – more of the same
  - Short-sighted on international markets, customers and competitive environment
  - Can assume that foreign markets are simply an expansion of what is done nationally

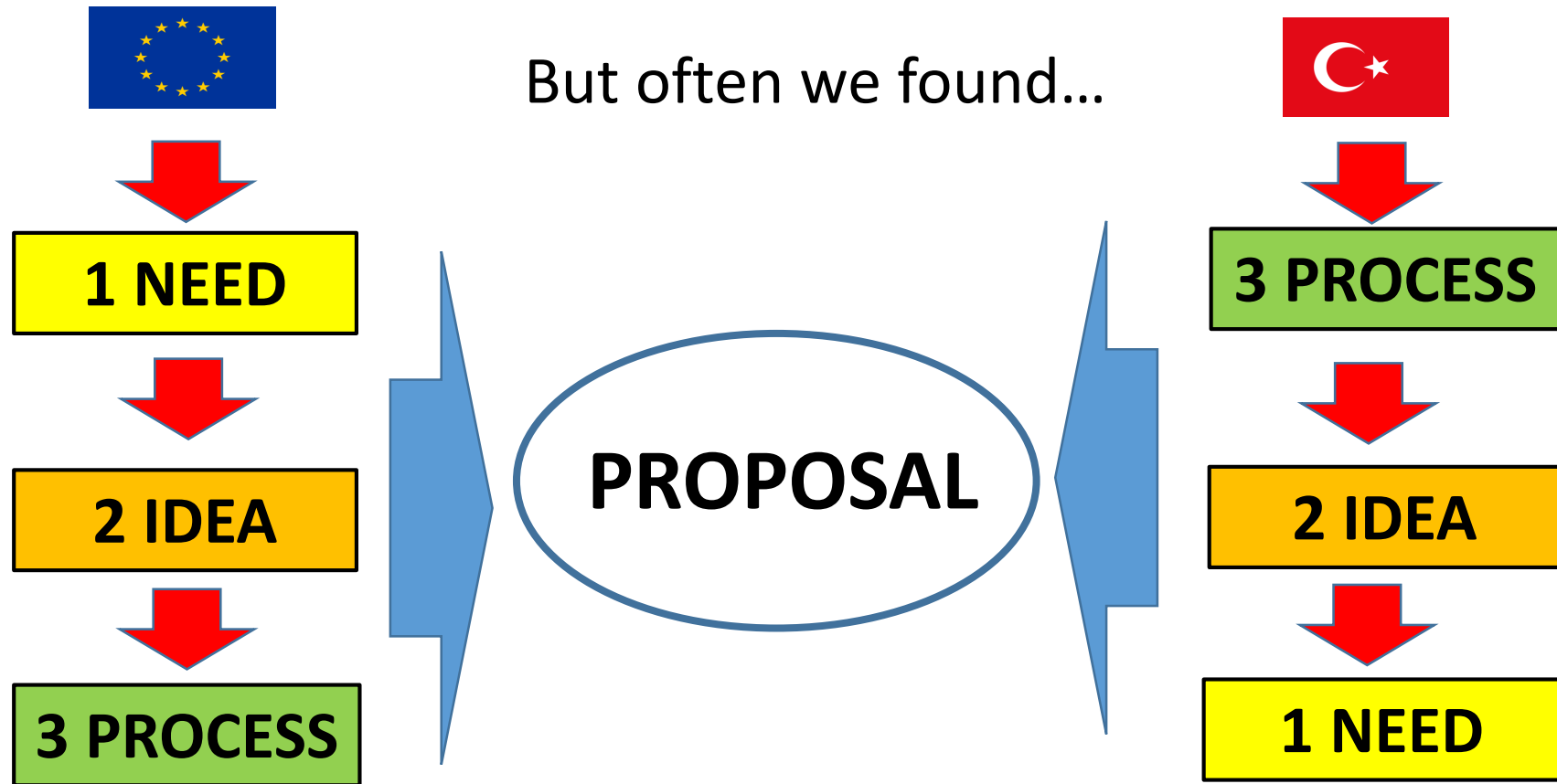
# IMPLEMENTATION

- Enthusiastic and talented teams
- Aware of scientific and technical developments
- Support from MoIT, TÜBİTAK and other public sources

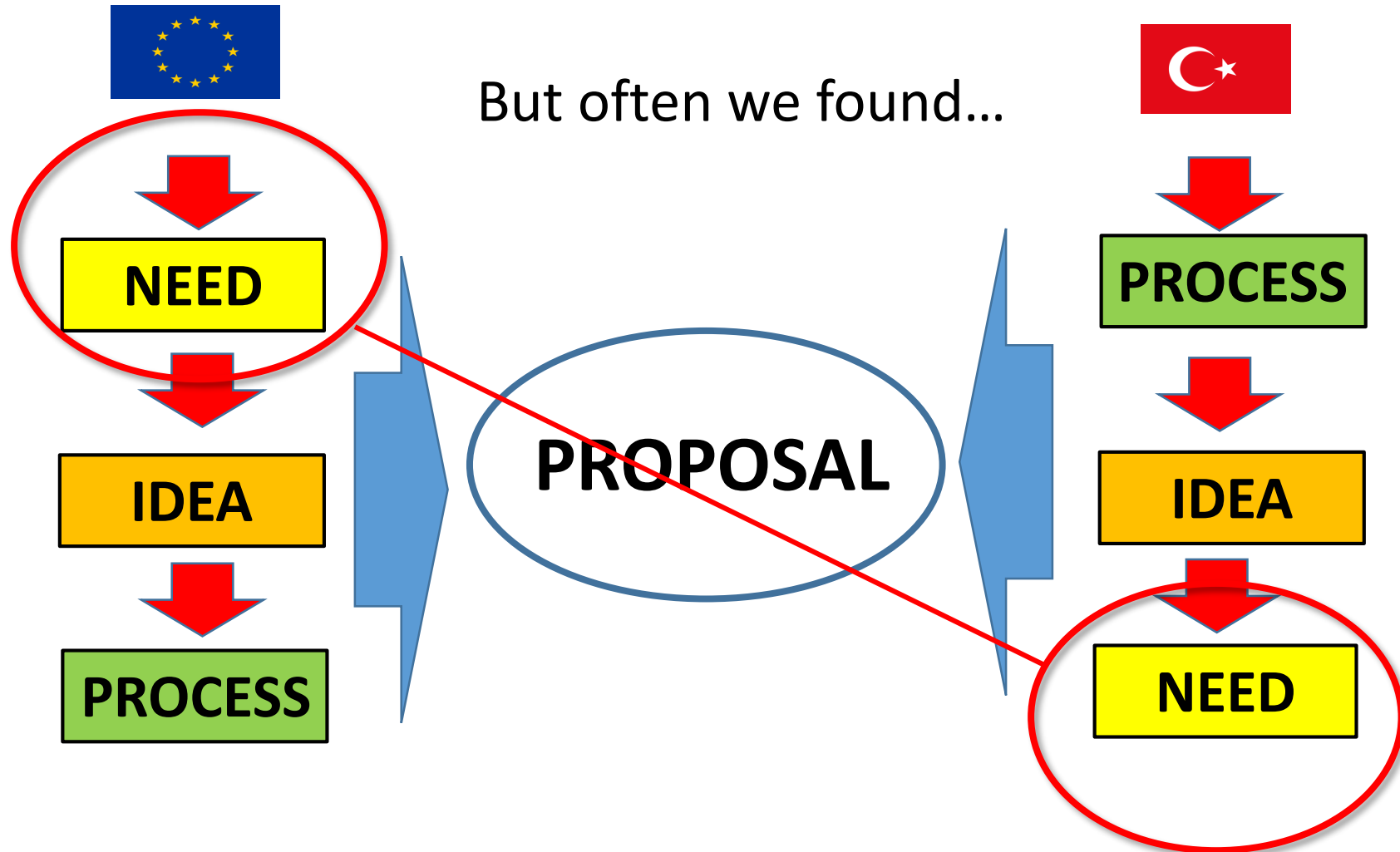
## **BUT!**

- Predominantly scientific/technical management teams
- Lack of marketing and commercial skills
- Lack of business strategy and business plans – rocky existence as a result

# So, when it comes to H2020 proposals...



# A problem of perception = training!



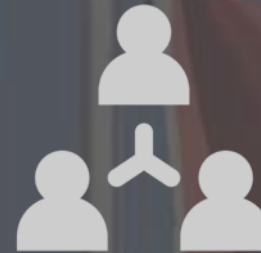
# Our project is here to help...

## Training Events



- Introductory
- Focus Groups
- IPR
- Access to Risk Finance
- Webinars
- Lobbying
- Project Writing Camps

## SME Support



- 1-to-1 Support
- Project Writing Training
- Pitching Workshop
- Feasibility Reports
- Investment Readiness

## Networking



- Brokerage Events
- International Study Visits
- Award Ceremonies
- Conferences
- Info Days

## Tools



- Website
- Helpdesk
- Training Guides

# Especially for SMEs

- 50 SMEs x 20h one-to-one Project Writing Support
- 12 Project Writing Trainings for SMEs (1-day) [8]
- 6 Project Writing Camps for SMEs (1-day) [4]
- 9 SME Instrument Webinars [7]
- 1 Pitching Workshop for SMEs
- 10 Feasibility Reports for Innovative SMEs
- 1 Investment Readiness Training [completed]





# Contact us...

## 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](mailto:a.bakowski@idi.ie)

Odyseas Spyroglou  
[o.spyroglou@idi.ie](mailto:o.spyroglou@idi.ie)

Philip Sowden  
[p.sowden@idi.ie](mailto:p.sowden@idi.ie)



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