



## Press Release

Luxembourg, 22 January 2020

# SME Instrument supporting innovation effectively, say EU Auditors

The SME Instrument provides effective support in developing innovation projects, according to a new report from the European Court of Auditors. More than 5 000 projects have been funded and EU branding has helped SMEs to attract additional investment. However, the auditors also identify areas of improvement with a view to setting up a European Innovation Council in 2021.

The European Commission launched the SME Instrument in 2014 to support innovation in small and medium-sized enterprises and start-ups. With an overall budget of €3 billion for 2014-2020, its aim is to fill the gap in funding for innovation and increase private-sector commercialisation of research results. To assess whether the SME Instrument actually supports innovation by SMEs, the auditors focused on its design, management and outputs.

The instrument clearly offers useful and effective support for SMEs and start-ups, say the auditors. In addition, it provides EU branding that gives projects visibility and helps them attract additional investment. Despite a late start, it also provides access to business acceleration services, though their uptake has been low. Moreover, the auditors note that these services are not sufficiently tailored to beneficiaries' needs.

*“Supporting breakthrough innovation by SMEs is vital for EU competitiveness and jobs, and the SME instrument has managed to attract many innovative companies”, said Alex Brenninkmeijer, the Member of the European Court of Auditors responsible for the report. “Our recommendations are aimed at ensuring that the European Innovation Council can build on the success of the current instrument, while further improving the design and project selection, as well as creating synergies with other financial instruments”.*

The auditors found that the broad definition of instrument's initial objectives, coupled with frequent changes, had led to confusion for key actors and applicants. Some SME Instrument beneficiaries probably could have found alternative financing on the market.

SME participation in the instrument varies greatly between countries. This is partly due to factors beyond the Commission's control, but also because of limitations in the Commission's marketing and communication activities and varying levels of support from national contact points.

*The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at [eca.europa.eu](http://eca.europa.eu).*

## ECA Press

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The auditors report that the Commission's evaluation procedures for selecting projects have improved over time. In particular, they single out the positive change introduced in 2018 with the 'pitching' of projects to a jury. This has helped identify the best proposals by mitigating the weaknesses inherent in remote evaluation. Nevertheless, the evaluation process faces the dual challenge of limited resources and a high number of resubmissions of unsuccessful proposals.

Since its inception, one of the SME Instrument's aims has been to create links with EU-backed financial instruments providing different forms of reimbursable financial support. However, the Commission has taken little action to create such links and, the auditors note, has only limited insight into the actual financial needs of SMEs. In addition, information available on financial instruments remains too fragmented and beneficiaries are largely unaware of EU-backed financial instruments.

The successor to the SME Instrument will be part of the European Innovation Council under Horizon Europe, the new research and innovation programme. Against this backdrop, the auditors make a number of recommendations, in particular:

- preserving aspects of its design;
- targeting the right beneficiaries, while expanding the geographical reach;
- improving project selection;
- enhancing business acceleration services; and
- creating synergies with other financial instruments.

### Notes to Editors

The SME Instrument is part of the Horizon 2020 research framework programme. It is available to SMEs in EU Member States and 16 associated countries. It provides grants to support SMEs in developing a feasibility study (Phase 1) and conducting R&D and market testing (Phase 2), as well as providing coaching, mentoring or other business acceleration services (Phase 3). Although the different phases are numbered, the SME Instrument is not sequential.

In 2018, the SME Instrument became part of the "European Innovation Council pilot".

Special report 02/2020 "The SME Instrument in action: an effective and innovative programme facing challenges" is available on the ECA website ([eca.europa.eu](http://eca.europa.eu)) in 23 EU languages.

The ECA recently published additional findings on the EU's financial support for innovative SMEs in other reports, such as its special reports on the [SME guarantee facility](#) and [venture capital](#).

The ECA presents its special reports to the European Parliament and the Council of the EU, as well as to other interested parties such as national parliaments, industry stakeholders and representatives of civil society. The vast majority of the recommendations we make in our reports are put into practice.

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