

Fit for SMEs

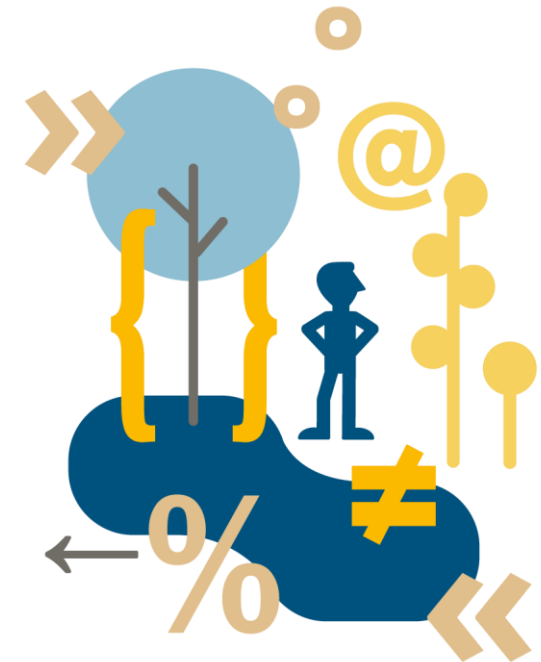
19 May, Online event in *Zoomiverse*

Interact

Bernhard Schausberger

Przemysław Kniaziuk

Iuliia Kauk

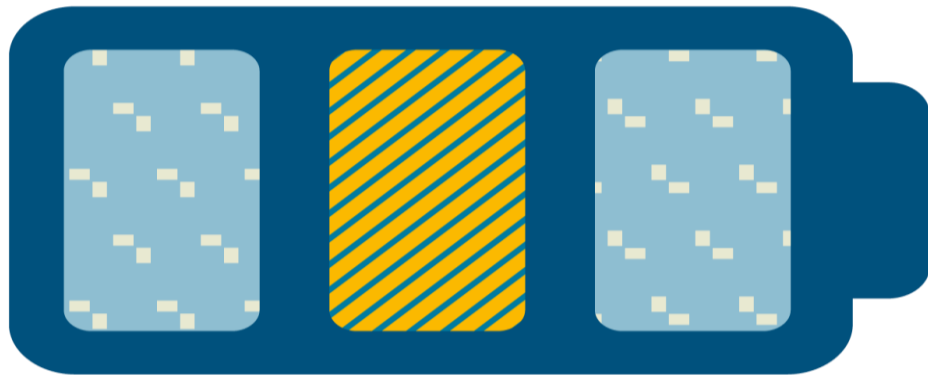


What are we talking about today?

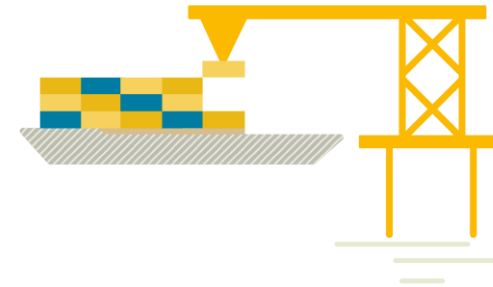
- Introduction: overview, types of SMEs involvement, challenges of private partners participation in Interreg projects
- Management models of different Interreg programmes to work with SMEs
- SCOs and SMEs (HORIZON2020, ERDF/CF OPs, SCOs of Interreg BE-NL)
- State aid and project with SMEs
- End-users reflections – interviews with SMEs representatives and their impression on participation in Interreg projects

Practicalities

HOW



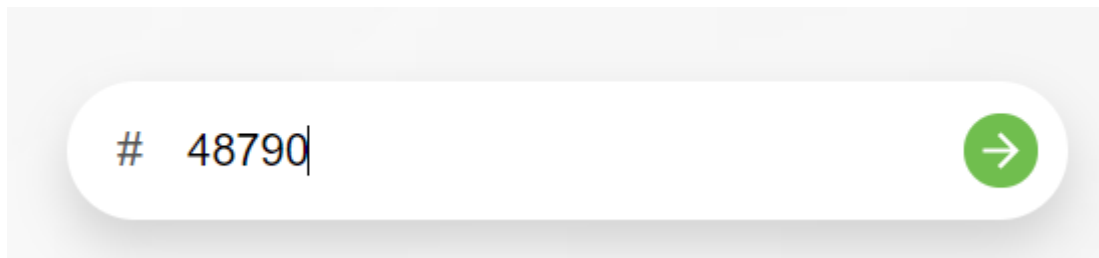
Housekeeping



- **Time frame:** 09.45 – 13.30 CET
- **Comfort break** 11.45 – 12.15 CET
- **Format:** webinar style, programmes' interventions - Q&A sessions, reflections on recorded interviews
- Ask questions (indicate to whom if you want) throughout the event – Slido/ Chat
- Video/ audio on/off
- Recorded event
- Post-event material
- Evaluation

Questions policy

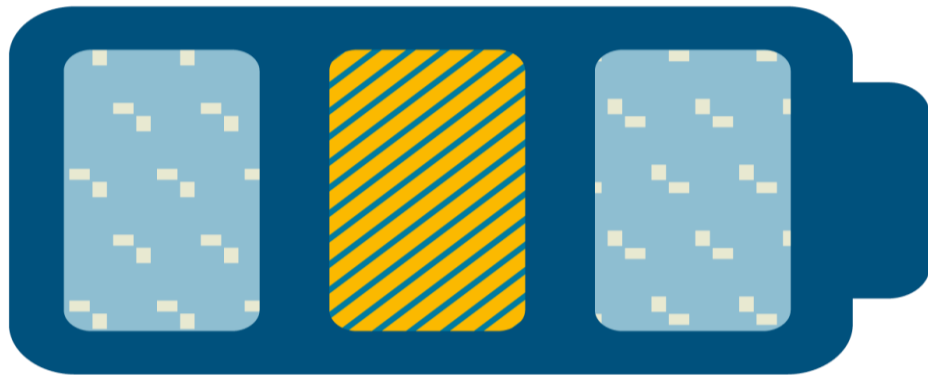
Join at slido.com

A white rounded rectangular input field with a light gray shadow. Inside the field, the text "# 48790" is displayed in a dark gray font. To the right of the text is a green circular button with a white right-pointing arrow.

- For Qs during ppts, panel discussions – use Slido (anonymous or with User name)
- For technical problems with Zoom – use Chat
- **Let's test how it works – test Q in Slido!**

Definitions SMEs in EU

Introduction session



What is an SME?

Defined in the EU recommendation 2003/361 (Article 2, Staff headcount and financial ceilings determining enterprise categories):

The category of **micro, small and medium-sized enterprises (SMEs)** is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Categories of SMEs

Enterprise category	Employees	Turnover	Balance sheet total
Micro SME	0 to < 10	< EUR 2 mln	< EUR 2 mln
Small SME	10 to < 50	< EUR 10 mln	< EUR 10 mln
Medium-sized SME	50 to < 250	< EUR 50 mln	< EUR 43 mln

Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises (2003/361/EC)

SMEs are the backbone of the EU economy



SMEs EMPLOY 2 OUT OF EVERY 3 EMPLOYEES
AND PRODUCE 56 CENTS OF EVERY EURO OF
VALUE ADDED¹



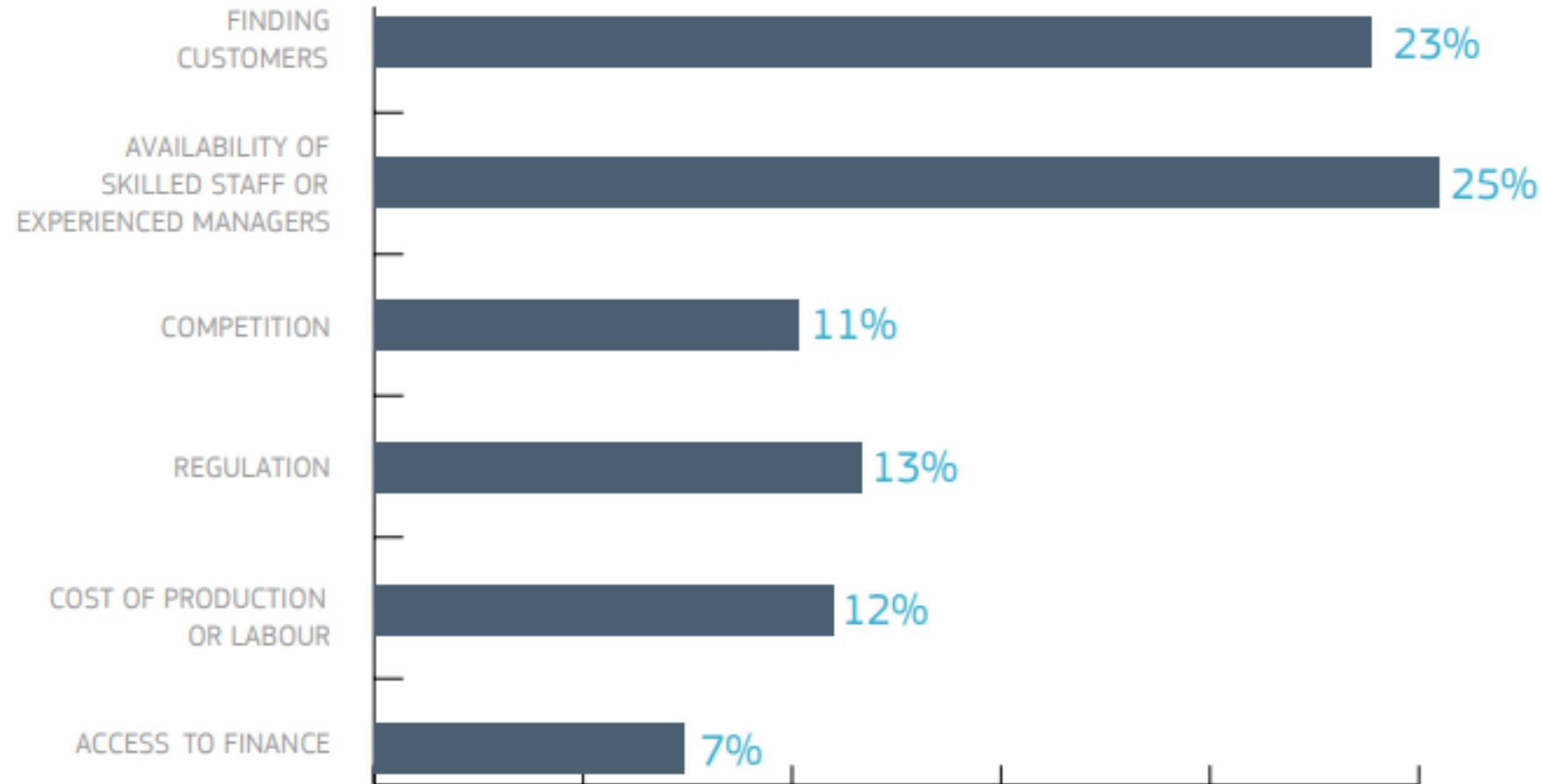
9 OUT OF 10 EU SMEs ARE MICROS
(less than 10 employees)

In 2018, there were slightly more than **25 million SMEs** in the EU-28, of which **93% were micro-SMEs**.

SMEs represent over 99% of the businesses in the EU; SMEs employed 2/3 of the active population in NFBS in 2018.

*Annual report on European SMEs, 2018/2019. Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) on the SME performance Review.

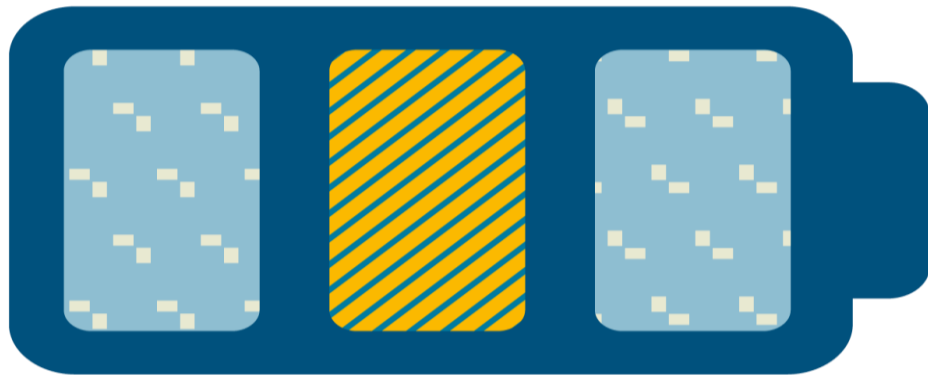
EU-28 SMEs' most pressing problems in 2018



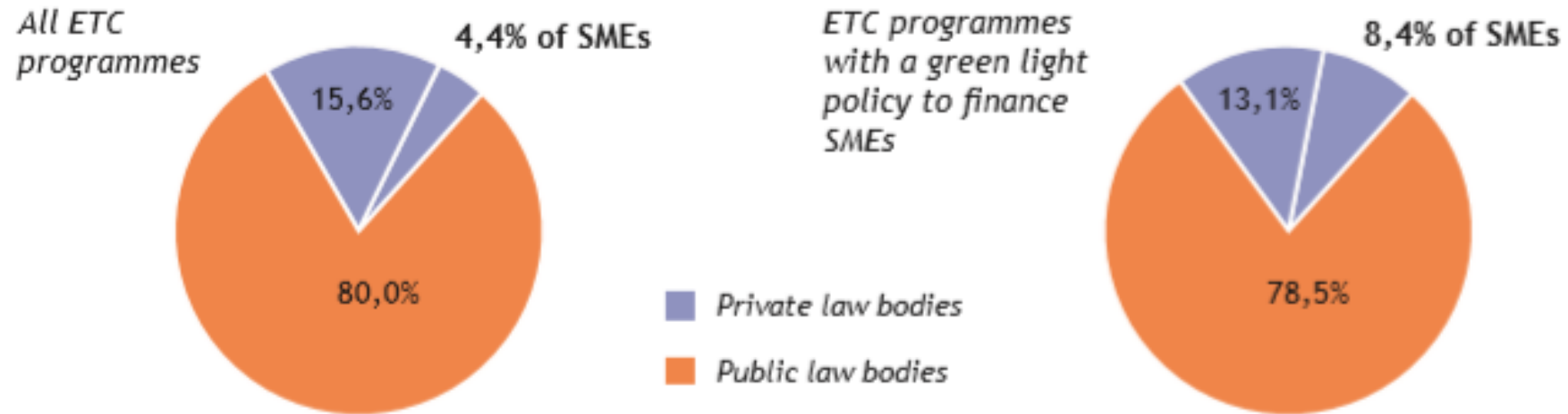
*Annual report on European SMEs, 2018/2019. 2018 Safe survey

SMEs in Interreg

Introduction session



Private partners in Interreg

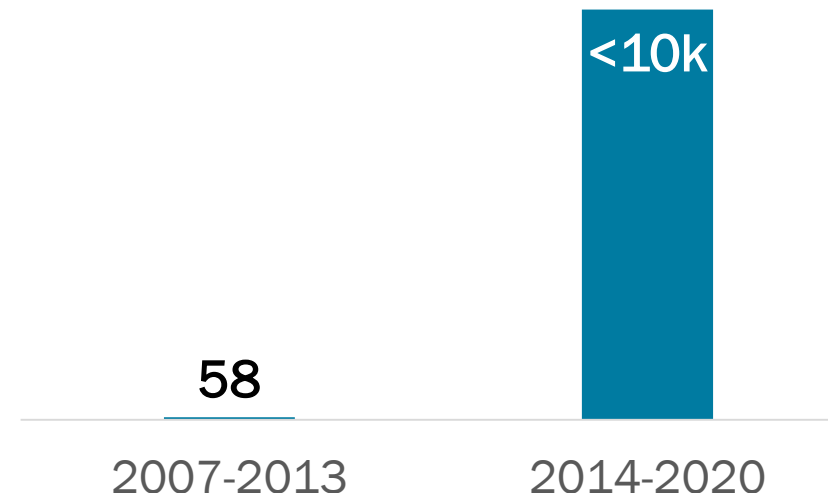


*Data from Interact survey, 2013

Private partners in Interreg – overview*

Keep.eu – a unique collection of ETC projects from 2000.

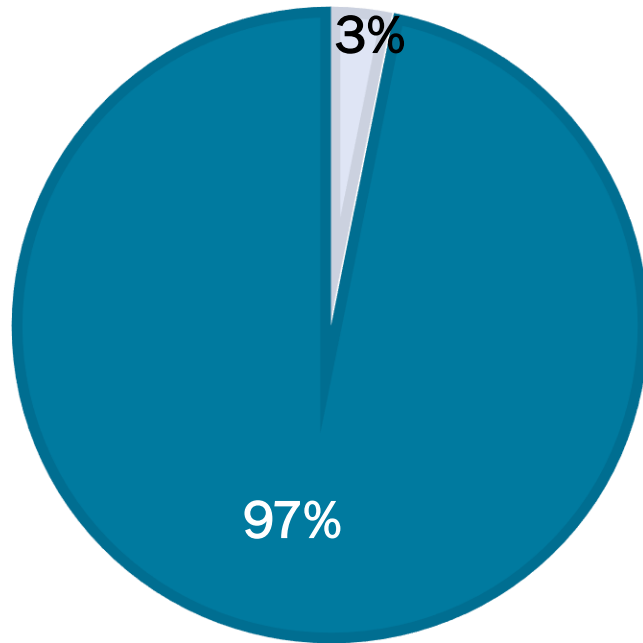
- Representativity of data: 2007-2013 – 98%, 2014-2020 – 80% of programmes (Interreg, ENI, IPA-CBC)
- Number of partnerships: 2007-2013 – 92% (ca. 45k), 2014-2020 – 78% (ca. 28k)
- Private partners in keep.eu:



*Data from keep.eu

Private partners in Interreg – 2014-2020

■ Lead partners ■ Project partners

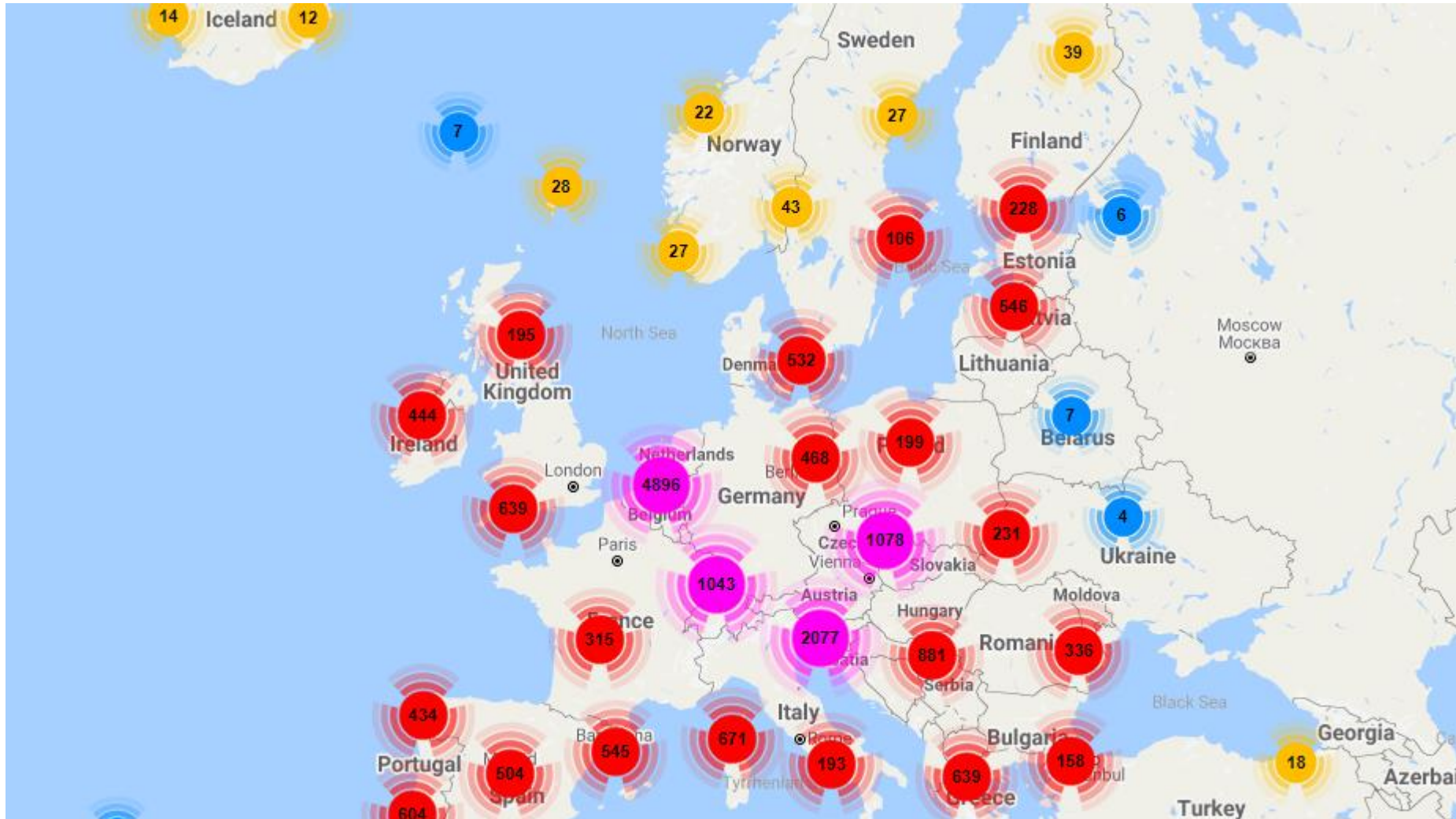


Majority of projects with private partners

- CBC Belgium – France
- CBC Romania – Bulgaria
- CBC Spain – Portugal (POSTEP)
- TN Atlantic area
- TN North-West Europe
- CBC Germany – the Netherlands
- CBC Belgium – the Netherlands
- INT ESPON

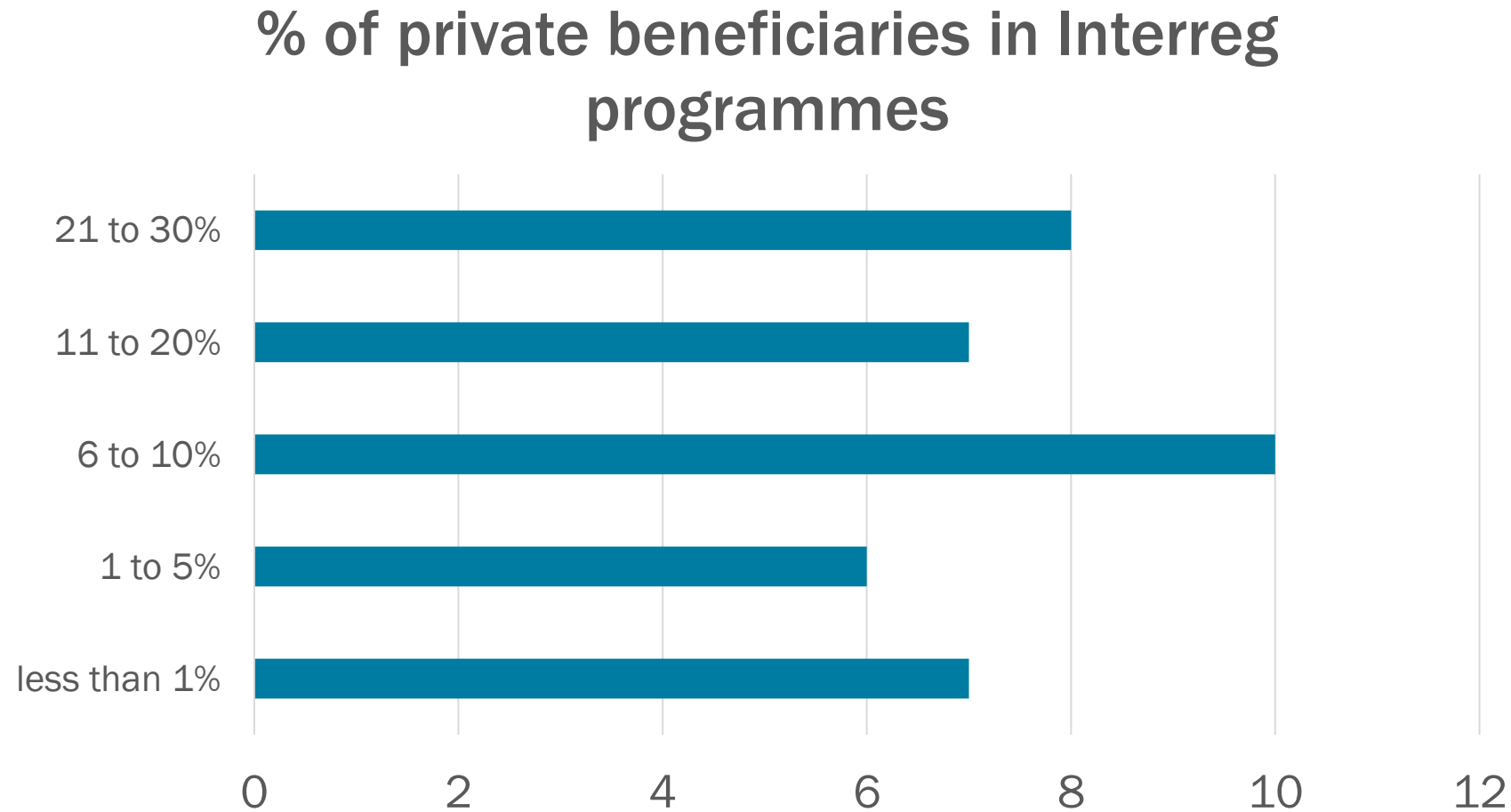
*Data from keep.eu

Private partners in Interreg – 2014-2020



*Data from keep.eu

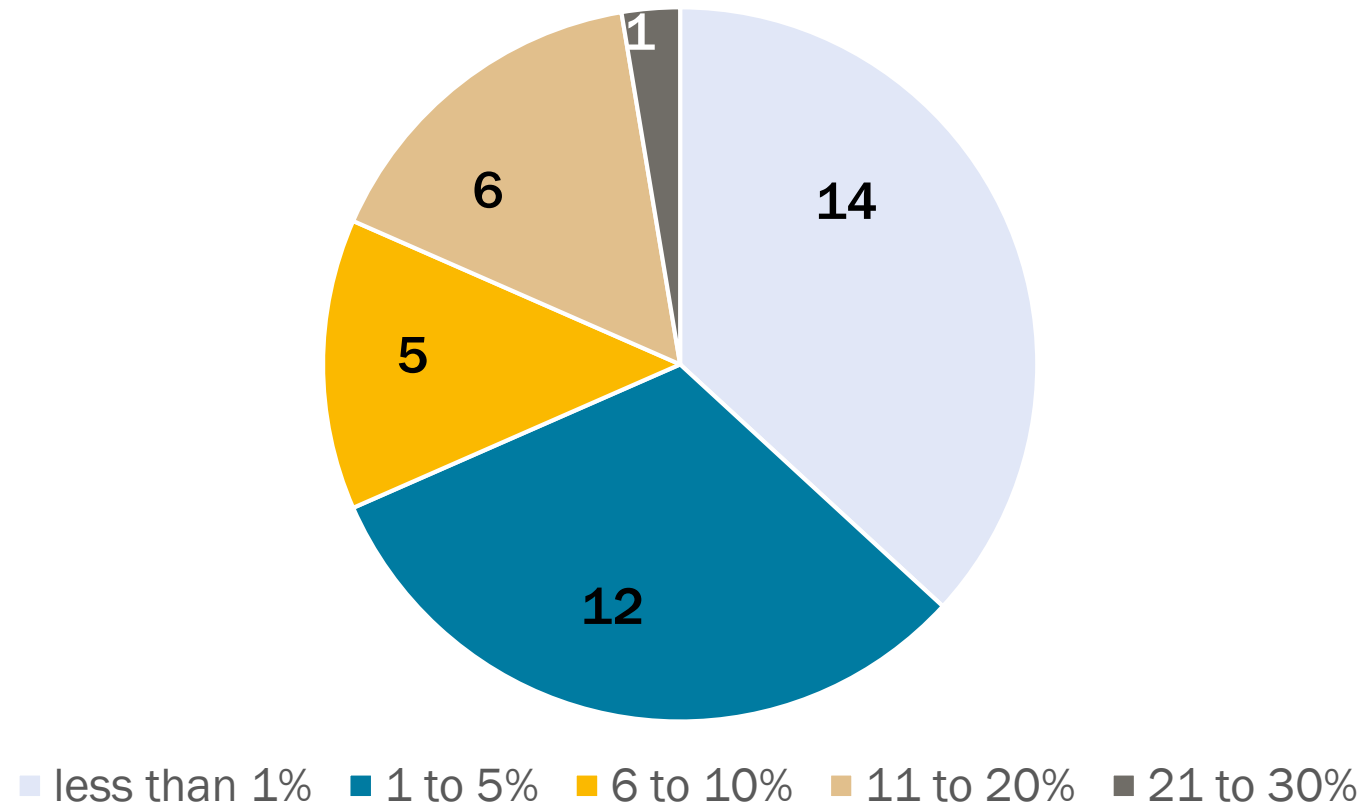
Repository questionnaire – results from 38 programmes



*Repository survey was carried out in February 2017 by Interact

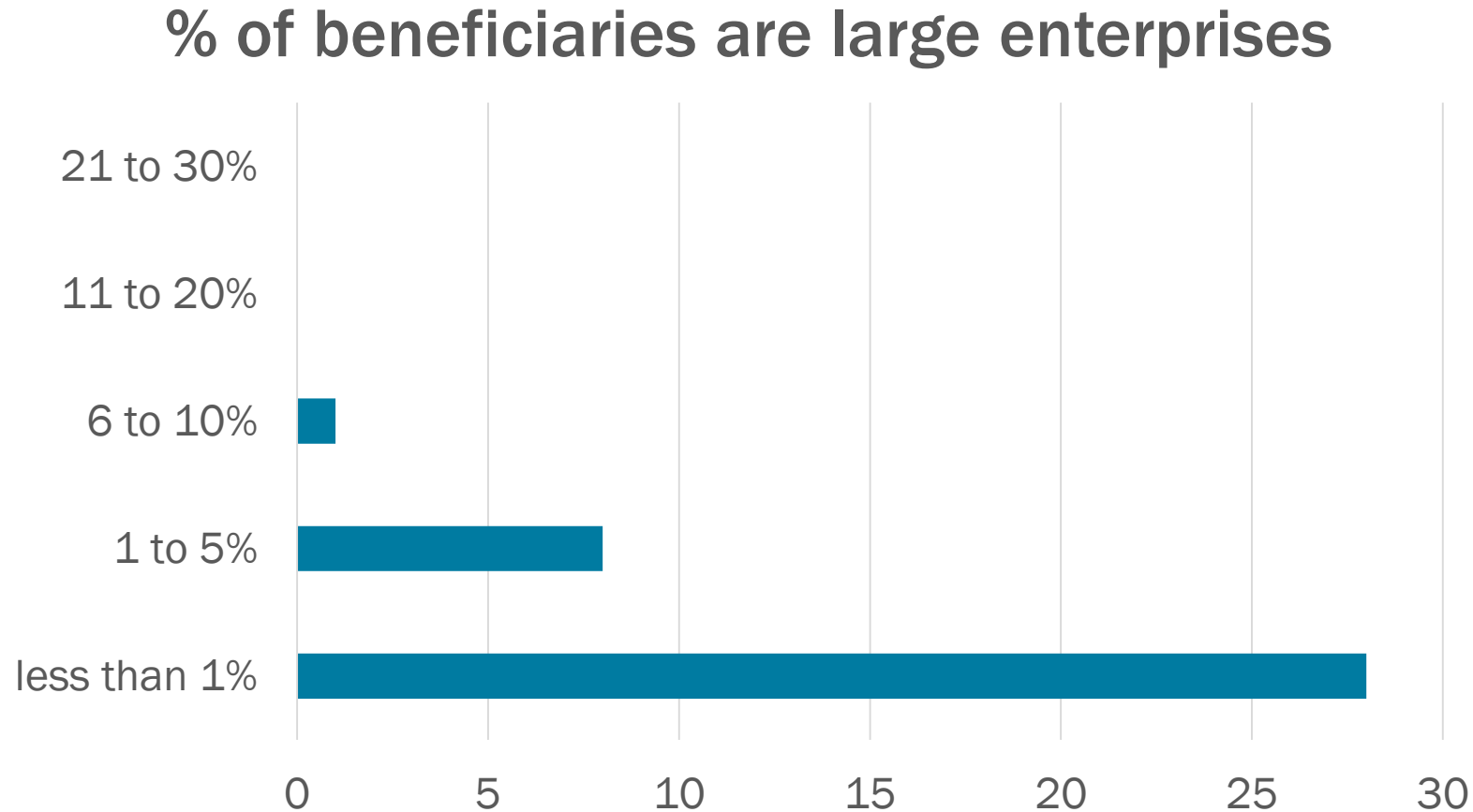
Repository questionnaire – results from 38 programmes

% of beneficiaries are SMEs



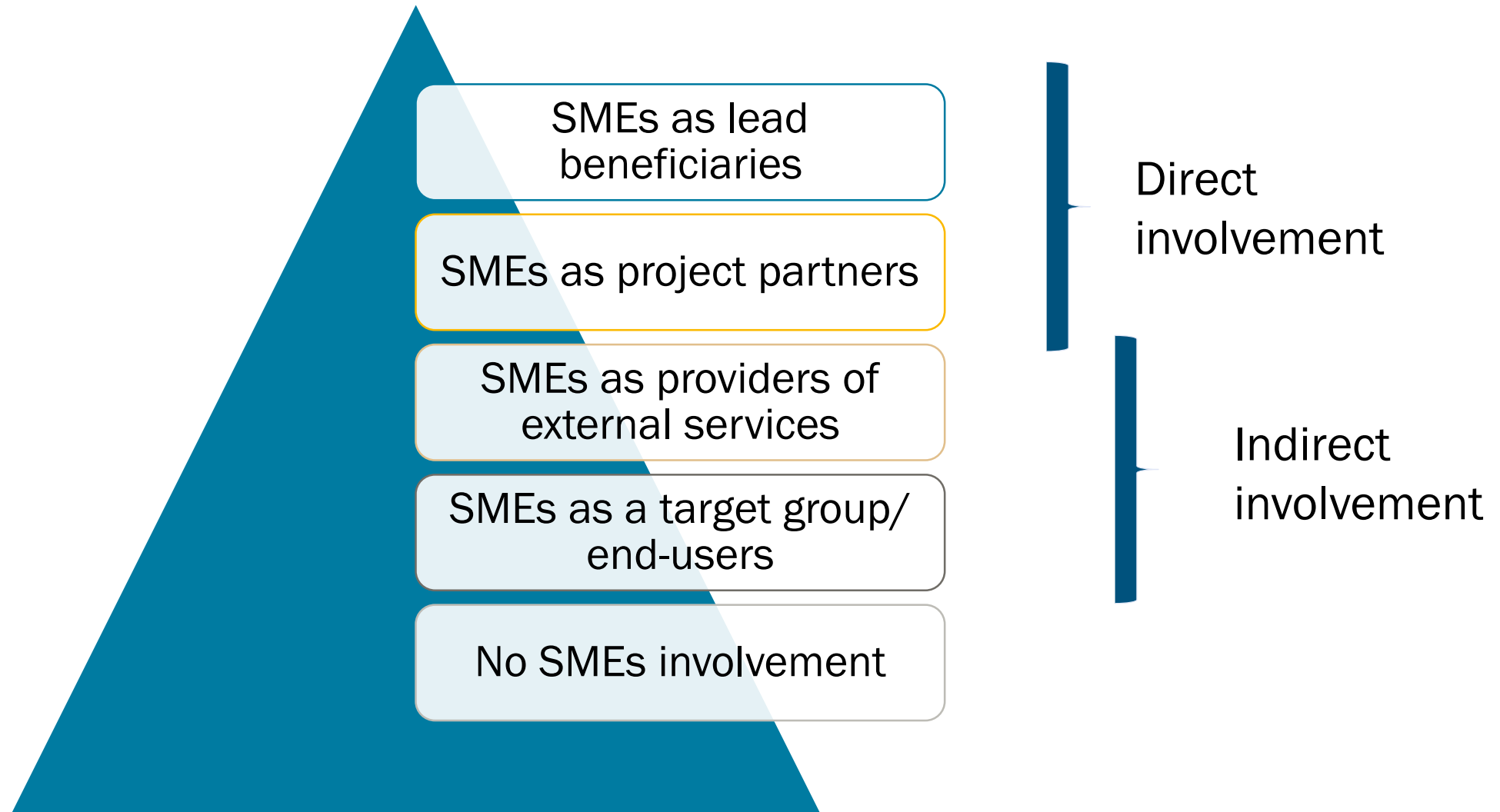
*Repository survey was carried out in February 2017 by Interact

Repository questionnaire – results from 37 programmes



*Repository survey was carried out in February 2017 by Interact

Types of SMEs involvement in Interreg



Direct involvement of SMEs

- As project partners, but not lead partners
- Project partners receiving support to cover their travel and accommodation expenditure and costs of controls
- SMEs are entrusted by a public authority to perform a specific task under the Services of the General Economic Interest (e.g., Northern Periphery Programme)
- Project partner light (Interreg BE-NL, DE-NL)
- Sub-partners (North-West Europe)
- Voucher schemes in projects (North-West Europe)

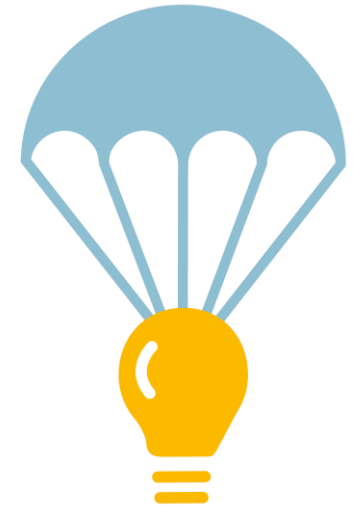
SMEs as sub-partners (NWE)

- Sub-partners without financial capacity to be a partner or with punctual commitment,
- Reporting (activities + financial) via the responsible partner (the same national controller)
- Can be approved during the project implementation,
- Some limitations: up to 50% of the responsible partner budget, sub-partners must be from the same country as the responsible partner



Voucher schemes in North-West Europe

- Distributed by partners to recipients (e.g., SMEs)
- Can cover the expertise of the partner's staff, usage of partner's infrastructure, participation in trainings, or advice of an external expert,
- State aid measures obligatory,
- 2 options:
 - The voucher scheme is free for participating recipients and it is co-financed by project partner(s) upfront,
 - Participating recipients will have to partially pay to obtain the voucher (payments will be treated as revenues for the project partner responsible for the voucher scheme).



Indirect involvement of SMEs

- Associated partners with their own financing
- Providers of external services to the project (public procurement)
- Sponsors of so-called public goods (e.g., lighthouse, transport corridor) or facilities (e.g., meeting rooms) in the project
- Consultants on specific activities carried out within the projects, providers of opinion on project outputs
- SMEs are represented through sectoral associations, chambers of commerce or other public/ private law bodies engaged as beneficiaries



Examples of activities that SMEs perform in Interreg projects

Product and
service
development

Feasibility
studies on new
measures

Demonstration
of new
solutions

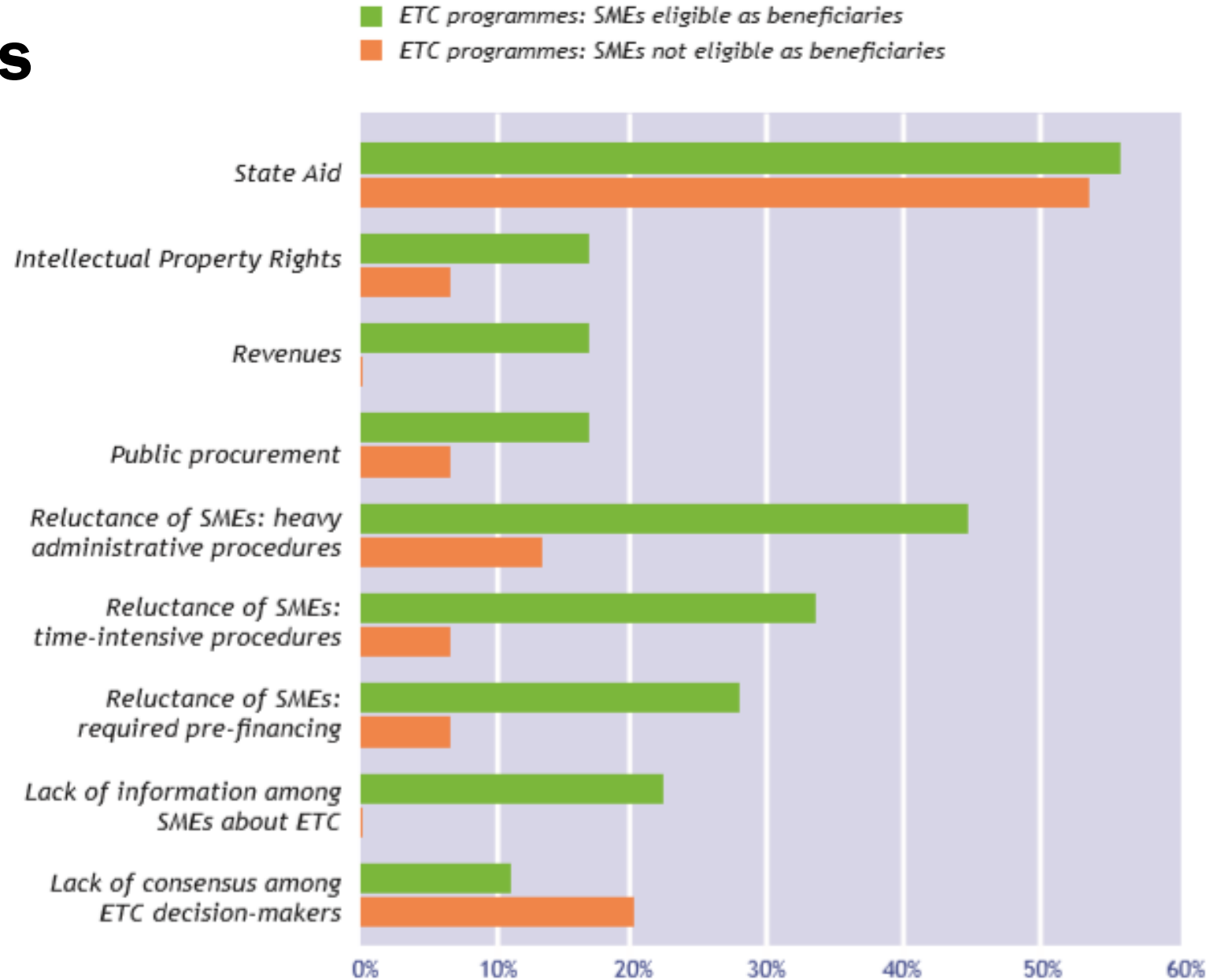
Testing of pilot
developments

Knowledge
transfer



- What is **the biggest challenge** for SMEs to join an Interreg project?

Challenges of SMEs involvement



Challenges of SMEs involvement

- Staff costs (specific organisational forms, computing wages)
- Market (state aid, revenues, public procurement, intellectual property)
- Administration (additional requirements for SMEs participation: solvability, bank guarantee, etc.; budgeting along certain budget lines; proof documentation)
- Process (cumbersome reporting, pre-financing, control, changing rules)

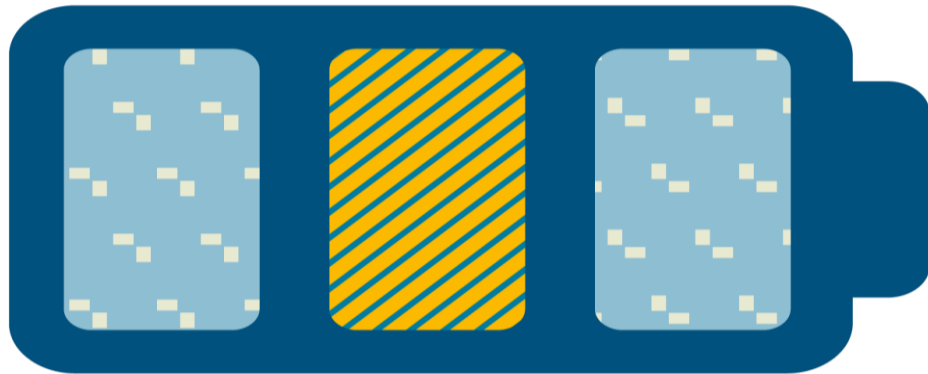


SME involvement post 2020

Policy Objective	SMEs as potential beneficiaries in Objectives	Further indications
Smarter Europe !!!	<ul style="list-style-type: none"> • SMEs as key players in knowledge transfer • SO iii) Enhancing competitiveness of SMEs, iv) .. skills for entrepreneurship ... • SME involvement as challenge for triple / quadruple helix 	Majority of Common Indicators targets enterprises!
Greener Europe	<ul style="list-style-type: none"> • Role of SMEs in green job creation such as energy-efficiency measures or circular economy and evt. sustainable urban mobility 	--
More connected Europe	<ul style="list-style-type: none"> • SMEs as local transport operators or for last mile solutions in tourism 	--
More social Europe	<ul style="list-style-type: none"> • SMEs as training providers in skills development 	--
Europe closer to citizens	<ul style="list-style-type: none"> • SMEs as tourism and heritage operators, local transport operators or for last mile solutions in tourism 	--

Making management models fit for SMEs

SMEs are somehow different ...





It is very risky!
Reimbursement?

State aid is complicate!
De minimis as an easy way out is
not considered state aid!

They might make profit!
Then do it under state aid &
Y: projects should be sustainable!!!

Virtual panel discussion – Q&A

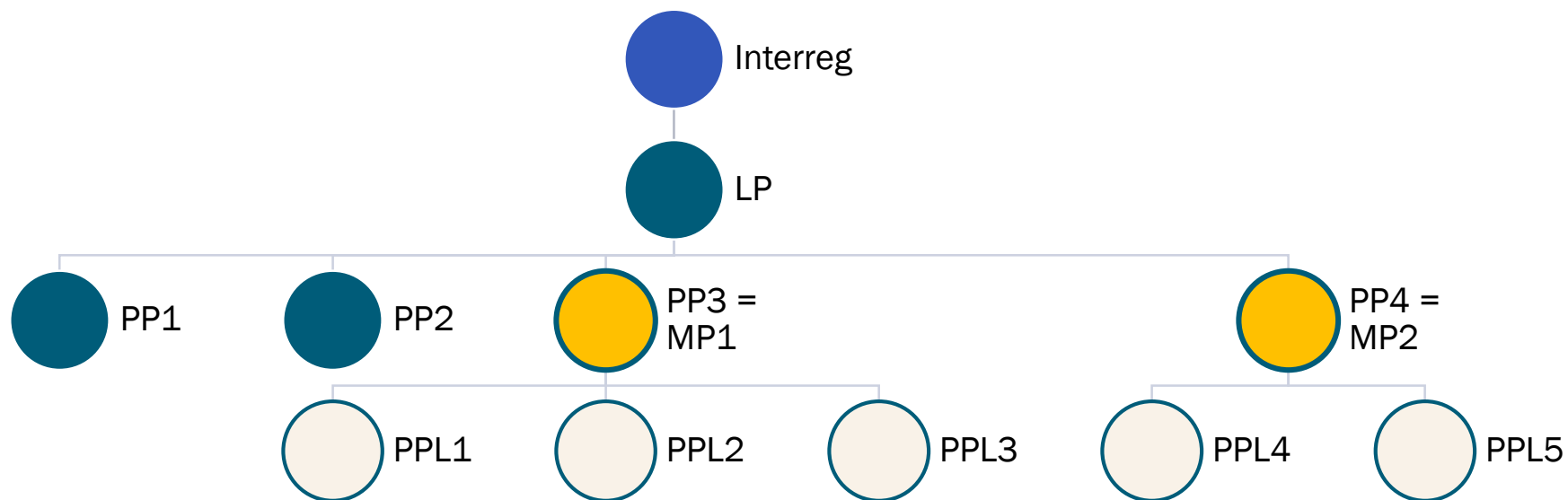
- Helena Järviste, *Interreg Estonia – Latvia*
- Bram de Kort, *Interreg Belgium – the Netherlands*
- Johanna März, *Interreg North-West Europe*
- Til Seier, *Interreg Germany – the Netherlands*






Managing SMEs in the programme

Issue	BE-NL	DE-NL	EE-LV
Numbers ...	156 as PP 356 as PPL	1.500 SMEs involved	20 SME projects
Type of involvement	Target group Project partner Partner <u>light</u> (PPL)	Target group Project partner Partner <u>light</u> (PPL)	Target group Project partner
Specific offers for SMEs	Open projects & pre-standardised approach SCOs		Consultation compulsory
Challenges from management perspective	Check for ,enterprises in difficulty‘	Assessment (financial capacity)	Assessment (financial capacity, quality - contents) State aid – eMS
Challenges from SME perspective	Eligibility (PP) Prefinancing	Approach & administration	Option to involve LE Reporting & changes
State Aid	Range of options: de Minimis, Art. 20 & 25 GBER, etc.		
Example	Crossroads (open project)	Digi-Pro	PET diagnostics

BE-NL: PPL project

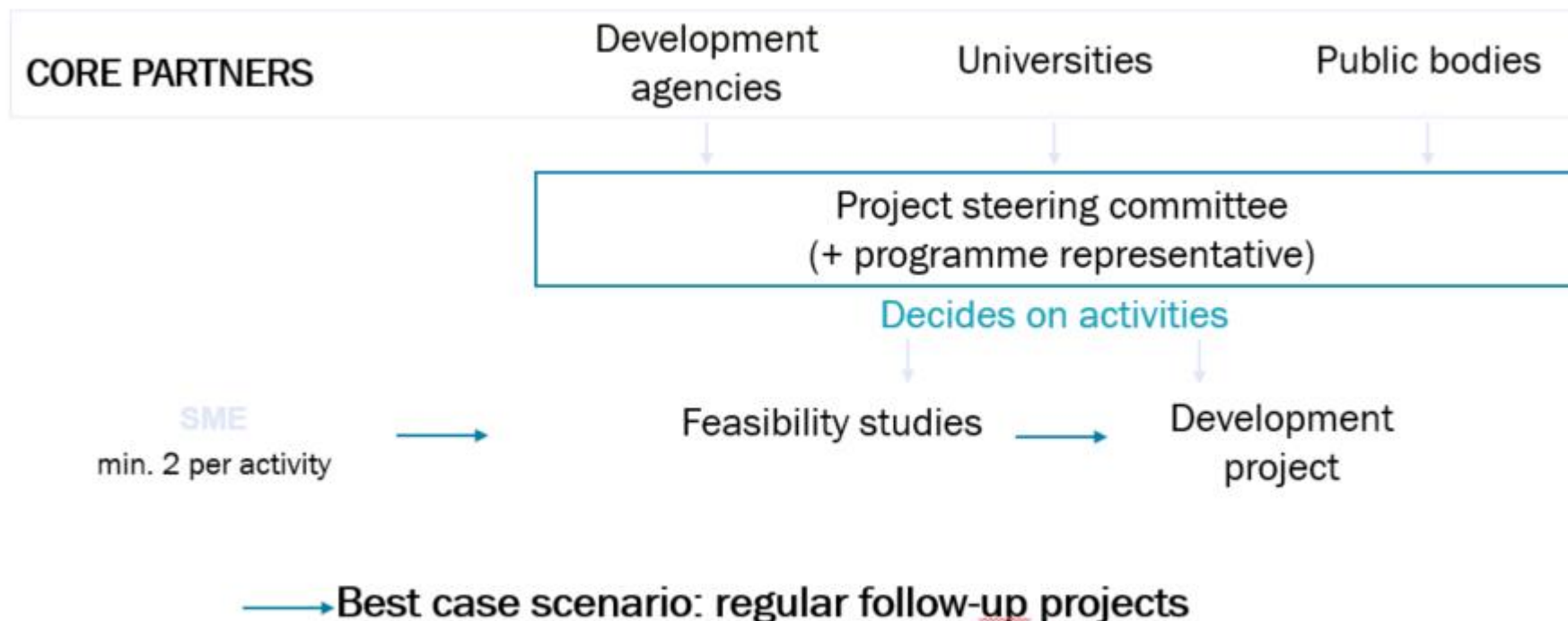


-  Project partnership
-  Managing partner PPL
-  Project partner light

Interreg DE-NL - Engaging SMEs

What is our approach?

OPEN PROJECTS



Questions to Interreg DE-NL

Open projects :

- How do you manage the budget construction if you do not know in advance the number (and the nature) of participants ? (Do you use in the programme financial instruments for the implementation of the “open projects”?)
- How do you treat the consultants which are declared as SMEs?
- Do you foresee any facilities for SMEs concerning patents and intellectual properties? (IF yes - do you have any special arrangements in the Subsidy contract or Partnership Agreement on this?)
- Are in the count of the 1500 SMEs involved in the Programme the ones declared as target groups taken into accounts?



Questions to Interreg BE-NL

- Pre-financing possibility envisaged for the Covid-19: was it foreseen only for SMEs and what kind of analysis did you do?
- Do you use in the Programme financial instruments for the PPLs?

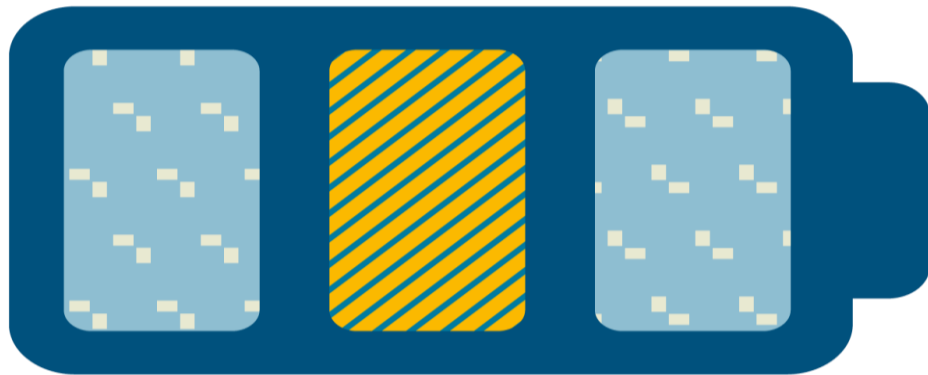
Questions to Interreg EE-LV

- Are the specific Programme Manual annexes concerning the State Aid Regulation specially targeted for SMEs?
- What do you do in case of GBER/De Minimis overlapping?



SCOs for SMEs

Different Union policies approaches



Using SCOs

Off-the-shelf
SCOs

Programme-
specific SCOs

Copy-paste
SCOs
(Art. 67(5)(b) CPR)

Copy-paste SCOs

- Similar type of projects and beneficiaries (in post2020 – similar type of projects only)
- Method in full (methodology)
- Check for updates of the source method



SCOs in Horizon2020

Flat rate

- indirect costs are funded as a flat rate of 25% of the direct costs *[not limited to SMEs]* – Article 68(1)(a) CPR

Lump sums

- SME instrument phase 1 *[for SMEs]*; lump sum pilots *[not limited to SMEs]*

Unit cost

- Direct personnel costs of SME owners or natural persons that do not receive a salary

H2020: SME instrument (EIC Accelerator)

The SME instrument provides full-cycle business innovation support

Phase 1: feasibility study (incl. business plan)

Helps SMEs to get a grip on the R&D, technical feasibility and commercial potential of a ground-breaking, innovative idea and develop it into a credible business plan for scaling it up.

Phase 1 funding is a lump sum of €50 000.

Who is eligible?

For-profit SMEs, incl. start-ups and young companies

Examples of activities

Risk assessment, market research, user involvement, analysis of regulatory constraints or standards regimes, intellectual property management, partner search, or feasibility assessment

H2020: Lump sum Pilot

2 options:



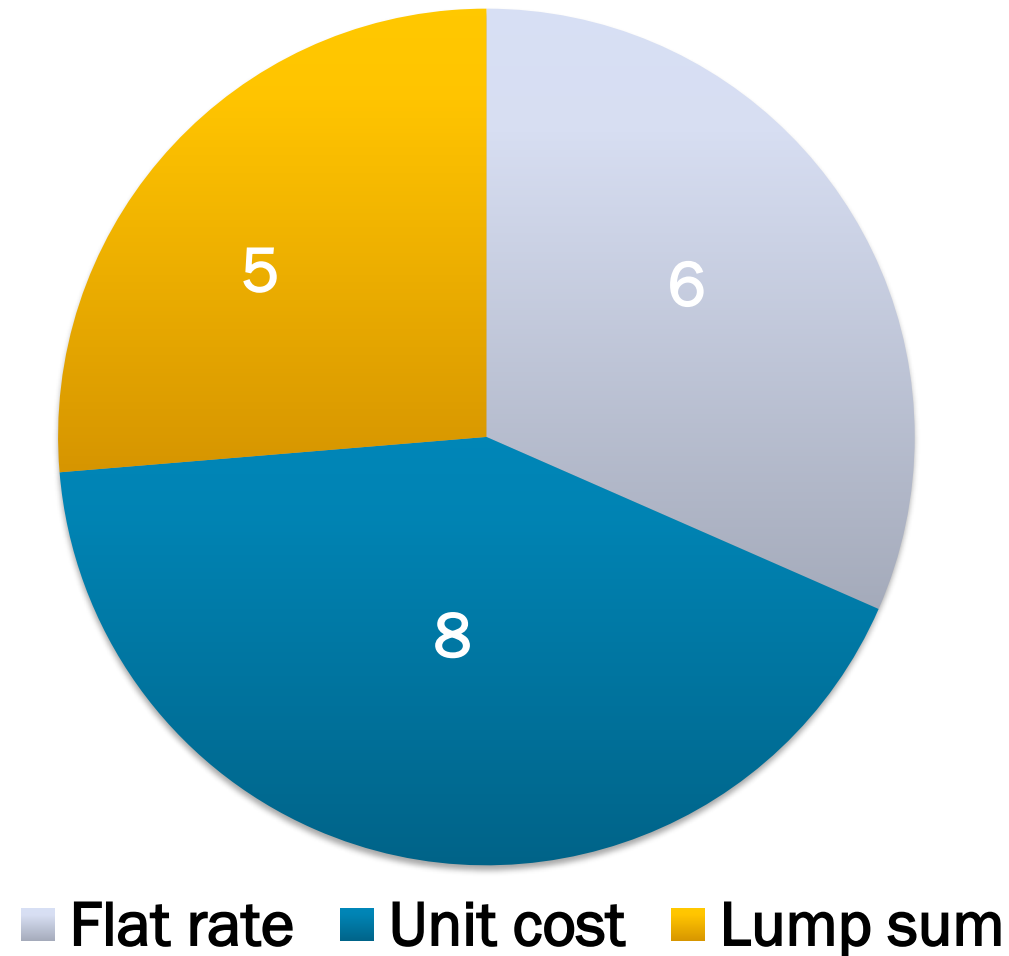
a) lump sum per project pre-defined in the call

b) lump sum fixed individually per project on the basis of cost estimation in the proposal

- Main principles: grant agreement fixes a series of lump sums per WP, each linked to a set of conditions; lump sums are paid against the fulfilment of the conditions (not against incurred costs)
- Detailed budget (staff costs, travel, costs of subcontracting, costs of equipment, capex and opex of large infrastructure + 25% FR for indirect costs)
- Conditions for paying the lump sum (examples): implementation of an activity (e.g. a clinical study, a series of test runs, a measurement campaign...), the reaching of a milestone etc; i.e. not an output in the strict sense of a positive scientific result.

ERDF/CF SCOs examples

19 SCOs for SMEs



*[ERDF/CF maps of SCOs practices](#)

Flat rates



- Flat rate for indirect costs up to 25 % of direct costs, Article 68(a) CPR - (2)
- Flat rate for indirect costs up to 15 % of direct staff costs, Article 68(b) CPR - (3)
- Flat rate for direct costs based on existing methods and corresponding rates for a similar type of operation and beneficiary, Article 68(5)(b) CPR - (1) - AT

Priority axes: mainly T01

Type of projects: innovation, enterprise development grants, RDI

Calculation method: OTS, programme-specific

Lump sums, Article 67(1)(c) CPR

- Thematic objectives: T01, T03
- Type of operation: business development, internationalisation, feasibility study for RDI, supporting innovative start-ups, participation of SMEs to international fairs
- Calculation methods: draft budget, fair, equitable and verifiable method; programme historic data
- Examples of lump sums: 8 762 EUR for each participation at the fair (SI); 35 000 EUR for delivering feasibility study (49 % from 71 429 EUR), SI; 54 000 EUR – operational costs of start-up (milestones: 10.000 year for the first 6 months, 12.000 EUR for the next 6 months and 32.000 EUR for the last 13 months) – SI



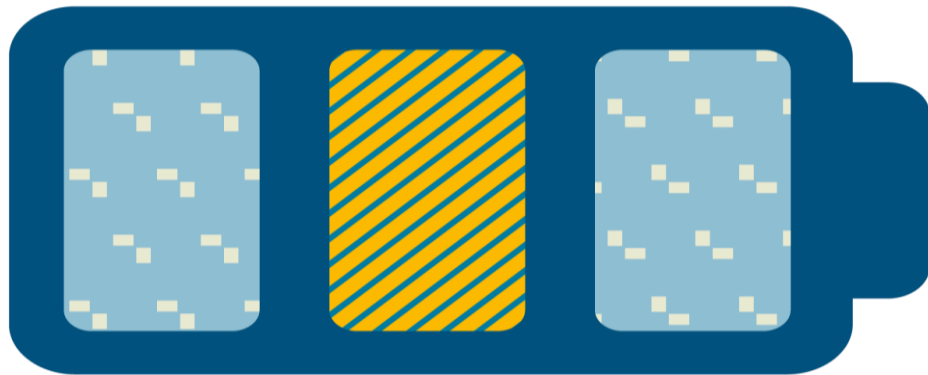
Standard scale of unit costs, Article 67(1)(b) CPR

- Thematic objectives: T01, T03
- Type of operations: innovation projects (development of a product), internationalisation, RDI, digitalisation for SMEs, participation in international fairs
- Cost covered: staff costs (1720h method), costs of accommodation/ per diem, local travel – rate per destination; direct costs related to participation in fairs; staff costs; costs connected to exhibit of at international fairs (SI) – fixed amount per m² X m² of exhibition area



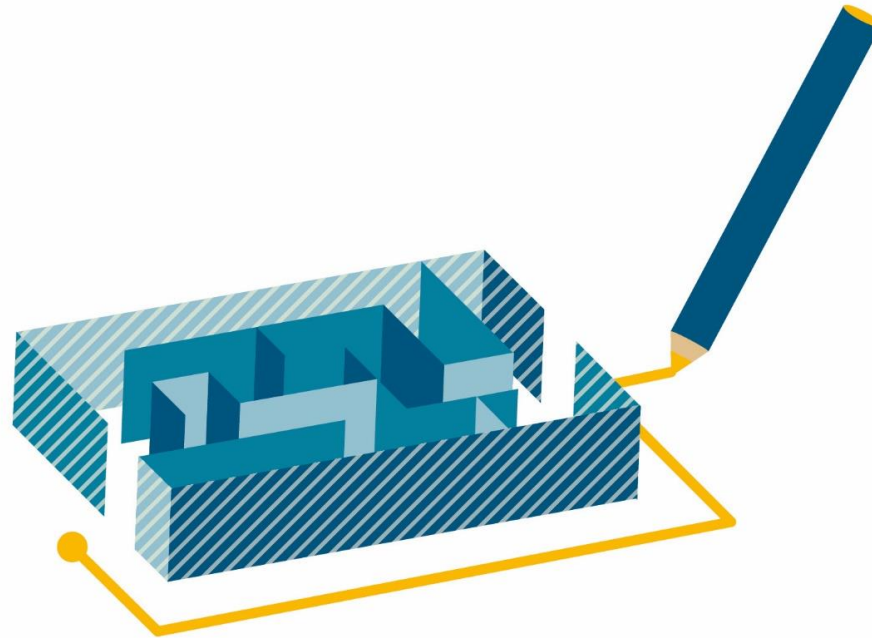
SCOs for SMEs in Interreg

Interreg Belgium – the Netherlands programme



Interreg SCOs community – join!

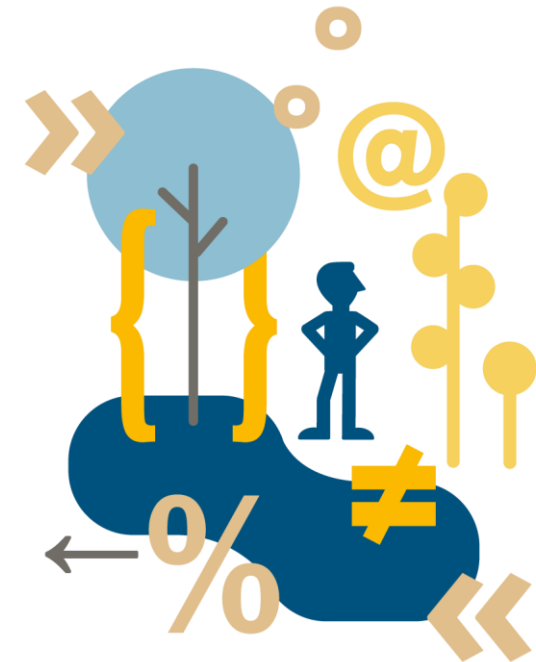
For Qs: sco@interact-eu.net



Fit for SMEs

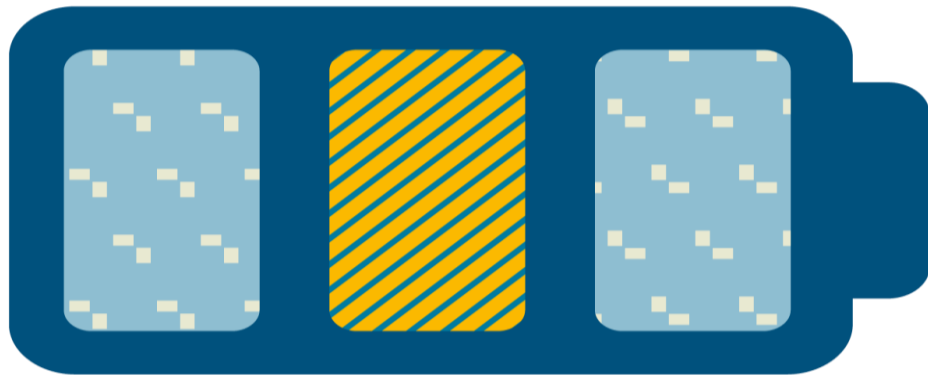
19 May, Online event

Comfort break, 30 mins



State aid and projects with SMEs

Overview of current provisions and future inverts



State aid projects with SMEs

- Usually, not always, the involvement of SMEs = 5 SA criteria met
- The economic advantage (a benefit) which an undertaking would not have obtained under normal market conditions.
- If there is the advantage (at any level), some SA approach should be applied (general de minimis, GBER, SGEI, ABER, fish and agri de minimis, notification).
- But sometimes pilots, participation in trainings does not bring advantage, the staff engagement, travels, etc. cost so much that the costs override the advantage (the advantage condition not met).

Participation of SMEs with SA



GBER

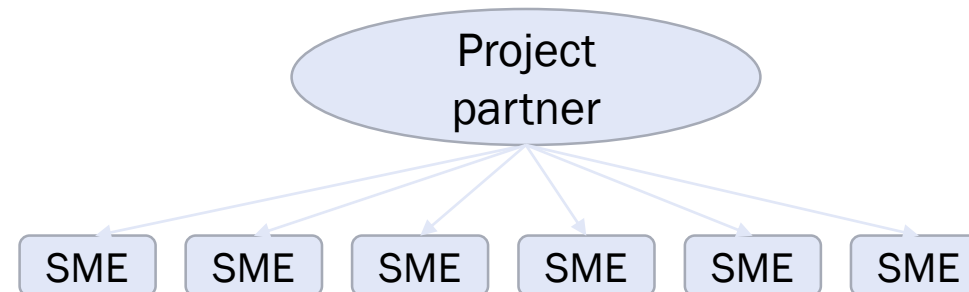
- 1. Direct participation
- 2. Project partner light / sub-partners
- 3. Indirect participation / downstream SA / 2nd level SA



De minimis

Indirect participation

- In Interreg this is often **trainings or services** (including vouchers) provided to third parties SMEs (Programme – beneficiary– third party). The final beneficiary of SA is whoever takes the training course or benefits from the services.



- Often very low value (> EUR 5000), but still 5 SA criteria are met...
- Distributed mainly as *de minimis*, but GBER also possible
- Question in the EC-ECN (State aid wiki) if Art. 20 is possible – positive answer, but no application in Interreg yet

Interreg North-West Europe Fibersort



European Regional Development Fund

THEMATIC PRIORITY:



The **Fibersort** uses Near Infra Red (NIR) technology to detect the composition of garments. It then employs a series of belts and blowers to group these garments according to fibre type.

Interreg 
North-West Europe
BioBase4SME
European Regional Development Fund

training
innovation biocamps
scale-up to pilot scale de-risking
Life Cycle Assessment
proof-of-concept
BIO-INNOVATION
support for SMEs
techno-economic evaluation
market research
feedstock analysis
networking business planning
social acceptance
business plan support



ITEG - Integrating Tidal energy into the European Grid



Outlook for the future

De minimis

- De minimis will expire by the end of 2020, but will be prolonged
- “Fitness check” of de minimis regulation might bring some changes

Amended GBER Article 20 (still draft!)

- Recommended to use as the article especially designed for ETC Programmes
- Eligibility catalogue in this article = the eligibility in Reg. 481/2014 (Financial Reg.) including the SCOs
- No distinction between L/M/S – open for all, no SME check needed
- Max. aid intensity optimised with max. co-financing rate (ERDF the only public source)
- Threshold EUR 2 million per undertaking, per project

Outlook for the future

The new GBER Article 20a (still draft!)

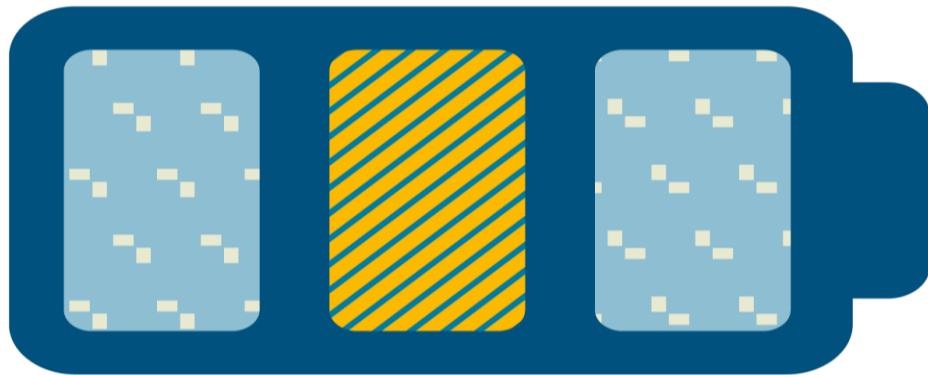
- Limited amounts of aid – EUR 20 000 per undertaking per project
- Reporting obligations do not apply (neither annex II nor the annual report not needed), also reporting in TAM not needed (because below EUR 500 000)
- The detailed records with supporting documentation kept for 10 years – do not apply

The consultation of GBER amendment opened on 11 May 2020 closes on 6 July

https://ec.europa.eu/competition/consultations/2020_gber/index_en.html

What do they say?

Experience of SMEs working with Interreg projects



Virtual panel discussion – Q&A

- Barta Balasz, Robert Nemeth, Renata Csabai –
Pannon Business Network Association, Hungary
- Olga Tšubrik, Triin Käbin –
TBD-Biodiscovery, Estonia



Impressions on Implementation phase

Work Packages (Components)

Gives clear structure for the activities, but complicates finances

Impact of having Work Packages also in the budget



*Allocation WPs of meeting in Hungary:
30% WPM, 30% WPT1, 20% WPT2, 20% WPT3*

Simplification measures already implemented

Budget lines	Simplifications done already	Recommendations for post 2020
Preparation cost	Lump sum	Keep it!
Staff cost	A) Flat rate up to 20 % of direct c. B) Real costs basis <ul style="list-style-type: none">• Full time, no timesheet• Fixed %, no timesheet• Flex. hours – contractual hours• Flex. hours – 1720 hours rule• Hourly basis	OK (limited use, can be improved ?) ☺ ☺ Place for improvement... Place for improvement... ☺
Administration cost	Flat rate of 15% of staff costs	Keep it!

Impressions on Implementation phase

Recommendations on simplification measures

- no more WPs or Components (only BLs) in the budget
- further improvement of online management tools (e.g. iOLF, eMS)
- simplified FLC (NC) procedures (e.g. only digital copies, no hard copies)
- harmonised financial rules for all Interreg programmes

Budget flexibility

20% budget flexibility, where no prior approval by the Managing Authority/Joint Secretariat required, is appropriate in most cases (e.g. Interreg Europe, Interreg Central Europe)

5 - 10 % budget flexibility is very limited together with WPs:

- Extra administration on monitoring the spending (PP, LP, JS)
- Extra administration by managing the changes (PP, LP, JS)

Panel discussion

- Role of Interreg in the achievement of your organisation's mission and vision. What is the biggest added value of leading/ being a part of an Interreg project?
- Which areas require better coordination/ harmonisation among Interreg programmes? ('harmonised financial rules' – examples)

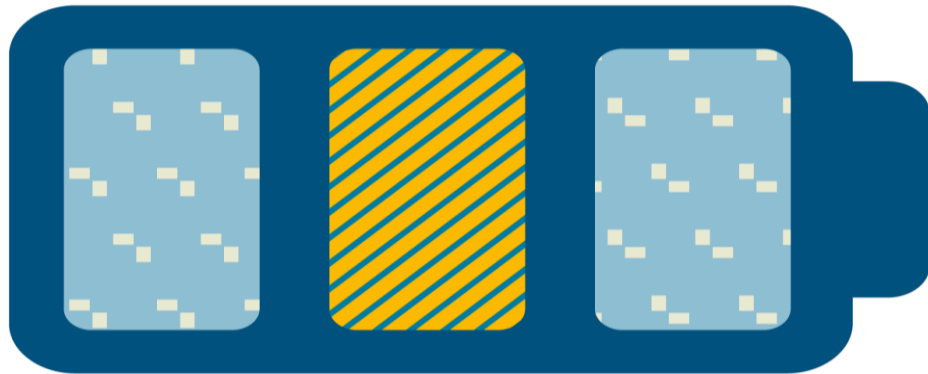
Questions from participants

- Which are, in your opinion, the possibility of improving the methods of calculation staff costs?
- Which SCOs were offered by the programmes you participated in? How do you perceive SCOs? Which budget lines/ activities would you see ideally implemented through the real costs/ SCOs?



Closing remarks

What happens next?



Wrapping up

- Evaluation
- Recordings
- Q&A paper
- Join communities (SCOs, State Aid)
- Fact sheet on Interreg programme practices with engaging SMEs



Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)

