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# PUTTING EU POLICIES IN FAVOUR OF INNOVATION AND ENTREPRENEURSHIP INTO PRACTICE AT REGIONAL LEVEL

**Map of EU Funding Mechanisms for Innovation Promotion and Advise  
on How to Take Best Benefit from Them**

**Programming Period 2007-2013**

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## 2007 - 2013 COMMUNITY SUPPORT AT A GLANCE

Topic	ERDF Convergence	ERDF Growth and Employment	ERDF Territorial Cooperation	ESF	CIP	EAFRD	EFF	FP7
Access to finance	Article 4.1	Article 5.1 d	Article 6.2 a		Article 11 Article 17.2 Article 18 Article 19 Article 20			RSFF (*) Capacities
Networks and clustering	Article 4.1	Article 5.1 a Article 5.1 b	Article 6.2 a	Article 3.1 d ii	Article 12			Capacities
Supply of SME support services	Article 4.1 Article 4.2 Article 4.4	Article 5.1 b Article 5.3 b			Article 12 Article 21			Capacities SME support action
Entrepreneurship	Article 4.1	Article 5.1 c	Article 6.1. a	Article 3.1 a i	Article 10 Article 15	Article 49 a		
Support to innovation	Article 4.1	Article 5.1 Article 5.1	Article 6.2 a	Article 3.1 d i	Article 13 Article 14 Article 21 Article 22			Capacities
R T D	Article 4.1	Article 5.1	Article 6.2 a	Article 3.2 a iii			Article 37 j	Capacities
Human capital	Article 4.10		Article 6.1 d	Article 3.1 a i				Capacities
Investment	Article 3 Article 4.2	Article 3			Article 28.2 b	Article 49 a	Article 34	Capacities

(\*) Risk Sharing Financial Facility through EIB loans



## Synergies among FP7 – ERDF – ESF – CIP

FP7 (opportunity)

Regions of knowledge  
Research potential

Transnational collaborative  
project

Risk Sharing  
Finance Facility (EIB)



ERDF & ESF  
(Impulsion)

Infrastructure  
Regional Platform (cluster)  
Training

Regional Research  
Programme  
(enhancing regional capabilities)

- Access to finance:
  - spin-off
  - seed capital
- Commercialisation of research results:
  - proof of concept
  - technology transfer
  - mentoring
- Networking
- Intellectual Property Rights
- Training

CIP (opportunity)

Innovation Relay  
Centre

Innovation  
EIF (GIF)  
Entrepreneurship

## INTRODUCTION

The new 2007-2013 EU programming period focuses much more than in the past on supporting investment in regional innovation, research and entrepreneurship strategies. A lot of tools can be implemented in order to comply with such a goal. If most of the European regions have a knowledge of those tools, it is nevertheless useful to produce a methodological guide highlighting the legal bases of the funding of those tools as well as the best way allowing their implementation.

The data provided in this guide are :

- Legal basis
- EDO concerns (Economic Development Organisation)
- Suggestions for implementation mechanisms
- Reference to regional practices.

The topics covered by the guide are :

- Chapter 1 Financial engineering tools
- Chapter 2 Networking and clustering
- Chapter 3 Provision of support services to SMEs
- Chapter 4 Entrepreneurship
- Chapter 5 Support to innovation
- Chapter 6 RTD activities
- Chapter 7 Human capital
- Chapter 8 Investment in SMEs and SME support infrastructure

The main policies considered in this guide are :

- ✓ ERDF (European Regional Development Fund)
- ✓ ESF (European Social Fund)
- ✓ EAFRD (European Agricultural Fund for Rural Development)
- ✓ CIP (Competitiveness and Innovation Programme)
- ✓ FP7 (7<sup>th</sup> Framework Programme for Research and Technological Development)
- ✓ EIF and EIB (European Investment Fund and European Investment Bank)
- ✓ The life long learning programme

It is worth quoting the *"Council Decision on Community Strategic Guidelines on Cohesion"* which states on page 19 of the Explanatory Memorandum that *"Knowledge and innovation are at the centre of the Union's efforts to promote faster growth and more jobs. Two related framework programmes are proposed at Union level: the Seventh Framework programme for RTD and the Framework Competitiveness and Innovation Programme (CIP). Synergy between cohesion policy and these instruments is vital and national and regional development strategies must show how this will be achieved. Cohesion policy can help all regions to build up research and innovation capacity, thus contributing to the effective participation of those regions in the European Research Area and research and innovation activities of the Union in general. In particular, it has two important roles to play. The first is in helping regions to implement regional innovation strategies and action plans which potentially can have a significant impact on competitiveness, both at regional level and in the Union as a whole; the second is in contributing to raising the research and innovation capacity in the region up to a level where it can participate in transnational projects for research."*

*Regional strategies should thus concentrate on investing in RTD, innovation and entrepreneurship; ensuring that these investments respond to the economic development needs of the region and are transformed into product, process and service innovation; enhancing technology transfer and knowledge exchange; promoting the development, dissemination and uptake of ICTs within firms, and ensuring that enterprises willing to invest in high added value goods and services have access to finance."*

It is worth stressing that successful strategies and regional growth poles have all in common :

- an efficient governance
- a strong leadership
- a well managed support to innovation and research results valorisation
- an offer of added-value support services
- a strong entrepreneurship culture
- "no nonsense" implementation schemes. This means that the strategy tries to eliminate market failures without creating public failures.

The budget allocation for the 2007-2013 period is as follows :

✓ Structural Funds		
→ Cohesion Fund		€ 61 558 million
→ Convergence		€ 189 604 million
→ Competitiveness & Employment		€ 49 127 million
→ Interreg		€ 7 750 million
✓ 7 <sup>th</sup> Framework Programme for RTD		€ 54 582 million
✓ CIP : Competitiveness and Innovation Progr.		
→ Start up and growth of SMEs		€ 2 170 million
of which Eco-Innovation	€ 430 million	
EIC & IRC	€ 350 million	
→ ICT		€ 730 million
→ Intelligent Energy-Europe		€ 730 million
✓ Rural Development		€ 88 489 million
✓ Life-long learning		€ 6 790 million

## CHAPTER 1 : FINANCIAL ENGINEERING TOOLS

### INTRODUCTION

In recent years, SME access to finance has been viewed as a critical factor for the competitiveness of the European Union.

Four main EU policies/instruments provide financial means for regional financial engineering tools :

- ERDF European Regional Development Fund
- CIP Competitiveness and Innovation Programme
- EIF European Investment Fund
- 7<sup>th</sup> RTD Framework Programme – Risk Sharing Finance Facility

By financial engineering tools, we normally understand the following tools :

- **Business angels (informal venture capital):** private individuals who invest part of their estate in start-ups in the form of venture capital and also contribute their personal managerial expertise.
- **Business Angels Networks (BANs):** standing regional platforms that promote the matching of business angels with potential investees.
- **Buyouts:** existing investors' shares in a business are bought by the latter's own management team (MBO—Management Buy Out) or by another management team supported by a venture capital fund.
- **Corporate venturing:** venture capital invested by existing firms for the purpose of funding innovative businesses set up by their own staff or active in industries considered of strategic importance.
- **Development or expansion capital:** financing provided for the growth and expansion of a company, which may or may not break even or trade profitably. Capital may be used to: finance increased production capacity; market or product development; provide additional working capital.
- **Early stage (or start-up) finance:** equity invested in businesses that are past research and development but need additional funding to market their products and services.
- **Equity:** Ownership interest in a company, represented by the shares issued to investors.
- **Expansion:** growth, bridging or restructuring capital.
- **Factoring:** a technique whereby SMEs sell invoices to specialised firms.
- **Financial package:** a combination of different funding sources.
- **Grants:** subsidies paid—without an obligation to refund—by public authorities to companies investing in a region for the purpose of facilitating their establishment or expansion.
- **Leasing:** hire-purchase of capital goods.
- **Loans and debt:** the main sources of funding for SMEs.
- **Mezzanine:** combination of equity and loans. Applicable interest rates are often comparatively high.

- ***Proof of concept:*** Finance provided to a researcher's team to support the validation of their business ideas. Often, the financial instrument takes the form of a grants and subordinated loans.
- ***Quasi-equity investment instruments:*** Instruments whose return for the holder (investor/lender) is predominantly based on the profits or losses of the underlying target company, are unsecured in the event of default and/or can be convertible into ordinary equity.  
In assessing the nature of such instruments, the Commission will have regard to the economic substance of the instrument rather than to its name and the qualification attributed to it by the investors. In particular, the Commission will take into account the degree of risk in the target company's venture borne by the investor, the potential losses borne by the investor, the predominance of profit-dependent remuneration versus fixed remuneration, and the level of subordination of the investor in the event of the company's bankruptcy. The Commission may also take into account the treatment applicable to the investment instrument under the prevalent domestic legal, regulatory, financial, and accounting rules, if these are consistent and relevant for the qualification.
- ***Replacement capital (also called secondary purchase):*** Purchase of existing shares in a company from another private equity investment organisation or from another shareholder or shareholders - an investor buys another's stake.
- ***Risk capital:*** Equity and quasi-equity financing to companies during their early-growth stages (seed, start-up and expansion phases) in the hope of a return on investment (ROI) that is both large and speedy, on a par with the level of risk taken.. It includes: (1) informal investment by business angels; (2) venture capital; (3) alternative stock markets specialised in SMEs and high-growth companies.
- ***Seed capital:*** Financing provided to study, assess and develop an initial concept. It precedes the start-up phase. Seed capital is required to fund a business project before the product or service is marketed. Seed capital is often pivotal in high-tech projects to allow businesspersons to conduct surveys as well as research and development on prototypes that will become companies' core business.
- ***Start-up capital:*** Financing provided to companies for product development and initial marketing. Companies may be in the process of being set up or may already exist, but have not sold their product or service commercially and are not yet generating a profit.
- ***Venture capital:*** Investment in unquoted companies by investment funds (venture capital funds) that, acting as principals, manage individual, institutional or in-house money. It includes early-stage and expansion financing, but does not include replacement finance and buy-outs.

NB : ***Loans and debt*** are still the main sources of funding for SMEs; this is why regional guarantee schemes are also useful tools to support SMEs in their search of financial sources.

## 1.1 LEGAL BASIS

### 1.1.1 General Regulation

- General Provisions – Article 44 – This article foresees the following provisions in the field of financial engineering :

*As part of an operational programme, the Structural Funds may finance expenditure in respect of an operation comprising contributions to support financial engineering instruments for enterprises, primarily small and medium-sized ones, such as venture capital funds, guarantee funds and loan funds, and for urban development funds, that is, funds investing in public-private partnerships and other projects included in an integrated plan for sustainable urban development.*

*When such operations are organised through holding funds, that is, funds set up to invest in several venture capital funds, guarantee funds, loan funds and urban development funds, the Member State or the managing authority shall implement them through one or more of the following forms:*

- (a) the award of a public contract in accordance with applicable public procurement law;*
- (b) in other cases, where the agreement is not a public service contract within the meaning of public procurement law, the award of a grant, defined for this purpose as a direct financial contribution by way of a donation:*
  - (i) to the EIB or to the EIF; or*
  - (ii) to a financial institution without a call for proposal, if this is pursuant to a national law compatible with the Treaty.*

### 1.1.2 ERDF – European Regional Development Fund

The ERDF will provide regional development organisations opportunities for the following supports according to the eligibility of the region where they are located :

- ERDF – Article 4 – Point 1 provides for that convergence regions can use the ERDF for "innovation funding for SMEs through new financing instruments".
- ERDF – Article 5 – Point 1(d) provides for that through the regional competitiveness and employment objective, ERDF can be used for "creating new financing instruments and incubating facilities conducive to the creation or expansion of knowledge-intensive firms".
- ERDF – Article 6 – Point 2(a) foresees within the framework of the "European territorial cooperation" strand the use of ERDF money for the development of joint financial engineering instruments directed at supporting RTD in SMEs.

The Strategic Guidelines on Cohesion provide in Point 4.2.4 "Improve Access to Finance" that "*private equity and venture capital and rotating funds for innovative start-ups should play the essential role as an engine for entrepreneurship, innovation and job creation; public sector institutions are not always best suited to risk-taking. The priority should be to create or expand specialised providers of risk capital and bank guarantees, where there is market failure. Typically, they will be more effective if they provide an integrated package of support, starting with training prior to the business start-up or expansion.*"

Based on these principles, one guideline for action is "*supporting non-grant instruments such as loans, secured debt financing for subordinate debt, convertible instruments (mezzanine debt) and risk capital (e.g. seed capital and venture capital). Grants should be used to build and maintain infrastructures that facilitate access to finance (e.g. technology transfer offices, incubators, "business angels" networks, investment readiness programmes).*"

*Guarantee and mutual guarantee mechanisms should also be supported, in particular to facilitate access to micro-credit by SMEs".*

The EIF and DG Regio have launched a joint initiative in the field of SME access to finance named JEREMIE (Joint European Resources for Micro and Medium Enterprises). In their justifications to start this joint initiative, the EIF and DG Regio have argued that "*improving access to finance is a priority area of the renewed Lisbon agenda for growth and jobs in an effort to increase the availability of capital in Europe for new business formation and development. Past experience has shown that this is an area where the programme authorities would like to do more, but they lack both expertise and access to risk capital. JEREMIE, by creating a framework for cooperation with the specialised financial institutions, the EIF and EIB, as well as other international financial institutions, is designed to help to overcome these difficulties.*"

### **1.1.3 CIP – Competitiveness and Innovation Programme**

The CIP will provide support to high growth and innovative SMEs either through revolving instruments or through guarantees or through the capacity building scheme (CBS). Indeed :

- Article 10 – Point 2(a) – states that one of the objectives of the CIP is to support, improve, encourage and promote access to finance for the start-up and growth of SMEs.
- Article 18 – Point 2 – GIF "High Growth and Innovative SME Facility" provides that "*the GIF shall consist of two windows :*

*The first window, called GIF1, shall cover early stage (seed and start up) investments. It shall target investments in specialised venture capital funds such as early stage funds, funds operating regionally, funds focused on specific sectors, technologies or RTD and funds linked to incubators, which shall in turn provide capital to SMEs. It may also co-invest in funds and investment vehicles promoted by business angels.*

*The second window, called GIF2, shall cover expansion stage investments and shall invest in specialised risk capital funds, which in turn shall provide quasi-equity or equity for innovative SMEs with high growth potential in their expansion phase. GIF2 investments shall avoid buy-out or replacement capital.*

*GIF may invest in intermediaries by working, where appropriate, with national schemes aimed at developing small business investment companies."*

- Article 19 – Points 1 & 2 – SMEG "SME Guarantee Facility" provides that :
  1. *The SMEG Facility shall be operated by the EIF on behalf of the Commission.*

*It shall carry out the following tasks :*

    - (a) *providing counter-guarantees or, where appropriate, co-guarantees for guarantee schemes operating in the eligible countries;*
    - (b) *providing direct guarantees for any other appropriate financial intermediary.*
  2. *The SMEG Facility shall consist of four windows :*

*The first window, (a) debt financing via loans or leasing, shall reduce the particular difficulties SMEs face in accessing finance due to the perceived higher risk associated with investments in knowledge related activities such as technological development, innovation and technology transfer and due to the lack of sufficient collateral.*

*The second window, (b) microcredit financing, shall encourage financial institutions to play a greater role in the provision of loans of a smaller amount which would normally involve proportionately higher unit handling costs for borrowers with insufficient collateral. In addition to guarantees or counter-guarantees, financial intermediaries*

*may receive grants to partially offset the high administrative costs inherent in microcredit financing.*

*The third window, (c) guarantees for equity or quasi-equity fund investments in SMEs, shall include investments by local or regional funds which provide seed capital and/or capital in the start-up phase, as well as mezzanine finance funds, in order to reduce the particular difficulties which SMEs face because of their weak financial structure, and those arising from business transfers.*

*The fourth window, (d) securitisation of SME debt finance portfolios, shall mobilise additional debt financing for SMEs under appropriate risk-sharing arrangements with the targeted institutions. Support for those transactions shall be conditional upon an undertaking by the originating institutions to grant a significant part of the resulting liquidity of the mobilised capital for new SME lending in a reasonable period of time.*

- Article 20 – Point 2 – provides for that under the CBS Scheme, the CIP will provide grants to stimulate the supply of venture capital for SMEs with growth potential as well as to financial intermediaries to cover the cost of technical assistance to improve their credit appraisal for SME debt financing in countries with low banking intermediation.

#### **1.1.4 EIF own resources**

EIF's activity is centred upon two main financial tools :

- Venture capital
- Guarantees

According to its promotional material, the EIF defines its own tools as follows :

*EIF's venture capital instruments consist of equity investments in venture capital funds and business incubators that support SMEs, particularly those that are early stage and technology-oriented;*

*EIF's guarantee instruments consist of providing guarantees to financial institutions that cover credits to SMEs.*

*Both instruments implemented by the EIF for SMEs are complementary to the Global Loans provided by the European Investment Bank to financial intermediaries in support of SME financing. EIF's instruments are implemented on commercial terms.*

#### **1.1.5 The Risk-Sharing Finance Facility**

*Annex III of the FP7 "Funding Schemes" provides that "in addition to direct financial support to participants, the Community will improve their access to EIB loans through the "Risk-Sharing Finance Facility" by providing a grant to the Bank. The Community grant shall be used by the Bank, in addition to its own funds, to cover the provisioning and capital allocation for its loan financing. Subject to and in accordance with modalities to be established by the regulation adopted pursuant to article 167 of the Treaty and the Council decisions adopting the specific programmes, this mechanism will enable broader EIB lending to European RTD actions (such as joint technology initiatives, large projects - including Eureka projects, and new research infrastructures)."*

## **1.2 EDO'S CONCERNS**

The following bottlenecks might occur and hinder the use of ERDF fundings for the "access of finance by SMEs" :

- Absence of definition of the concept of "new financing instruments"

- Difficulty to comply with or understand State aid regulations
- Lack of awareness of the added value of revolving financial instruments vs. grants
- Cultural resistance of SMEs to open their capital to investors
- Asymmetry of information between investors and entrepreneurs
- Lack of investment readiness of entrepreneurs
- Need of expertise in fund management in most of European regions
- Cost of due diligence and of managing revolving instruments
- Lack of complementarity between financial and non financial support to SMEs.

The following worries have been identified as far as the attractiveness of EIF instruments for EDOs is concerned :

- EIF operates as a commercial organisation whilst most EDOs have to develop regional tools;
- EIF acts as fund of fund with an average amount of investment per deal much too high for regional funds.

### **1.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES**

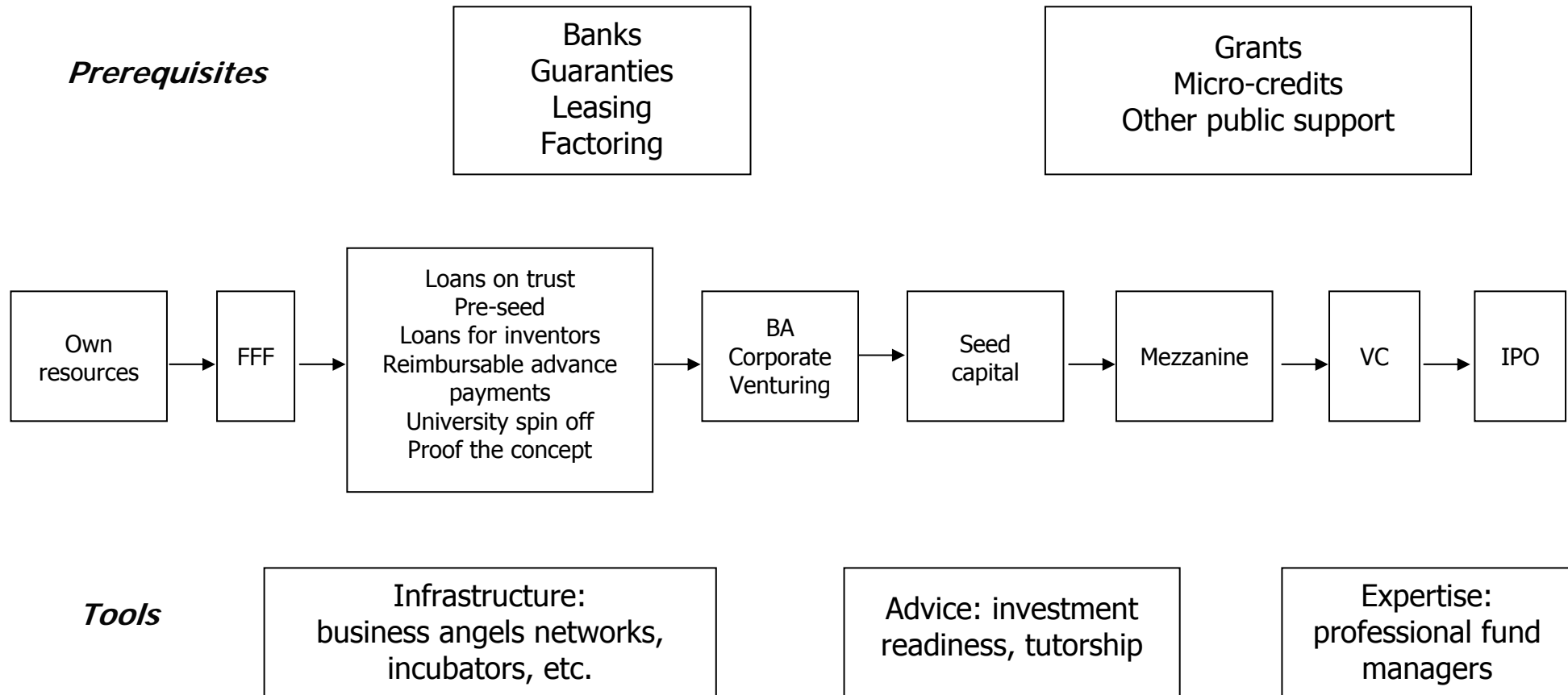
In the field of financial engineering, the best way to maximise EU funding opportunities is to invest in a regional financial value chain and in an "investment readiness" scheme.

Indeed, all money is not the same; this means that the different financial tools are suitable either to a time in the enterprise life cycle or to a certain type of enterprise. Having a gap in the value chain has as consequence on the one hand that there is a bottleneck in the funding need of enterprises and on the other hand that investors cannot exit from their investments (lack of fluidity in the market).

It is also important that investment readiness schemes and coaching opportunities are made available to entrepreneurs seeking on the one hand to overcome the information asymmetry between investors and entrepreneurs and on the other hand to improve the quality of business proposals submitted to investors.

We propose below a model of regional financial value chain. The definition of the components of that value chain is given in the Introduction above.

# Financial Value Chain



*FFF : Family, Friends, Founders*  
*BA : Business angels*  
*VC : Venture capital*  
*IPO : Initial Public Offering*

## **CHAPTER 2 : NETWORKING AND CLUSTERING**

### **INTRODUCTION**

In the last decades, competitive advantage can be created through formal and informal networks and by clusters.

Four main EU policies/instruments provide financial assistance for the creation, development or improvement of networks and clusters. They are :

- ERDF European Regional Development Fund
- CIP Competitiveness and Innovation Programme
- 7<sup>th</sup> RTD Framework Programme
- ESF European Social Fund

By networks we understand measures such as :

- ✓ Business networks/clubs
- ✓ Clusters
- ✓ Links between SMEs and universities or research and technology centres
- ✓ Groups of SMEs
- ✓ Interfirms cooperation
- ✓ Twinning between research groups.

### **2.1 LEGAL BASIS**

#### **2.1.1 ERDF – European Regional Development Fund**

The ERDF will provide opportunities for the following supports to networks and clusters according to the eligibility of the region where they are established.

- ERDF – Article 4 – Point 1 provides that convergence regions can use the ERDF for :
  - improvement of links between SMEs and universities and research and technology centres;
  - development of business networks, public-private partnerships and clusters
  - support for the provision of business and technology services to groups of SMEs
- ERDF – Article 5 – Points 1(a) and 1(b) provide for that through the regional competitiveness and employment objective, ERDF can be used for :
  - interfirms cooperation
  - promoting cooperation networks between enterprises and appropriate tertiary education and research institutions
  - supporting business networks and clusters
- ERDF – Article 6 – Point 2(a) provides that under the "European territorial cooperation" strand, ERDF money can be used for :
  - the creation of scientific and technological networks contributing to the balanced development of transnational areas including networks between universities and links for accessing scientific knowledge;
  - the establishment of networks between appropriate tertiary education and research institutions and SMEs
  - twinning of technology transfer institutions

In the explanatory memorandum of the Council decision on Community strategic guidelines on cohesion, one can read on page 19 that "*while direct grants remain important, notably in convergence regions, there is a need to focus on the provision of collective business and technology services to groups of firms, in order to help them improve their innovative activity.*"

### **2.1.2 7<sup>th</sup> Framework Programme for RTD**

- FP7 RTD – Strand "Capability" – Point 2 Research for the benefit of SMEs foresees SME support for "strengthening the innovation capacity of European SMEs by extending their networks or by internationalising their knowledge networks".
- FP7 RTD – Strand "Capability" – Point 3 Regions of knowledge provides that EU money is available for "the promotion and the strengthening of cooperation between clusters, the sustainable development of existing R&D driven clusters as well as the fostering of the creation of new ones".
- FP7 RTD – Strand "Capability" – Point 4 Research potential provides funding opportunities for "strategic partnerships, including twinning between research groups both from the public and private sector".

### **2.1.3 CIP – Competitiveness and Innovation Programme**

- CIP – Article 12 – Points (b) & (c) – provides for a framework for SME co-operation through "measures helping SMEs to cooperate with other enterprises across borders and the promotion of international business co-operation" and "international business cooperation, including at regional level and through SME networks favouring the coordination and development of their economic and industrial activities".
- CIP – Article 13 – Point (a) – provides for that EU funding is available for "fostering sector-specific innovation, clusters, innovation networks, public-private innovation partnerships and co-operation with relevant international organisations".

### **2.1.4 ESF – European Social Fund**

- ESF – Article 3 – Point 1 (d) (ii) provides for that the ESF can support "networking activities between higher education institutions, research and technological centres and enterprises".

## **2.2 EDO'S CONCERNS**

- How to build synergies between the supports provided by the different DGs ?
- To foster partnership between universities and SMEs, EDOs have to invest in awareness raising of the mutual benefits and build trust between the two communities. This can only be achieved if the asymmetry of information between the entrepreneurs and the academics is overcome and if enterprises are made investment ready to invest in such partnership.
- Clusters can be a fashion or a political tool. It should be reminded that to be successful, a cluster needs to be endorsed by the private sector and provide real pre-competitive advantages for clusters' members. It should also be noted that the typical horizontal Michael Porter's cluster type becomes obsolete and is replaced by a sectorial vertical value chain model aiming at bringing knowledge to market. Are the EU fundings adapted to this new trend ?

### 2.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES

Regions should invest in stakeholders clubs, informal and formal networks aiming at :

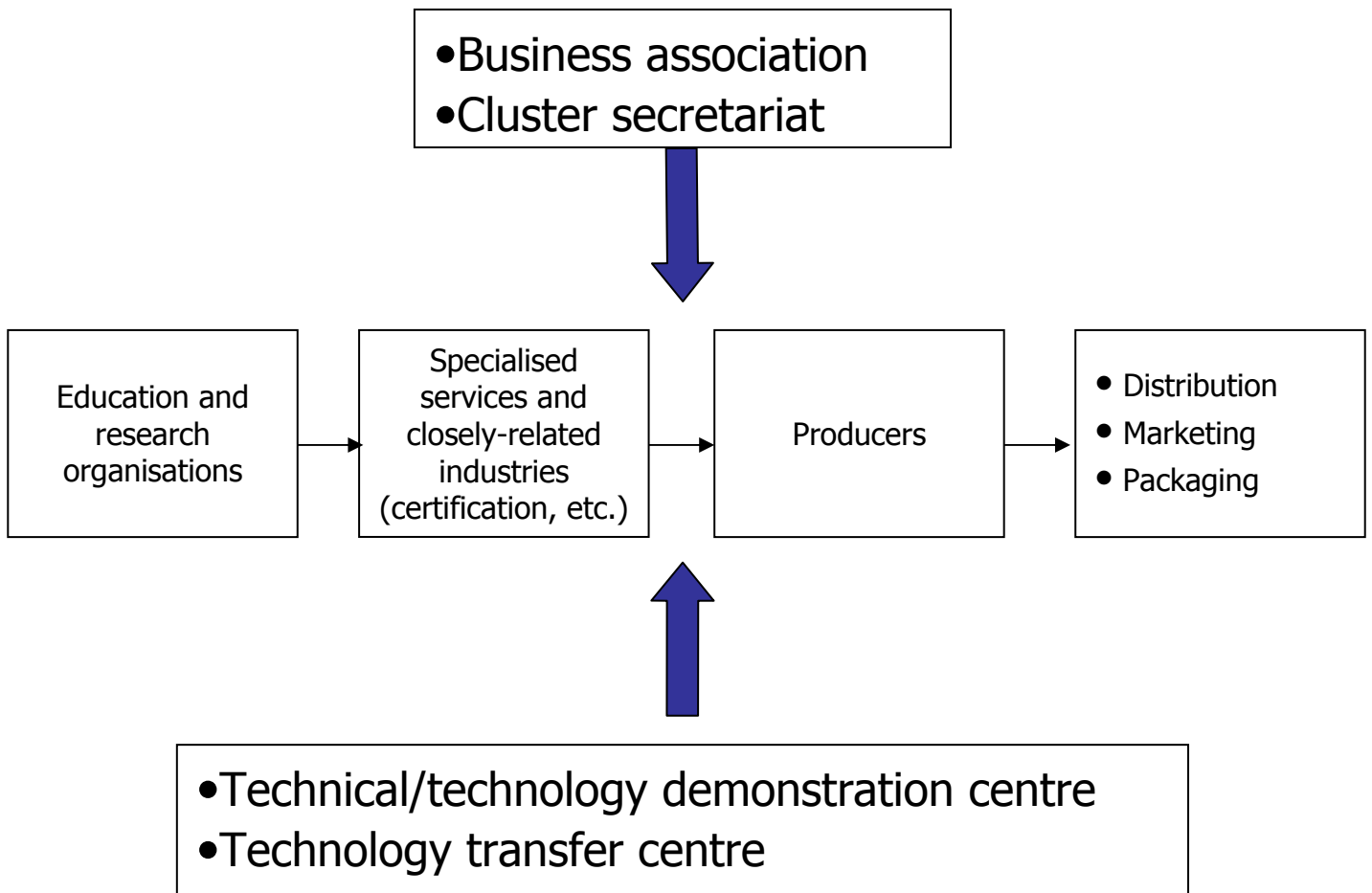
- ✓ Analysing and answering the needs of the public intervention's end users in an approach combining demand and supply elements;
- ✓ Increasing public-private partnership (PPP) both at the strategic planning phase and in the implementation phase through private money leveraging mechanisms;
- ✓ Investing in awareness campaigns in order to better inform all the potential beneficiaries of the competitive advantages resulting from networking and clustering activities;
- ✓ Making coaching and investment readiness schemes available in order to ensure that any beneficiary of the support has developed the management capacity allowing him/her to efficiently use the support granted.

We propose below four models of value chains :

- building a cluster
- bringing knowledge to market
- strengthening the academic and research organisations' role in regional development
- internationalisation of SMEs

as well as a chart of interfirms co-operation options.

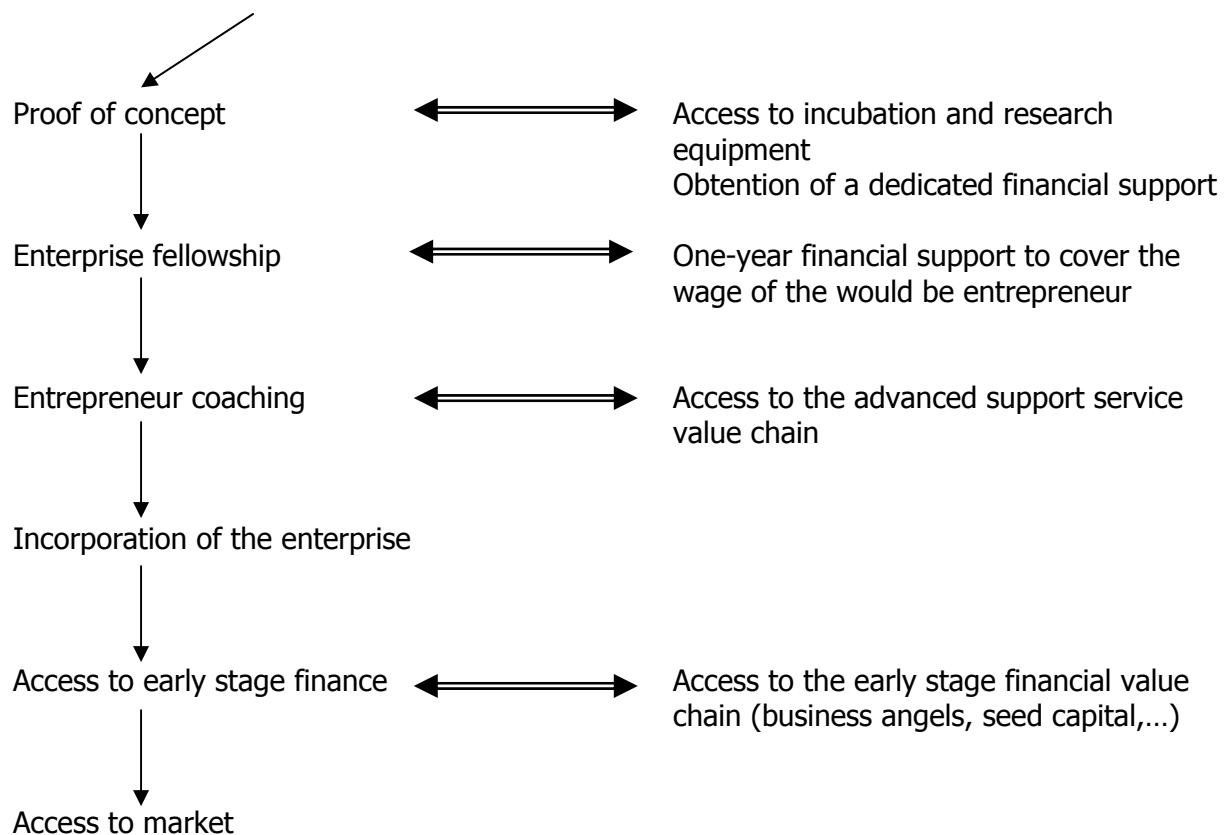
# *Value chain* Clusters



# *Value chain*

## Bringing Knowledge to Market

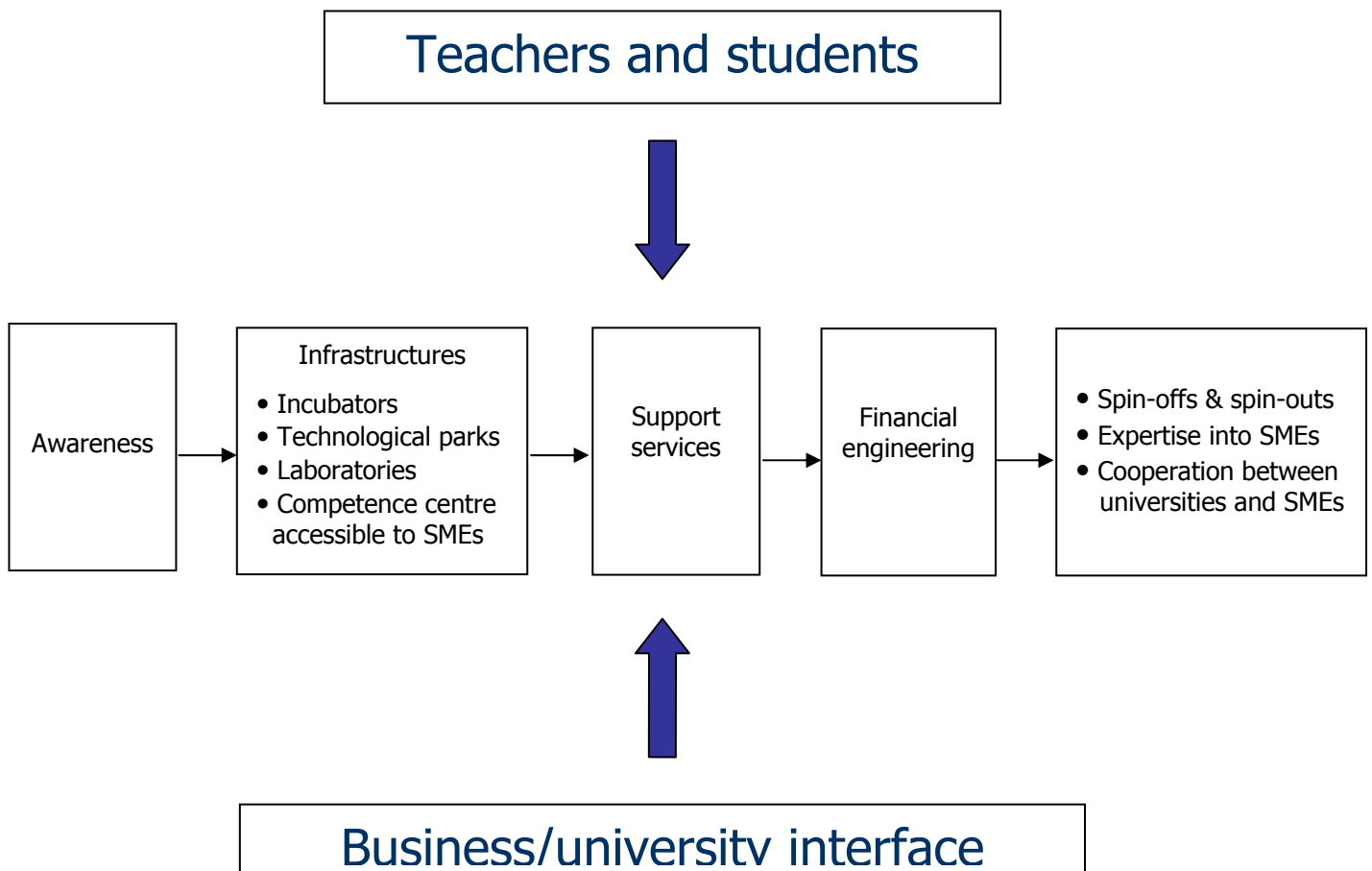
### Business Idea Detection in Universities and Research Centres



Source : Based on a speech of Mrs Margaret McGarry of Scottish Enterprise (UK)

# *Value chain*

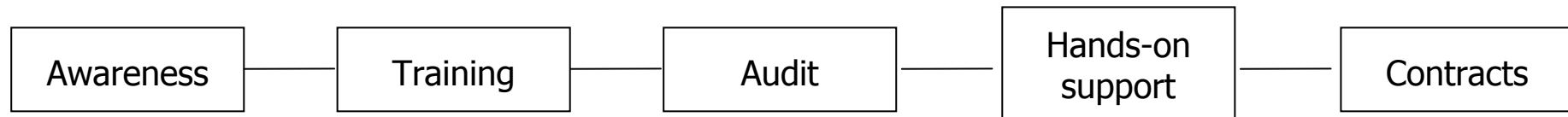
## Strengthening the Academic and Research Organisations Role in Regional Development



# *Value chain*

## Internationalisation of SMEs

- Preconditions
  - Skills in enterprises
  - Market research and knowledge
  - Logistics
  - Local advisors



- Tools
  - Export readiness scheme
  - Export clubs or clusters
  - Export financial tools

Instruments	Advantages	Advices
Seminars	Allow to raise the awareness of a high number of enterprises	Invite experts and representatives of economic missions abroad
Training	Allows to prepare enterprises	Include bilateral sessions
Export clubs Clusters	Demonstrate the feasibility of exports Share experiences of common services	Use successful companies Play a catalyst role
Market information	Basic preparation	
Market research	Basic preparation	
Individual audits	Identify the weaknesses and find solutions to them	Use a check list adapted to the local context
Missions abroad	Implementation	Target the enterprises, limit their number in order to secure them Establish a follow-up system
Participation in fairs and attending events	Learning the process in a protected and well prepared environment	Prepare the mission and provide for additional contacts in parallel to the event
EIC	Prior detection of opportunities to be maximised by further investigations or bilateral contacts	Develop privileged relations with some members of their networks
Exhibitions and Fairs IBEX and other events Financial Tools	Contact opportunities Face to Face meeting providing a friendly environment for the SMEs Overcome financial bottlenecks	Provide for a common stand for the SMEs, especially in less-known fairs Use of standardised profile forms and check the quality of the data given by the SMEs Provide added value to support SMEs strategy

## **CHAPTER 3 : PROVISION OF SUPPORT SERVICES TO SMEs**

### **INTRODUCTION**

SME often need support services in order to overcome the death valley or to grow. Support services can be split in two categories : (1) basic supports and (2) advanced supports.

Three main policies / instruments provide financial assistance for the delivery of support services to SMEs. They are :

- ERDF European Regional Development Fund
- 7<sup>th</sup> RTD Framework Programme
- CIP Competitiveness and Innovation Programme

While developing a strategy for the provision of support services to SMEs, we recommend to think in terms of segmentation of the SME market. We propose the following one :

- ✓ SMEs serving the regional market
- ✓ SME having a potential growth through market diversification
- ✓ SMEs having an unexploited innovation potential
- ✓ SMEs having a high growth potential
- ✓ SMEs operating in sectors in threat but having a potential for integrating new technologies into their traditional product range
- ✓ SMEs facing a transition challenge.

All those different categories of SMEs have specific needs. Having this segmentation in mind, a SME support service value chain will put in place a "non wrong door" concept and limit the "one stop shop" concept to facilitate the incorporation of a SME as well as the provision of legal and administrative permits.

The EURADA nomenclature of support services comprises the following elements :

#### **1. Reception, basic services and information, guidance**

- First contact point
- Official registration and documentation
- Dissemination of publications and information packages
- Promotional activities
- Facility procurement
- Initial diagnosis
- Guidance
- Information about legislation

#### **2. Professional information services**

- Information about markets
- Information about businesses and financial information
- Technical information
  - standards and certification
  - patents and intellectual property
  - specific fields

#### **3. Advice and direct support**

- Entrepreneurship
- Advice on business plans

- Business plan and start-up competitions
- Activity planning
- Functional advice
- Monitoring and support measures
- Tutoring
- Consulting
- Enhancing business relations
- Bringing in direct experience
- Supporting the use of external consultants

#### **4. Specific training for SMEs**

- SME management
- Start-up
- Expansion and development
- Reconversion training
- Targeted training
- Business transfers
- Leadership

#### **5. Finance**

- Shareholder's equity
- Loans for specific purposes
  - micro-credits
  - loans with lower interest rates
- Loan guarantees
  - direct guarantees
  - mutual guarantees
- Grants and subsidies

#### **6. Infrastructure and environment**

- Business incubator
- Industrial or commercial units
- Technological parks
- Telecommunications
- Logistic, industrial parks and real estate
- Technology centres

#### **7. SME-specific strategic measures**

- Conferences and seminars
- Market research
- Professional fairs and exhibitions
- Buyer exhibitions
- Trade missions
- Promotion of networking, including joint ventures
- Development of value chains
- Promotion of groupings

#### **8. Innovation and knowledge management**

- Innovation
- Intellectual property and patenting
- Economic intelligence
- Technological watch and assessment
- Technological auditing

- Technology transfer
- E-commerce (B2B) and other ICT applications
- Quality management
- Spin-outs and spin-offs
- Research result commercialisation
- Aid for inventors
- Proof of concept
- Design

#### **9. Advanced financial services**

- Matching with business angels
- Seed capital
- Granting of loans on trust
- Business plan competitions
- Investment readiness courses
- Corporate venturing
- Reimbursable advance payments

#### **10. Benchmarking**

#### **11. Investor attraction and retention**

We make reference below to the concept of "advanced support services" or to "added value support services". This concept mainly includes support services such as :

- supporting the use of external consultants;
- patenting;
- economic intelligence and technology assessment;
- technology auditing and transfer;
- quality management;
- design, market research and product tests;
- proof of concept;
- prototyping and access to (benchmark) test stations;
- marketing of the outcomes of public and private research;
- partner search, joint venturing and internationalisation;
- access to business angels, seed capital and corporate venturing;
- spin-outs/spin-offs;
- coordination of clusters and technological parks;
- value chain and cluster development;
- incorporation of new technologies in traditional products and processes;
- international network;
- eBusiness, broad band access, use of NICT;
- management and leadership capabilities in SMEs.

It is also worth quoting the Structural Funds strategic guidelines which recommend *"to provide business support services to enable enterprises, and in particular SMEs, to increase competitiveness and to internationalise, in particular by seizing the opportunities created by the Internal Market. Business services should prioritise the exploitation of synergies (e.g. technology transfer, science parks, ICT communication centres, incubators and related services, co-operation with clusters) and give more traditional support in the areas of management, marketing, technical support, recruitment, and other professional and commercial services."*

### **3.1 LEGAL BASIS**

#### **3.1.1 ERDF – European Regional Development Fund**

- ERDF – Article 4 – Point 1 provides for that convergence regions can take opportunities of funding for "the provision of business and technology services for groups of SMEs".
- ERDF – Article 4 – Point 2 provides for that convergence regions can use the ERDF for "services to SMEs to adopt and effectively use ICTs".
- ERDF – Article 4 – Point 4 provides for that convergence regions can use the ERDF for "aid to SMEs to promote sustainable patterns through the introduction of cost-effective environmental management systems and the adoption and use of pollution-prevention technologies".
- ERDF – Article 5 – Points 1(b) and 3(b) provide for that through the regional competitiveness and employment objective, ERDF can be used for "facilitating SME access to business support services and supporting the integration of cleaner and innovative technologies in SMEs" and for "promoting access to, take up and efficient use of ICTs by SMEs by supporting access to networks, including, in particular, the development of action plans for very small and craft enterprises."

#### **3.1.2 7<sup>th</sup> RTD Framework Programme**

- FP7 RDT – Research for the benefit of SMEs – Point 2 of the "Capability" strand provides for that EU money can be used to fund "specific actions to support SMEs or SME associations in need of outsourcing research to universities and research centres".

#### **3.1.3 CIP – Competitiveness and Innovation Programme**

- CIP – Article 13 – Points b) c) d) and e) provide for that EU funding is available for :
  - use of innovation management
  - supporting national and regional programmes for business innovation
  - supporting the take-up of innovative technologies
  - exploring new types of innovation services
  - services for transnational knowledge and technology transfer and for intellectual and industrial property management.
- CIP – Article 21 – Points 1. and 2. – provide for that services in support of business and innovation, in particular in the field of SMEs, shall be encouraged and that support may be granted to network partners, i.e. to EIC and IRC.

### **3.2 EDO'S CONCERNS**

- The provision of support services is fragmented and too often limited to basic ones;
- How to convince public stakeholders to address needs instead of acting by the supply side and to go for a segmentation of the offer of support services;
- Most SMEs aren't aware of the best way of benefiting from advance support services neither of formulating their needs in terms of reference;
- The provision of advanced support services needs specialised advisors who are not necessarily available in all regions. It also requires the development of new delivery mechanisms.

### 3.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES

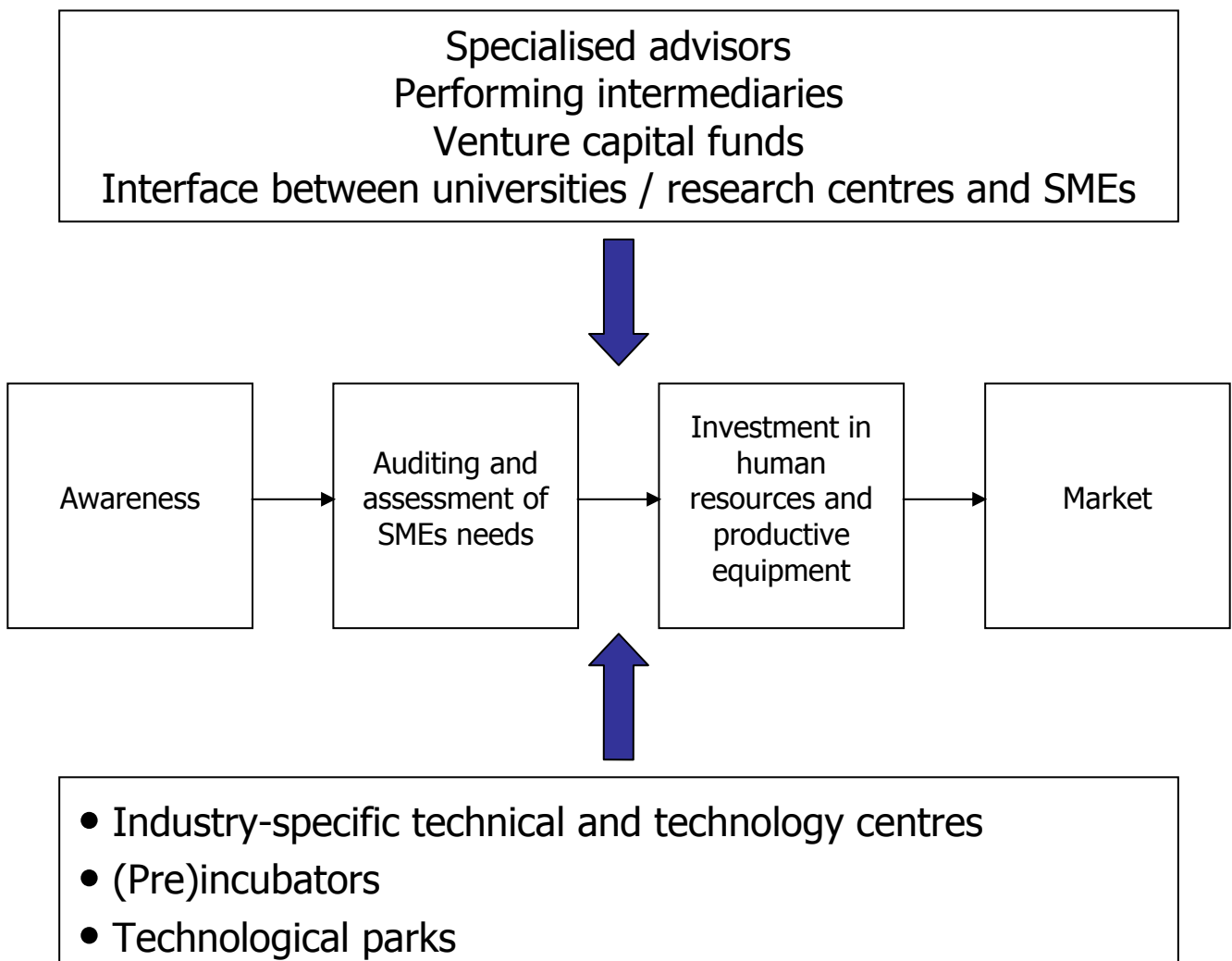
To provide efficient support services to SMEs, regions should start to undertake several segmentation analyses in order to adapt their support service schemes to the needs of SMEs. The segmentation should at least cover :

- ✓ the type of support services (basic, advances);
- ✓ the nature of the potential beneficiaries (type of SMEs);
- ✓ the nature of the support (financial and non financial);

They should also review their value chain and use EU support to address market failures and to leverage as much as possible private funding through PPP (private-public partnership).

A model for a value chain relating to enterprise support services is reproduced below.

## *Value chain* SME Advanced Support Services



## **CHAPTER 4 : ENTREPRENEURSHIP**

### **INTRODUCTION**

The European economy increasingly relies upon its SME basis. Therefore, most EU policies/instruments focus on building an entrepreneurial culture and new enterprise creation.

The following four EU policies provide incentives for this purpose :

- ERDF European Regional Development Fund
- EAFRD European Agricultural Fund for Rural Development
- CIP Competitiveness and Innovation Programme
- 7<sup>th</sup> RTD Framework Programme

It is worth quoting the Structural Funds guidelines which recommend *"to promote entrepreneurship by facilitating the creation and development of new firms, and promoting spin-out and spin-off companies from research institutions or firms using a variety of techniques (for example, awareness raising, prototyping, tutoring and the provision of managerial and technological support to entrepreneurs-to-be)"*.

When developing a regional strategy on entrepreneurship, it is worth thinking about the following two issues :

- a) target group segmentation such as
  - would be entrepreneurs in the regional population
  - high-tech entrepreneurs (spin outs)
  - candidates to take over an existing business facing transmission problems
- b) entrepreneurship is a cultural mindset; this means that awareness actions have to target students at school and in universities and can be based on role models such as mini-enterprise exercises.

### **4.1 LEGAL BASIS**

#### **4.1.1 ERDF – European Regional Development Fund**

- ERDF – Article 4 – Point 1 provides for regions of the convergence objective that the ERDF focuses on entrepreneurship.
- ERDF – Article 5 – Point 1(c) provides through the competitiveness and employment objective that ERDF funding can be used for "promoting entrepreneurship by facilitating the economic exploitation of new ideas, and by fostering the creation of new firms by appropriate tertiary education and research institutions and existing firms".
- ERDF – Article 6 – Point 1(a) provides for that through the European territorial co-operation objective, the ERDF can "encourage entrepreneurship, in particular the development of SMEs".

#### **4.1.2 EAFRD – European Agricultural Fund for Rural Development**

- EAFRD – Article 49 – Point (a) provides for that under the priority axis 3 "diversification of the rural economy and the quality of life in rural areas", support involves "support for the creation and development of micro-enterprises with a view to promoting entrepreneurship and developing the economic fabric".

#### **4.1.3 CIP – Competitiveness and Innovation Programme**

- CIP – Article 15 – Points (a) (b) and (d) provide for EU support for "encouraging entrepreneurial risk and reward, in particular for young entrepreneurs" as well as "encouraging a business environment favourable to innovation, enterprise development and growth" and "encouraging the creation and transfer of enterprises".

#### **4.1.4 ESF – European Social Fund**

- ESF – Article 3 – Point 1 (a) (i) provides for that the ESF can be used "to promote entrepreneurship, innovation and business start-ups."

#### **4.2 EDO'S CONCERNS**

- Entrepreneurship is a cultural factor. So it requires a long-term approach.
- An entrepreneurial strategy needs an integrated approach as well as a segmentation of the potential would-be entrepreneur population.
- Entrepreneurship stimulation needs to be backed up by teaching, mentoring and appropriate access to funding.
- Support services to would-be entrepreneurs have to be tailored made to the type of business, i.e. traditional ones, innovative ones and to the size (micro-enterprises or medium size ones).

#### **4.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES**

Entrepreneurship stimulation requires an integrated approach based on the availability of :

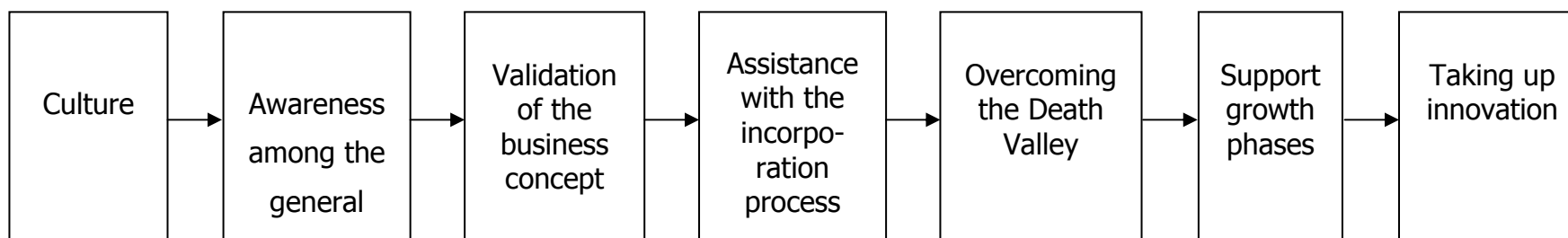
- business infrastructure
- intermediaries
- access to finance.

This integrated approach can be illustrated by the following value chain.

# *Value chain*

## Fostering Entrepreneurship

- Awareness campaigns, communication
- Reception of potential business developers
- Assistance with drafting business plans



- Training and management
- Advisory services
- Access to finance
- Pre(incubation)
- Access to enterprise real estate

## **CHAPTER 5 : SUPPORT TO INNOVATION**

### **INTRODUCTION**

In the global economy, most EU regions have to develop an innovation strategy in order to maintain their competitive advantage. As innovation is a very large concept and covers issues such as product and service innovation, process innovation, business model innovation, integration of new technology in traditional industries or even new uses of existing products, any region can be involved in promoting an innovation culture.

It is worth quoting the Community Strategic Guidelines on Cohesion which recommend on page 22 *"to make regional RTD innovation and education supply more efficient and accessible to firms, in particular SMEs, for example by establishing poles of excellence, bringing together high technology SMEs around research and technological institutions, or by developing and creating regional clusters around large companies"* and *"to ensure full exploitation of European strengths in the area of eco-innovations. Eco-innovations should be promoted, together with the improvement of SME practices through the introduction of environmental management systems. By investing in this area now, EU businesses will be in a strong position in the near future when other regions appreciate the necessity of such technologies. This is an area with a clear link to the Framework Programme for Competitiveness and Innovation"*.

Innovation is a generic concept covering concepts such as :

- product and service innovation
- process innovation
- business model innovation
- new applications for existing products
- integration of new technologies in traditional industries

### **5.1 LEGAL BASIS**

#### **5.1.1 ERDF – European Regional Development Fund**

- ERDF – Article 4 – Point 1 provides for regions eligible to the convergence objective that the ERDF shall focus its assistance on supporting "innovation" through technological transfer and innovation funding for SMEs.
- ERDF – Article 5 – Point 1 provides that through the regional competitiveness and employment objective the ERDF shall focus its assistance on enhancing regional R&TD and innovation capacities directly linked to regional economic development objectives by supporting industry or technology-specific competence centres, technology transfer, technology forecasting, ...
- ERDF – Article 6 – Point 2(a) provides for that under the European territorial cooperation objective, ERDF can support innovation and the enhancement of regional innovation capacities where these make a direct contribution to the balanced economic development of transnational areas.
- ESF – Article 3 – Point 1 (d) (i) provides for that ESF can finance the design and introduction of reforms in education and training systems with a view to innovation and a knowledge-based economy.

### 5.1.2 7<sup>th</sup> RTD Framework Programme

- FP7 RTD provides under Point 2 of the "Capability" strand that this programme will aim at "strengthening the innovation capacity of European SMEs by contributing to better exploit research results and acquire technological know-how".

### 5.1.3 CIP – Competitiveness and Innovation Programme

- CIP – Article 13 provides for that action in relation to innovation, including eco-innovation will be supported. The support may include :
  - fostering sector-specific innovation
  - programme for business innovation
  - take-off of innovative technologies
  - services for transnational knowledge and technology transfer and for intellectual and industrial property management
  - exploitation of new types of innovation services

### 5.2 EDO'S CONCERNS

- Innovation is becoming a more and more diversified concept. Today, innovation indeed covers notions such as :
  - product innovation
  - process innovation
  - high technology
  - combination of new technologies in traditional products
  - new market opportunities for existing products
  - new distribution or business model.Each notion needs and ad-hoc approach.
- Most regional SMEs are not able to initiate an innovation process by their own and have not the capability to form partnerships with the scientific community.
- Lots of regions don't have in place top quality staff in intermediary structures such as enterprise-university interfaces or technology transfer agencies.

### 5.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES

Regions should adopt a regional innovation strategy similar to the one promoted in the past through the RIS-RITTS programme co-funded by DG Regio and DG Enterprise and Industry.

The main advantages of the RIS-RITTS programme were :

- a proven methodology
- a governance based on consensus building
- an "in depth" analysis of the offer and demand for innovation services in the region.

Such a regional innovation strategy should focus on two elements :

- a) Supporting innovation infrastructures such as :
  - technology-oriented incubator and pre-incubator
  - industrial laboratories and demonstration centres
  - SMEs and universities/research centres interface

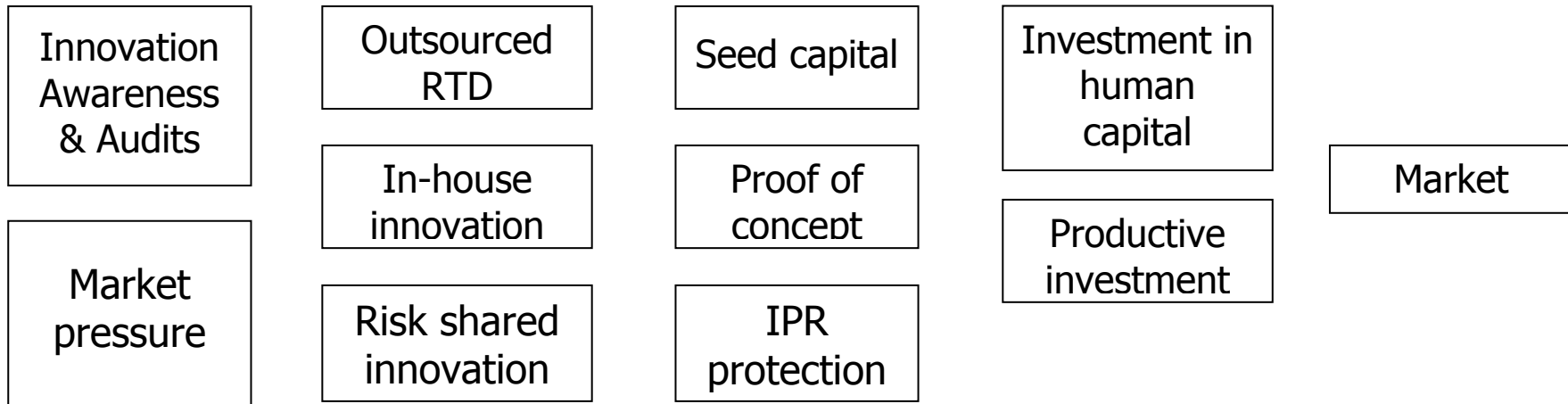
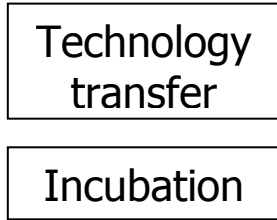
- design centres
  - IPR centres or advisory system
- b) Providing dedicated financial tools, i.e. :
- business angel networks
  - proof of concept finance
  - seed capital
  - reimbursable advance
  - patent grants.

We reproduce below a model of value chain to foster innovation in SMEs.

# *Value chain for innovation in SMEs*

## *Preconditions*

- Awareness
- Intermediaries
- Profitability
- Public support



## *Tools*

- Financial schemes
- Technology & technical centres
- IPR supports
- Clusters
- SME – Universities interface

## **CHAPTER 6 : RTD ACTIVITIES**

### **INTRODUCTION**

The knowledge economy relies on research results and on the commercial exploitation of those results. The European Union has decided to increase its financial effort to support research activities, including at regional level and for SMEs.

The main three EU policies focusing on RTD activities are :

- ERDF European Regional Development Fund
- ESF European Social Fund
- 7<sup>th</sup> RTD Framework Programme

It is worth quoting the Structural Funds guidelines which recommend the following actions in the field of RTD :

- *Strengthening co-operation among businesses and between businesses and public research/higher education institutions by supporting the creation of regional and trans-regional clusters of excellence.*
- *Supporting RTD activities in SMEs and enabling SMEs to access RTD services in publicly-funded research institutions.*
- *Support for regional cross-border and transnational initiatives aimed at strengthening research collaboration and capacity building in priority areas of EU research policy.*
- *Strengthen R&D capacity building, including ICT, research infrastructure and human capital in areas with significant growth potential.*

*In the regions eligible under the Convergence objective, programmes can contribute to developing RTD and education infrastructure (including regional high-speed data networks between and within research establishments), equipment and instrumentation in both publicly funded research institutions and businesses, provided that these investments are directly linked to regional economic development objectives. This may include research infrastructure for which the feasibility studies have been financed from earlier Framework Programmes. Support for Seventh Framework Programme priorities should seek to develop the full potential of emerging and existing centres of excellence and to step up investment in human capital, particularly by training researchers at national level and by creating conditions to attract researchers trained abroad.*

### **6.1 LEGAL BASIS**

#### **6.1.1 ERDF – European Regional Development Fund**

- ERDF – Article 4 – Point 1 provides for regions eligible to the convergence objective that the ERDF shall focus its assistance on supporting research and technological development through strengthening research and technological development capacities and their integration into the European Research Area, and on aid to RTD in SMEs.
- ERDF – Article 5 – Point 1 provides that through the regional competitiveness and employment objective the ERDF shall focus its assistance on RTD by supporting industry or technology specific competence centres and RTD policy.
- ERDF – Article 6 – Point 2 (a) provides for that within the framework of the European territorial co-operation objective, ERDF can provide assistance for the creation and

development of scientific and technological networks and for the enhancement of R&TD capacities and links to improve access to scientific knowledge between R&TD facilities.

### **6.1.2 ESF – European Social Fund**

- ESF – Article 3 – Point 2 (a)(iii) provides for that ESF money can be used for the development of human potential in research and innovation, notably through post-graduate studies and training of researchers.

### **6.1.3 7<sup>th</sup> RTD Framework Programme**

The FP7 "Capacity" strand provides for that money of the FP7 can be used for :

- Research infrastructures by actions aiming at :
  - optimising the utilisation of existing research infrastructures and improving their performance;
  - fostering the development of new research infrastructures of pan-European interest;
  - supporting measures including support to emerging tools.
- Research for the benefit of SMEs through the following two SME schemes :
  - research for SMEs (short-term projects centred on the innovation needs of the SMEs);
  - research for SME associations (solutions to problems common to a large number of SMEs in specific industrial sectors or segments of the value chain).
- Regions of knowledge: actions apply to all regions to cover the following activities :
  - analysis, development and implementation of research agenda of regional clusters;
  - mentoring of regions with a less developed research profile with highly developed ones based on RDT focused cluster building;
  - initiatives to improve integration of research actors and institutions in regional economics, through their interactions at cluster level.
- Research potential by unlocking and developing the research potential in the EU's convergence regions and outermost ones as well as helping to strengthen the capacities of their researchers to successfully participate in research activities at EU level.

### **6.1.4 EFF – European Fisheries Fund**

- EFF – Article 37(j) – The European Fisheries Fund may support measures to promote partnership between scientists and operators in the fisheries sector.

## **6.2 EDO'S CONCERNS**

- Only a few percentage of SMEs are able to invest in RTD activities or to earn money from RDT activities.
- There is a capacity building effort to be undertaken in order to solve the information asymmetry between the research community (universities, research centres) and SME management teams.
- How to create or import knowledge in a region in view of its commercial exploitation ?

### 6.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES

Regions are best placed to boost applied research in their areas through :

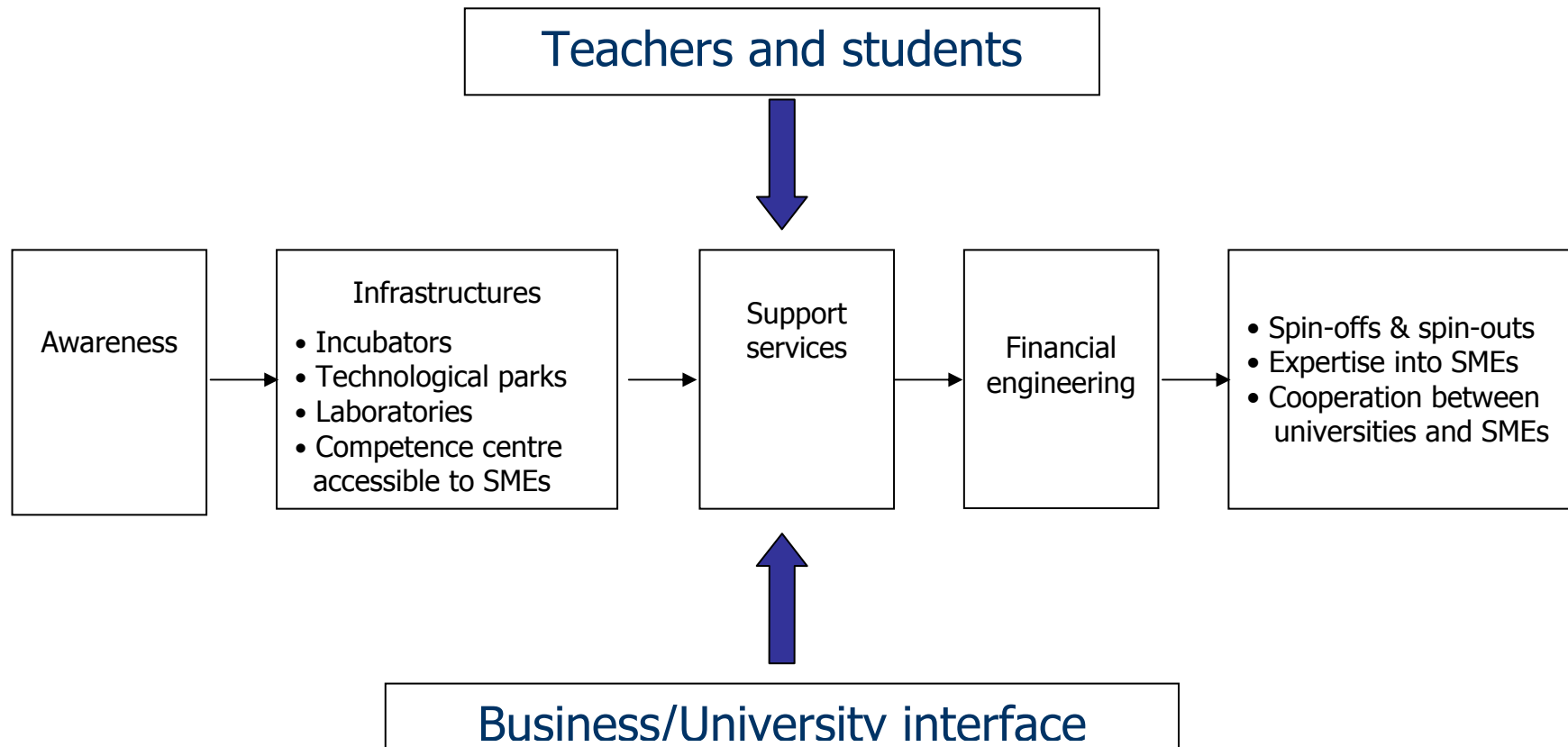
- cofinancing research infrastructures and equipments
- stimulating partnerships between SMEs and universities or research centres
- funding a university-enterprise interface
- opening research facilities to SMEs, for instance by providing "consultancy vouchers" to SMEs to buy services from academics and researchers
- improving the human capacities in universities, research centres and enterprises to be able to produce and use new knowledge which can be transformed into products/services
- promoting networking and the creation of a critical mass of competences in the field of applied research and exploitation of research results
- supporting research to revenue schemes through an integrated approach including a proof of concept element.

We reproduce below three regional value chain models covering the following issues :

- strengthening the academic and research organisations in regional development
- fostering research activities
- bringing knowledge to market.

# *Value chain*

## Strengthening the Academic and Research Organisations Role in Regional Development

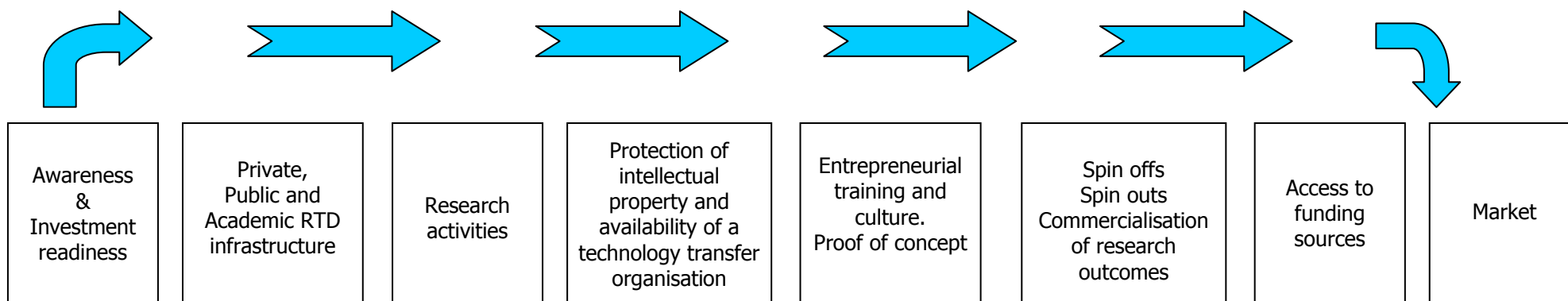


# Value chain

## Fostering Research Activities

### Preconditions

- A critical mass of :
  - research infrastructures,
  - researchers and students,
  - venture capital funds – including seed capital funds – and business angel networks,
  - programmes to finance research activities
- A favourable environment: tax, regional appeal for talent, quality of life, infrastructures,
- An entrepreneurial, innovation-driven and scientific culture,
- A vision for the regional future,
- Intermediation and awareness of the importance of research for economic and enterprise growth,
- Strong partnership between regional stakeholders,
- Providing international platforms



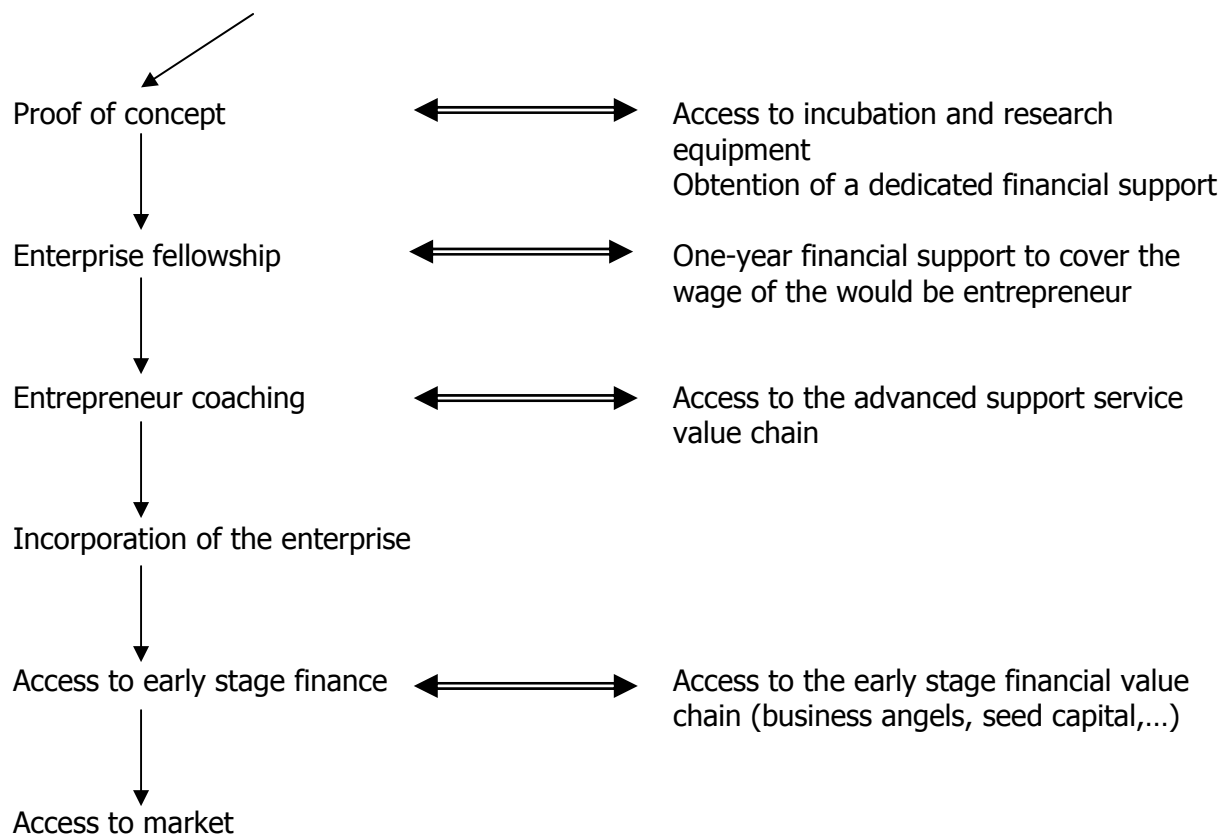
### Tools

- RTD/business interface
- Awareness and communication
- Technology transfer organisation
- Incubators
- Science/technological parks
- Advanced consulting services including networking
- Formal and informal local, national and international networks
- Training
- Integrated strategy (R<sup>2</sup>S)
- Increasing the quality of research infrastructures
- Foresight
- Attraction of research centres from multinational enterprises

# *Value chain*

## Bringing Knowledge to Market

### Business Idea Detection in Universities and Research Centres



Source : Based on a speech of Mrs Margaret McGarry of Scottish Enterprise (UK)

## **CHAPTER 7 : HUMAN CAPITAL**

### **INTRODUCTION**

An innovation-based economy or strategy requires investment in human capital. This human capital must have the skills needed by the enterprises.

Four main EU policies/instruments provide funding for the investment in human capital. They are :

- ESF European Social Fund
- ERDF European Regional Development Fund
- 7<sup>th</sup> RTD Framework Programme
- Lifelong learning programme

### **7.1 LEGAL BASIS**

#### **7.1.1 ESF – European Social Fund**

- ESF – Article 3.1 (a)(i) provides for that ESF funding shall support action for investment in human resources by enterprises, especially SMEs and workers, through the development and implementation of lifelong learning systems, dissemination of ICT and management skills as well as the promotion of entrepreneurship and innovation.

#### **7.1.2 ERDF – European Regional Development Fund**

- ERDF – Article 4 – Point 10 provides for that regions eligible to the convergence objective may get assistance for education investments, including in vocational training, which contribute to increase the attractiveness and quality of life.
- ERDF – Article 6 – Point 1(d) provides for that under the European territorial co-operation objective, ERDF shall be used by border regions for developing collaboration, capacity and joint use of infrastructure in the education sector.

#### **7.1.3 7<sup>th</sup> RTD Framework Programme**

Strand 4 "Research Potential" of the Capacity objective provides for that in order to unlock and develop the research potential in the EU's convergence regions and the outermost ones, FP7 money can be used for two-way secondments of research staff between selected centres in the qualified regions and partner organisations in other EU States as well as for the recruitment by the selected centres of incoming experienced researchers for involvement in transfer of knowledge and/or in the training of researchers, including as a means to particularly encourage the return of nationals having left the country.

This strand will also offer funding for the organisation of workshops and conferences involving selected centres' own research staff and invited researchers in the frame of the development of the selected centres' international training capacity or the participation of those staff researchers in international conferences or short-term training events.

The "People" strand of FP7 also provides opportunities to invest in human capacities by supporting the following activities :

- initial training of researchers (Marie-Curie Programme)
- lifelong training and career development
- industry-academia pathways and partnerships.

#### **7.1.4 Education**

The Comenius (Article 19.1(a)(ii)) and Leonardo (Article 29.1(a)(i)) programmes provide for funding for placements of students in enterprises.

#### **7.2 EDO'S CONCERNS**

- ESF funding is often perceived rather as a tool to solve unemployment problems than as a economic development tool.
- ESF and ERDF have still different administrative of bureaucratic proceedings which prevent an integrated approach to be implemented.

#### **7.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES**

- Invest in a regional skill observatory aiming at detecting the future needs of enterprises;
- Influence the vocational training offer to the foreseen skills requirements of the regional vision;
- Promote entrepreneurship education;
- Provide eLearning infrastructure and content;
- Use the Leonardo programme to support transnational activities and economic intelligence.

## **CHAPTER 8 : INVESTMENT IN SMEs AND SME SUPPORT INFRASTRUCTURE**

### **INTRODUCTION**

To be successful, SMEs need to invest in productive investment and to access support infrastructures.

The main EU instruments allowing support for such purposes are :

- ERDF European Regional Development Fund
- 7<sup>th</sup> RTD Framework Programme
- EAFRD European Agricultural Fund for Rural Development
- CIP Competitiveness and Innovation Programme

By SME support infrastructure, the EURADA members currently understand :

- ✓ industrial parks
- ✓ technology / science parks
- ✓ real estates
- ✓ incubator facilities
- ✓ easy-in, easy-out premises or work space
- ✓ technical / technological centres
- ✓ ICT broad band.

### **8.1 LEGAL BASIS**

#### **8.1.1 ERDF – European Regional Development Fund**

- ERDF – Article 3 provides for that the ERDF shall contribute towards the financing of :
  - productive investment through direct aid to investment primarily in small and medium-sized enterprises
  - infrastructure.
- ERDF – Article 4 – Point 2 and Article 5.3b provide that ERDF can support the development of on line public services (Convergence objective) or the establishment of public Internet access points (Regional Competitiveness and Employment objective).

#### **8.1.2 7<sup>th</sup> RTD Framework Programme**

Under the Capability objective, FP7 provides for support to research centres as follows :

- Strand 1 – Research Infrastructures
  - Optimising the utilisation of existing research infrastructures and improving their performance
  - Fostering the development of new research infrastructures of pan-European interest
- Strand 4 – Research Potential of EU's Convergences Regions and Outermost Ones
  - Acquisition and development of certain research equipment for selected centres.

#### **8.1.3 EAFRD – European Agricultural Fund for Rural Development**

EAFRD – Article 49 – Priority Axis 3 concerning the diversification of the rural economy provides for the support of :

- Diversification into non-agricultural activities
- Encouragement of tourism activities.

#### **8.1.4 CIP – Competitiveness and Innovation Programme**

CIP – Article 28 – Point (a) provides for CIP intervention for stimulation of innovation through a wider adoption of and investment in ICTs.

#### **8.1.5 EFF – European Fisheries Fund**

EFF – Article 34 – The EFF may support investments in processing and marketing of fisheries and aquaculture products.

### **8.2 EDO'S CONCERNS**

- Infrastructures don't bring success per say. There is a need to complement investment in infrastructures by soft support and accompanying measures in order to maximise the return on the investment made in infrastructures
- Professional managers of incubators, technology transfer centres, etc is a scarce resource in lots of EU regions and few programmes provide funding to train or attract such managers.

### **8.3 HOW TO TAKE BEST BENEFIT FROM THE EU SCHEMES**

Invest in sectorial technology centres in order to allow the access by SME and researchers to top class equipments, even on a "time-shared" basis.