

How do Interreg programmes attract SMEs?

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Why involve SMEs?

SMEs¹ are an engine of the European economy, and as such they make a significant contribution to the 'non-financial business economy'². In 2018, there were slightly more than 25 million SMEs in the EU-28, of which 93% were micro-SMEs. In 2018, 99.8% of all EU-28 companies were SMEs, accounting for 2/3 of overall employment and 56.4% of overall value added in the 'non-financial business economy'³. SMEs play a crucial role in the economic development of an area by creating jobs, contributing to GDP, bringing value to culture and society, and boosting innovation.

In the 2014-2020 programming period, ESI funds provided support to SMEs through Thematic Objective 3 (TO3) "Enhancing the competitiveness of SMEs", TO1 - supporting R&I and technological development and the implementation of Smart Specialisation Strategies, and TO4 - promoting energy efficiency and renewable use in enterprises. The draft regulations for the 2021-2027 period confirm the importance of SMEs in the next generation of ESIF. Policy objective 1 (PO1) will provide support to SMEs through innovation, digitalization and economic transformation. PO2, a greener and carbon-free Europe, is also relevant for SMEs.

¹ '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.'

Extract of Article 2 of the annex to Recommendation 2003/361/EC. The EC's definition of SMEs: https://ec.europa.eu/growth/smes/sme-definition_en

² The non-financial business economy includes the industry, construction, distributive trades and services sectors. Source: [Eurostat Glossary](#).

³ Source: [2019 SBA Fact Sheet & Scoreboard](#).

Why are SMEs a “sensitive” beneficiary group?

SMEs are a relatively new beneficiary group in the Interreg world. In the 2007-2013 programming period, only 8% of programmes had a green light policy to provide support to SMEs⁴.

In the 2014-2020 programming period, the numbers have risen. However, the overall percentage of SMEs among programme beneficiaries remains very low (see Figure 1).

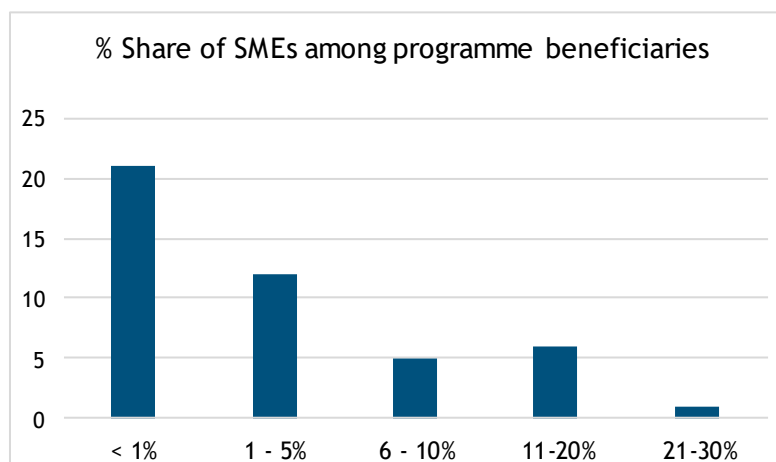


Figure 1. Share of SMEs among programme beneficiaries. Source: Interact’s survey, 2017. Based on responses from 38 programmes.

SMEs are often quite reluctant to join publicly-funded projects, for a number of reasons. To begin with, the heavy administrative and time-consuming procedures of publicly-funded projects are very unattractive to SMEs, which, in order to survive the high competition they face, have to be very reactive and able to adapt quickly to the changing needs of the market. Secondly, Interreg programmes operate on a reimbursement basis, meaning costs are paid only once expenditures have been incurred.

One of the biggest challenges SMEs face is accessing the finance (due to significant structural credit market failures in some MS, generally less favourable conditions of finance in terms of interest rates applied, maturities, repayment terms and collateral required). Interreg’s practice of required pre-financing makes it only more challenging for SMEs to join projects. Issues connected with public procurement, intellectual property rights, generation of revenues and a lack of information among SMEs about Interreg adds to the reasons why SMEs do not join Interreg projects.

⁴ Interact’s study. [Involvement of SMEs in ETC programmes](#), 2013.

On the other hand, having an SME as a partner in an Interreg project can help bring the project's results to the market faster, speed up and scale up the project's operations, allow for R&D&I activities to innovate and keep up with market developments, boost business, use new technologies faster, sustain the project's results and create market impact. These elements are often very challenging to achieve with purely public partnerships.

How do Interreg programmes attract SMEs?

Interreg programmes have different policies when it comes to the participation of SMEs in project partnerships. Those programmes that allow for SME participation sometimes impose additional restrictions, which limits the scope of the SMEs' responsibilities within the project. Meanwhile, other programmes treat SMEs in the same way as their other project partners, trying to ensure their smooth and easy participation in the projects.

Below, you will find some examples of several Interreg programmes trying to attract SMEs to participate in their projects.

Example 1 – Open projects in Belgium – the Netherlands and Germany – the Netherlands Programmes

The implementation model of the open projects means that there is a key partnership (approved by the MC) and a budgetary framework with the so-called place-holders (i.e., future sub-partners) which are not decided at the application stage. The MC decides on the eligible types of the future sub-partners. At a later stage of the project implementation, sub-partners, selected by the key partnership (in line with the eligibility criteria of the programme), become fully-fledged project partners. The newly-joined partners are not burdened with administrative tasks, and the key initial partnership takes care of all administration and reporting tasks during the project implementation. This model brings a significant simplification for SMEs' participation in the project, as they can focus entirely on the content of the project and have no administrative responsibilities.

The open project model is described in detail in our separate fact sheet, "Open projects"⁵.

Example 2 – Active communication and promotion targeting SMEs in Estonia – Latvia Programme

In the 2007-2013 programming period, the programme started proactive work with intermediaries of private sector companies during programme seminars and events. In order to better understand the needs and cooperation potential of different sectors, the programme conducted a series of interviews in 2009 with regional stakeholders, and identified sectors with the highest potential. To increase interest from the private sector, different communication tools

⁵ [Factsheet "Open projects"](#).

were used: surveys, contact-making trips, contact forums for the partner search and business newspapers.

During the 2014-2020 programming period, Estonia and Latvia have voiced a strong need for the development of the business environment and smart products and services. Both MS aimed to proactively support these strategic development needs, in line with the strategic documents at the EU-, national- and regional level. These efforts translated into a Priority axis 1, which focuses explicitly on developing an active and attractive business environment in the programme area, and allows the provision of financial support (grants) to enterprises.

Priority	Specific objective	Result indicator	Output indicator	Output indicator	ERDF contracted (MEUR)
1 Active and attractive business environment	1.2 More jointly-developed products and services in the programme area.	Share of entrepreneurs carrying out joint product or service development (increase from 14% of entrepreneurs to 19% in 2023)	1: Joint products and services developed in cooperation. 2: Joint marketing activities. 3: Number of enterprises receiving grants. 4: Number of enterprises receiving non-financial support. 5: Employment increase in supported enterprises.	1: 12 (nr) 2: 12 (nr) 3: 25 (nr) 4: 80 (nr) 5: 60 (full-time equivalents)	6.7

Table 1. Extract from the programme manual of the Estonia-Latvia Programme 2014-2020

Programme procedures developed to 'ease' the application stage for projects with SMEs:

- a project idea form; if the application is selected, then a full version is submitted (applied in the first call in 2017, for the next two calls only one stage submission);
- compulsory consultation if an SME is participating in the project (also for all priorities);
- use of the national business registers (in Latvia and Estonia) to check the status of an SME and its annual reports (for the assessment of its financial capacity), however, some specific financial information is asked from SMEs;
- use of the national State Aid and de minimis aid registry (in Estonia and Latvia) to check the de minimis leftover -> SMEs do not need to submit additional documents for these checks;
- no thematic restrictions by the programme,
- financial capacity assessment of the SMEs is done by outsourced Estonian and Latvian experts. Quality assessment is done by outsourced experts and the JS staff.
- State Aid and revenue rules are extensively explained to SMEs during the compulsory consultation sessions, so that they have a clear understanding of what is an incentive effect, no mixing of activities between State Aid (GBER/ABER) and de minimis due to different aid intensity (also, the type of activity must be kept separately). State Aid and

revenues are separate annexes to the programme manual, where provisions are explained in detail.

You can find an example of the project with SME involvement co-financed by the programme in Annex 1.

Example 3 – Design of the programme’s specific objectives requiring involvement of SMEs:

- **North Sea Region Programme**

The main driver of the SMEs' participation is the nature of the projects which to a large extent require SME involvement (i.e., market players) to get the idea off the ground and have it tested in close proximity to a market set-up. On the other hand, SMEs typically need the know-how of working together with public institutions and authorities. Approximately 10% of the programme’s beneficiaries are categorised as either private partners or SMEs. The highest share of SMEs is represented under the eco-innovation priority axis, with a strong focus on energy transition and energy optimization. SMEs working in the fields of waste, energy, shipping and blue growth are represented the most in the programme.

You can find an example of the project with SME involvement co-financed by the programme in Annex 1.

- **2 Seas Programme**

SME involvement is prioritized at the level of the Cooperation Programme. Support to SMEs is a cross-cutting theme that goes through all priority axis; i.e., SMEs are a sort of transversal target group throughout all priorities. The programme also requires triple and quadruple helix partnerships⁶ (cross-sectoral partnerships to guarantee an integrated approach of the project topic), at least for the innovation priorities, and one of the helixes is industry; i.e., the private sector.

To stimulate SME involvement, the programme has also developed a wider State Aid approach, based on a risk assessment. The programme is open to de minimis (multiple) and to GBER articles through their own scheme.

The programme has also put in place a flexible monitoring system for projects involving SMEs. Compared to the “regular” ex-post monitoring (usually, reports are submitted on a 6-month basis), projects with SMEs can submit 4 payment claims per year, per partner, and only 1 annual progress report. The programme has also significantly improved the payment process: if there are no problems with the claims, the payment can be made within 2 weeks from the date the claim is received.

⁶ Read more about triple and quadruple helix approaches in the paper from the Committee of the Regions, [‘Using the Quadruple Helix Approach to Accelerate the Transfer of Research and Innovation Results to Regional Growth’. 2016.](#)

Example 4 – Sub-partners and voucher schemes in North West Europe Programme

Private partners, including profit-making partners (e.g., SMEs) can participate in the programme (however, SMEs cannot lead a project).

- One way to involve SMEs in projects is to involve them as sub-partners.

The concept of sub-partners is designed for organisations without the financial capacity to be a partner, or with punctual commitment (limited involvement in a project, in 1-2 activities only). Sub-partners must work in close cooperation with one particular partner; i.e., the responsible partner. The responsible partner will sign an agreement with a sub-partner and will act as a guarantor of a sub-partner's financial contribution to the project. A sub-partner does not sign the official partnership agreement with the lead partner and other project partners.

The sub-partner is closely attached to the responsible partner, and it must be located in the same country as its responsible partner (in the same region, in the case of Belgium) for control purposes (the responsible partner will submit the sub-partner's expenditure together with its own, and the responsible partner's national controller will be doing checks for the sub-partner too). Sub-partners may only claim costs through their responsible partner, and only if they are listed as a sub-partner in the application form.

Sub-partners can join a project either from the very beginning or during the project implementation. The sub-partner's budget cannot exceed 50% of its responsible partner's budget.

- Another way to involve SMEs in a programme's projects is by using voucher schemes.

Voucher schemes can be distributed from project partners to recipients (e.g., SMEs) and can be used to pay for services such as the expertise of the partner's staff, use of partner's infrastructure, participation in trainings, or advice of an external expert. Usually, the voucher schemes are free for participating recipients, and are co-financed by the project partner(s) up front. For this reason, if a partner is planning to use vouchers, they must be described in a separate work package in the application form. The contribution and relevance of voucher schemes to the programme's objectives must be ensured by the project partners.

Should participating recipients have to partially pay for the voucher, any payment will be treated as revenue for the project partner responsible for the voucher scheme. If there are no operating costs connected to the voucher, the payments will have to be deducted from the total eligible costs and, proportionally, the ERDF payment to the partner.

Annex 1: Examples of projects with SMEs⁷

Project example from Estonia-Latvia Programme – PET-Diagnostics

Specific objective 1.2 “Jointly developed products” requires the participation of at least 2 SMEs – 1 from Estonia, 1 from Latvia, usually with different competences and capacities, where cooperation brings added-value.

Project PET Diagnostics. Project partners: TBD Biodiscovery (EE) and PharmIdea (L), 27 months, ERDF 480 740 EUR (de minimis 85% and GBER 80%).

The aim: to develop technology to produce the PET precursor. This molecule can be used for the early diagnosis of prostate cancer.

TBD Biodiscovery has the necessary competence in good manufacturing practices (GMP Manufacturing) of chemicals, and is the only company in EE with the GMP certificate for the production of pharmaceutical ingredients. TBD does not have any facility for the production of final dosage drug forms. LV partner PharmIdea is a manufacturer of final dosage drug forms under GMP regulations and in a sterile environment, but PharmIdea does not perform the chemical steps.

More on the project [here](#).

Project example from North Sea Region Programme – WASP, Wind Assisted Ship Propulsion

Decarbonisation of shipping is one of the greatest maritime challenges, and demand for low carbon solutions is growing. Direct wind propulsion, along with secondary renewables and other fuels and batteries, are all pieces in the decarbonisation puzzle.

There is a high potential for wind energy in the North Sea Region, and innovative, automated Wind Propulsion Technologies (WTPs) such as flettner rotors and suction wings directly harvest this. Fuel price, emission/ carbon reduction directives, IMO & EU strategies are all making WPTs increasingly commercially viable. WPT can be installed on existing vessels or optimised new builds. WPTs are future-proof and offer quick solutions, saving 5-20% and possibly up to 30% fuel & emissions savings as retrofits. At present, WPT operational expertise is weak and fragmented among different players. For further market uptake, validated capital and operational performance is important.

WASP brings together universities and wind-assisted technology providers with ship owners to: research, trial and validate the operational performance of a selection of wind propulsion solutions, thus enabling wind propulsion technology and market penetration, and contributing to a greener North Sea transport system through harvesting the region's abundant wind potential.

More on the project [here](#).

⁷ You can find more examples of Interreg projects with SMEs in [keep.eu database](#) – select ‘projects with private partners’ in the Partner criteria (you can also filter by thematic objectives, programmes, countries/regions of partners and many other criteria).