

European Alliance Against Coronavirus

Friday 19th June 2020 at 8:30

Funding models to support innovative SMEs: INNOSUP calls

Working format is based on “*Gilles Rules*”:

1. conceptual framework
2. needs and disruptions
3. solutions

Speakers:

- Marek Przeor, DG Grow
- Santiago Cuesta, MINE.THE.GAP consortium

[Link to session’s recording](#)

1. CONCEPTUAL FRAMEWORK

Cluster facilitated projects for new industrial value chains

Marek Przeor provided us with an [overview of the European cluster initiatives organised by the EU](#). He underlined the **role that clusters play** as spearheads for:

- boosting innovation;
- value chain interlinkages;
- resilience in supply chain connections.

During the period 2015-2020, **INNOSUP-1** (*Cluster facilitated projects for new industrial value chains*) aims to support 2,000 SMEs directly (130 million). SMEs work in different sectors like finance, ICT, agri-food, health, biotechnology, and energy and come from different EU counties. The [Open Data Portal](#) gives an overview on the participants and the [contents of this programme](#).

The scope of the projects is to **facilitate cross-border and cross-sectoral collaboration**, innovation and entrepreneurship across different regions and value chains. The coordination and facilitation shall be led by cluster organisations and other intermediary organisations, by following a **systemic approach** that combines different resources and instruments. Innovation actors, especially **SMEs with mutually reinforcing competences**, shall be supported in view of creating new industrial value chains that foster the development of emerging industries in Europe.

The expected impact

To **reinforce the existing value chains** and to **create new value chains** towards emerging industries, the EU expects from the INNOSUP projects new or significantly improved:

- SMEs turnover & profit
- products (goods &/or services)
- processes
- marketing methods
- organisational methods
- impact on resource efficiency (water, energy, material consumption)

EU budget 2021-27

On May 2020, the EU Commission proposed a revamp for EU's long-term budget of **1.85 trillion** with an emergency recovery instrument to repair the COVID damages. This "Recovery Package" will **focus on investment in research, innovation, digitalisation and social investment** for small and medium-sizes companies in order to offer a contribution to smart specialisation strategies.

MINE.THE.GAP: Experience shared by ICAMCyL (Internacional Center for Advanced Materials and Raw Materials of Castilla y León)

Thanks to the Innosup-01-2019 funds received from the EU, ICAMCyL coordinates the "MINE.THE.GAP Ecosystem", whose experience has been presented by Santiago Cuesta. It is a trust-based network to support SMEs in the **raw materials industry** which is **essential** for:

- the battery value chain
- the clean transition
- the sustainable mobility agenda

The "MINE.THE.GAP Ecosystem" has clear priorities and works on **sustainability of mining** and **digitalisation of the industry** to response to these needs:



2. IDENTIFICATION OF DISRUPTIONS

First disruption: raw material extraction and processing

Source: Santiago Cuesta

Evidence: The global lockdown due to the COVID crisis has forced national and international governments to impose several restrictive policies for industries. As a result, several sectors and markets suffered huge problems related to the supply of raw materials, components, and goods. The procurement and processing of many raw materials are critical in terms of supply (e.g. critical and precious metals). The crisis has generated further criticalities due to logistical restrictions and new working conditions that companies must respect in order to maintain safety parameters, e.g. it is very difficult to keep distances in extraction quarries and some mining industry workplaces. These issues are reflected on the markets through a sudden rise in prices, damaging the balance of supply and demand in many sectors. The COVID crisis represents a big new challenge for raw material supply chains and mining industry (more than 240 exploration sites have been closed). During the COVID-19 crisis, the mining industry risks to lose \$100-\$200 billion in EBITDA. Production of metals like Nickel have lost more than 30 per cent of production. 25% of the employment is in risk. From Apr.16 about 247 mining projects closed world-wide

Geographical impact: global

Stage of value chain: raw material extraction and processing; manufacturing

Character of the disruption: difficulty in ensuring supply chain strength

Time frame: short and mid term

EU actions needed:

- **Funding:** innovative measures to make supply chains more resilient

Recommendation:

- Raw Materials Value chain is crucial for present and future EU economy, employment and well-being:
 - (i) Raw materials extractive and processing industries provided more than EUR 206 billion of value added and 3.4 million jobs;
 - (ii) Downstream industries generated around EUR 1 422 billion and 25 million jobs;
 - (iii) Repair and materials recovery provided EUR 103 billion and 2.2 million jobs.
- EU raw materials industries are leaders in sustainability and corporate social responsibility. About 24 % of the Global Reporting Initiative reports are from companies with headquarters in the EU. These need to be supported.

Second disruption and proposed solutions: long-terms goal for industry

Source: DR GROW

Evidence: The evolution of today's markets, increasingly dynamic and more demanding (and even more characterised by trends such as *shorter lead-time production* and *mass customization*), requires a strong long-term vision to enhance competitive advantage for European Industries and Ecosystems. To assure this advantage, European policies focus their strategies on a *Triple European long-term goal for Industry*, based on three main pillars: (i) sustainable paradigm and green economy; (ii) smart technologies and digital transformation; (iii) more resilient supply chains. The supports provided by the European Community are manifold and result in a constellation of funding for cross-sectoral and cross-regional innovation ranging from technology to finance, from the market to knowledge and human capital.

The expected impacts aim to:

- A) Reinforcing existing value chains
- B) Creation of new value chains towards emerging industries
- C) Leverage and/or complement support for innovation in SMEs and other funding at national/regional/private levels
- D) Contribution to smart specialisation strategies
- E) Short-term contribution to innovation performance of supported SMEs and wider medium-term impact
- F) Improved business environment

Geographical impact: EU

Stage of value chain: strategy

Character of the disruption: innovation for long-term competitive advantage

Time frame: long term

EU actions needed and proposed:

- **Funding:** research and innovation projects
- **Coordination:** especially for Small and Medium Enterprises:
 - (i) Upgrading SME competitiveness in several sectors and ecosystems: role of clusters, digitalisation, access to finance, piloting, and technologies;
 - (ii) Sustainability: circular economy, industrial symbiosis, recovery-reuse, reduce pollutants, and social licensing;
 - (iii) Inter - Regional Business Hubs: potential for public funding/financing of SMEs;
 - (iv) Social and industrial related value chains: highly synergetic raw materials and distribution value chains;
 - (v) Value chain elements: digitalisation of the industry (smart and digital solution exploitation).

Recommendation:

- The European Commission adopted its first proposal for the EU’s long- term budget, the 2021-2027 multiannual financial framework (MFF). To respond to the economic and social fallout of the COVID-19 pandemic, the Commission proposed a revamped long-term EU budget. The proposal includes an emergency recovery instrument, Next Generation EU, to help repair immediate damage brought by the crisis and kick-start the recovery (see also figure below). Clusters can play an important role in the implementation.

The new proposal for the EU budget 2021-2027 (“Recovery Package”)

Speech of European Commission President Ursula von der Leyen in the EP on 13 May 2020

Multiannual Financial Framework 2021-2027 (EUR 1,100-1,300 billion?)	Recovery Instrument 2020-2024? <i>“borrowing on capital markets, through EU programmes”</i> (EUR 1,000 billion?)	Safety nets 2020-? European Council conclusions of 23 April 2020 (EUR 540 billion)
Single Market, innovation and digital	Recovery and Resilience Tool <i>“transition to a carbon-neutral, digitalised and resilient Europe”</i> <i>“focus on most affected EU parts”</i>	Support to mitigate unemployment in an emergency (SURE) (EUR 100 billion)
Cohesion and values	Cohesion top up	Pan-European fund for loans to companies (EIB) (EUR 200 billion)
Natural resources and environment	InvestEU <i>“kick-starting the economy/helping private investment”</i>	Pandemic crisis support for member states (ESM) (EUR 240 billion)
Migration and border management	Strategic Investment Facility	
Security and defence	Solvency Instrument	
Neighbourhood and the world	Strengthen programmes <i>“learning the most important lessons of the crisis”</i>	
European public administration	RescEU, Horizon Europe, new Health Programme, instruments for neighbourhood, development and cooperation, pre-accession	

IDENTIFICATION OF NEEDS

Particular attention needs to be put on monitoring the benefits and impacts that is coming from EU support. The most popular method to measure the impact of European measures is based on Key Performance Indicators (KPIs) systems. However, they are often not linked to the finalisation of projects and there is the risk of losing the goodness of benefits. One of the main needs is therefore to enable the conditions for implementing correct monitoring systems. The difficulties are linked to the fact that the impacts and benefits monitoring is strongly dependent from the context and sector where companies are involved.