



2020

NETworld

SME Working Group

The NetWorld2020 SME Working Group (WG) is currently gathering 193 members including 163 SMEs. 386 SMEs are members of NetWorld2020, the European Technology Platform for telecommunications and related services and applications. Memberships in the SME Working Group are open to all NetWorld2020 members. More information on the NetWorld2020 web site: [SME WG](#), [Find the SME you need](#), [SME brochure](#).

On December 1st, 2020, the NetWorld2020 Steering Board recognised the work performed by the SME Working Group to collect the views of European SMES in relation with the upcoming SNS Partnership, and approved the dissemination of their view, as expressed in this position paper.

SME WG SNS Position Paper

4 November 2020

1. Background

Further to the discussions within 5G Infrastructure Association (5G IA) and NetWorld2020 about the upcoming Smart Networks and Services (SNS) Partnership within Horizon Europe, several SME WG online meetings were organised between September and November 2020, including interactions with representatives from NetWorld2020, the 5G IA, and the European Commission. The objective was to provide all SME WG members with information on the progress and status of the preparation of the SNS partnership, and to collect SMEs' views on various aspects of the Partnership. Many interactions also happened via email.

This SNS position paper is the initial position of the SME WG on the upcoming SNS partnership. It contains not only requests from SMEs, but also questions and comments that will need to be discussed in the coming weeks and months within NetWorld2020, with the 5G IA, and with the EC.

2. The SNS Partnership in Horizon Europe: open issues of importance to SMEs

2.1. SME contribution to SNS

SMEs are ready to take their share in contributing to the SNS partnership, as long as the conditions are met for a fair share of SME participation. In particular:

SMEs shall have a role in contributing to the periodic work programmes, to raise the issues of interest to SMEs in the calls, either in terms of S&T topics, or in terms of promotion of SME participation.

Unlike larger organisations, whether industry or research, SMEs often find it more challenging to contribute to a document such as SRIA or in the case of SNS the work programmes. **Specific adaptations should be worked out in the process to strengthen the contribution from SMEs**, e.g. providing more time for contributing, organising the collection of contributions differently than today, where very often there is a strict deadline. Maybe a more permanent open contribution could be one option.

2.2. EC funding for SMEs in SNS

A Key Performance Indicator (KPI) of at least 20% EC funding for SMEs in the 5G PPP was included in the contract. This objective has been reached and probably exceeded¹. According to the understanding of the SME WG, the KPI of 20% was set in the 5G PPP because SMEs were representing about that share of economic value in the telecoms sector. This 20% objective is again mentioned in the SNS Partnership Proposal², and seems to be supported both by large organisations and by the EC. However, considering that:

- SNS will encompass not only the telecoms sector but also more IT-oriented sectors such as IoT, cloud, AI... where there are many SMEs,
- the added value of SMEs in the ICT sector as a whole is between 40 and 75%,
- SME employment is growing faster than the overall employment³,

The SME WG is asking the 5G IA and the EC to consider adjusting this threshold to the actual economic value of SMEs in the broader SNS domain. A figure between 22 and 25% is likely to be the right objective.

The SME WG is requesting the 5G IA and the EC to set an objective for EC funding for SMEs as beneficiaries in the SNS partnership overall between 22 and 25%, excluding cascade funding. This threshold should also be considered as a general rule for each and every call.

In addition, **cascade funding shall be open to all SMEs**, to encourage newcomers to participate in the projects. This applies in particular to calls related to accessing trial infrastructures, as highlighted in SNS Partnership Proposal:

“[...] a large-scale trial infrastructure is essential to support large-scale trials and pilots, which are developed in SNS projects. Indeed, organizations require thorough testing facilities to develop products and solutions that are ready for deployment and commercialization. This is critical for SMEs that do not have the resources to invest in such infrastructures on their own. **It is therefore of utmost importance to plan in the SNS Partnership to set up test and trials infrastructures that would be open to SMEs** (and possibly to other types of organizations), that would allow trials that are close to real business/commercial environments. Such infrastructures could be set up in SNS projects by e.g. telecommunications operators, organizations dedicated to providing test beds, and vertical players for trials in their domains. **They should be open to SMEs for testing, ideally for free or for a small fee. The Partnership should also consider funding projects dedicated to setting up such facilities and being open for SME tests. Still another option would be to organize "calls for trials" that would be issued by specific projects in charge of setting up and maintaining those facilities, offering awards or grants to SMEs.** These activities will also explore and exploit infrastructures available at Member State level to optimize efficiency.”

¹ The final figure being probably around 22%, to be confirmed after analysing the outcomes of the ICT-41 and ICT-52 calls. The SME share figure before those calls was 20.36%. There was a similar participation of SMEs in RIAs and in IAs.

² “Draft proposal for a European Partnership under Horizon Europe Smart Networks and Services”, Version 30 June 2020, https://ec.europa.eu/info/sites/info/files/research_and_innovation/funding/documents/ec_rtd_he-partnership_smart-networks-services.pdf

³ “Small and Medium-sized Enterprises (SMEs) employ 93 million people in Europe, account for 67% of the total employment in the EU-28 non-financial business sector, and generate 57% of value added, again in the EU-28 non-financial business sector. From 2013 to 2016, EU-28 SME employment grew by 5.2%, almost 50% faster than overall employment in the EU-28 economy over the same period. Even in the EU-28 manufacturing sector, in which large enterprises are generally dominant, SMEs still account for 58% of total employment and 42% of total value added. In the business services sector, where most of the ICT work is performed nowadays, SMEs account for 82% of total employment and 76% of value added”. Nicola Ciulli and Jacques Magen, “5G as an opportunity for SMEs”, in *5G Italy White eBook: from Research to Market (2018 edition)*, <https://www.5gitaly.eu/2018/wp-content/uploads/2019/01/5G-Italy-White-eBook-5G-as-an-opportunity-for-SME.pdf>. The figures are coming from European Union. Nov. 2017, *Annual Report on European SMEs 2016/2017. Focus on self-employment. SME Performance Review 2016/2017*, <https://www.eubusiness.com/topics/sme/sme-report-16-17>

2.3. Participation of SMEs in the Association and the SNS JU

The Governing Board of the SNS JU shall be composed of 5 representatives from the private side, representing 50% of the voting rights. Those representatives shall be appointed by the Association.

The SME WG is requesting a minimum representation of the SME community in the Governing Board of the SNS JU, i.e. one seat (representing 20% of the seats on the private side).

2.4. The SNS JU: “open club” or “closed club”?

The members of the SME WG are still undecided at this stage as to whether SNS calls shall rather all be open to all, or on the opposite whether (some of) the calls shall be restricted to Association members, either by fully restricting the call to Association members, or by introducing a minimum threshold of Association members share in the consortium. In other words,

The SME WG is currently questioning its position, between “free riders fully allowed” and “only paying members allowed”. The members of the SME WG are more specifically concerned about the following issue: what about the organisations who are not members of the Association? Should they be allowed to participate? How could we make them pay the association fee, and/or a fee for participating in projects?

The questions may be expressed as follow: **should there be a fixed minimum number of “restricted” calls during the lifetime of the SNS JU** (i.e. calls with a minimum threshold of Association members, calls restricted to Association members, calls with minimum SME participation)? Or, **on the opposite, should all calls be fully open to all organisations?** In principle, the more restricted calls there are, the more incentive this provides. If all calls are fully open, wouldn't this endanger the RoI for becoming a member of the Association, not to mention the contribution of SMEs to the SNS JU that would certainly be reduced? **How to find the right compromise between being “forced” to join the Association, having a minimum participation of SMEs in the SNS JU Governing Board, and be open?**⁴

The SME WG feels like there is no clear response on the compromise to be reached between “open club” and “closed club”, and is open for discussion with the 5G IA (and the EC?) to provide a response to this very important issue, that would strengthen SME participation in the SNS Partnership.

Other issues have also been discussed, without a clear response either:

- Will it be possible to have calls where a minimum threshold for SME participation is required (similar as what happened in ICT-41)?
- What is the actual advantage of participating in SNS calls versus regular ICT Calls?

⁴ This discussion might also extend to other categories of members, but it is particularly relevant for SMEs depending on the cost to be member. The overall goal is to make sure that there is a potential value for money, so as to stimulate the participation of SMEs in the Association.

2.5. Incentive/Rol to strengthen the participation of SMEs in the SNS JU

The questions raised in the previous section will likely depend on the details of the operational implementation of the JU, and in particular the response to the following question: **does an SME participation in the SNS JU increase the chance of participation in EC funded projects?**

If/when “only paying members allowed”, then **SMEs who will be members of the Association should be offered clear advantages including a privileged access to funding or at least privileged participation to proposals led by major industrial players within the 5G IA, as well as increased visibility.**

Increased visibility could happen e.g. via the following means:

- Promotion of SME participation in proposals e.g. via specific requirements in the call text, specific evaluation sub-criteria, etc.
- Invitation to events/exhibitions where the Association and/or the JU is attending - reduced registration fees / speaker opportunities,
- Interviews/documented success stories on the Association / SNS website, amplifying via SNS communication channels major achievements of SMEs
- Dedicated mentoring / acceleration / matchmaking opportunities via dedicated online or offline events/venues
- ...

2.6. Fee for SMEs to be members of the Association

In addition to considering the incentives/Rol listed in the previous chapters actually happen, one of the main hurdles for SMEs to join the Association would be the currently presented annual fixed fee, i.e. 6,000 euros.

The SME WG is requesting the 5G IA to consider the following options for association fees for SMEs: SMEs (especially micro SMEs) would pay a minimal fixed fee (ideally no fixed fee at all), and a variable fee that would be proportional to the EC funding received. Another option, for all members which would also apply to SMEs, would be to pay a fee in proportion to the size of the organisation.

As already stated in section 2.4, the members of the SME WG are concerned about the following: what about the organisations who are not members of the Association? Should they be allowed to participate? How could we make them pay?

2.7. Funding rates

We understand that the general rule for Horizon Europe and for the JUs, including the SNS JU, will be that funding for RIAs (and CSAs) will be up to 100%, and will be up to 70% for IAs. It shall be possible for the JU to lower the funding rate for a given call, but not to increase it.

The SME WG is requesting that the calls are all 100% funding for RIA and 70% for IA. In addition, it should be possible to have specific “innovation” calls with funding rates between 70% and 100% e.g. when the call is critical for SMEs e.g. for accessing a trial infrastructure, developing strategic technologies for Europe, or venturing into innovative solutions even when closer to the market than research.

2.8. Proposal evaluation / reviews

We understand that the evaluation process will be similar as in H2020. Evaluation of the SNS JU proposals should be similar as those within “standard” calls. Still, **the SME WG would welcome a faster evaluation process**, without compromising the quality of the evaluation or increasing the cost of the office.