

SME instrument
Frequently Asked Questions

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1. ELIGIBILITY AND TARGET AUDIENCE

Who can apply?

Only a single for-profit SME¹ or a consortium of for-profit SMEs can apply for funding under the SME instrument. Other partners like research providers or larger companies can be involved as third parties, in general in a subcontracting relationship.

Can I apply as single entity?

If you are a for-profit SME², yes.

How to check if I am an SME?

Please refer to [the EU definition of an SME](#). If doubt remains, please check the [EU extensive user guide](#)

How to register as SME?

Companies will need to fill in a SME questionnaire if they want to [register](#) as SME in the Beneficiary Register of the Participant Portal. SMEs will be asked for a self-declaration of their SME status through this web-based questionnaire. Only after registration, SMEs can start applying for funding under the SME instrument.

Is it possible for a start-up (without balance sheet) to apply?

Start-ups are not excluded but the SME instrument is not meant as a company creation vehicle/instrument but rather supports the growth of the companies with interesting, innovative ideas bearing European or global potential.

Can SMEs from third countries participate?

Only applications from a single SME or a consortium of SMEs, that are all established in EU Member States or countries associated to Horizon 2020 are eligible for funding. In principle, SMEs established in third countries could be involved as third parties, for example in a subcontracting relationship.

¹ For-profit SMEs' means micro-, small- and medium-sized enterprises, as defined in Commission Recommendation 2003/361/EC, that are not 'non-profit legal entities' as defined in Article 2 of the Rules for Participation and Dissemination ('legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members')..

² See 2.

Is there a limitation to participation of beneficiaries to a maximum number of applications/projects at any time regarding the SME instrument?

The rule is: no concurrent submission or implementation with another phase 1 or phase 2 project, be it as lead (even single) applicant or partner in an SME consortium.

In case the applicant or any of the members of the consortium would have submitted another application for SME instrument Phase 1 or Phase 2, it is not possible to submit a proposal until the moment an applicant receives the information that the submitted proposal will not be funded. If a proposal has been accepted for funding and for the duration of the project, it is also impossible to submit a proposal since it would be ineligible.

So, for instance, it is impossible to submit a proposal for phase 1, when I am a partner in a phase 2 project supported by the SME Instrument?

Yes.

Can an SME however submit a proposal to the SME instrument and at the same time to another (not SME instrument-related) topic of the work programme?

Yes.

2. PREPARING THE APPLICATION / PROPOSAL SUBMISSION

Where to start?

Your first step should always be to contact the closest [SME National Contact Point](#) or [Enterprise Europe Network](#); or any other intermediary entity of your choice providing information and guidance on Horizon 2020.

Where to find information on the internet?

Please visit [the SME instrument call-page](#).

How should I know which topic my proposal fits best in?

By reading the [topic descriptions for the SME instrument](#) on the participant portal and by determining where the centre of gravity of your proposal lies, for you to be able to match it with a topic. Your [Enterprise Europe Network representative](#) or your [National Contact Point](#) will facilitate and/or provide guidance.

Is there a template for the application in phase 1 and in phase 2?

Yes, there are specific templates for SME instrument applications ([phase 1](#) and [phase 2](#)). They can be found with each of [the SME Instrument call topics](#).

Are there guidelines describing or illustrating what is expected in the application for the three phases of the SME Instrument?

SME-oriented guidance is currently under preparation. Furthermore, for phase 1 and phase 2, you can refer to the specific proposal templates for the SME instrument (available via [the participant portal](#)), and to [part D of the General Annexes to the Work Programme](#).

Phase 3 does not provide for direct funding, but offers a range of services in support of commercialisation and access to private finance, in particular the [financial facilities supported under Horizon 2020](#) and [COSME](#) (Programme for the Competitiveness of Industries and SMEs).

What does the European Commission mean by the notion "business plan" and "elaborated business plan"?

General business practices apply. The proposal templates for both [phase 1](#) and [phase 2](#) provide guidelines on what minimum information is required, in particular in the section on 'impact'.

Are there guidelines describing the readiness of prototype, in order to help me to situate my proposal?

The Technology Readiness Level (TRL) sequencer in the [General Annex G of the Work Programme](#) gives you guidance. The SME instrument asks applicants to present innovation projects that have reached TRL 6 as a minimum (or similar for non-technological innovations). As a rule of thumb, this means that the proposed activities have to take place in the operational or production environment.

To which extent can research and development activities be supported?

The core should be innovation activities and envisaging a TRL 6 and higher (or similar for non-technological innovations). However, some parts of the activities conducted may include some research and development.

How developed should my business model be at submission stage? Do you have examples I can refer to?

It depends on the Phase you are applying to:

- A Phase 1 proposal needs to include an initial business plan describing, among other things, the underlying business model.
- A Phase 2 proposal should be based on a feasibility assessment and contain an elaborated business plan, either developed through SME instrument phase 1 support or other means.

When preparing a proposal for phase 2, what does 'market replication' in the submission template mean?

Market replication can be a way for participating SMEs to reach a critical mass of customers and sustainable self-sufficiency in the short/medium term.

Can I submit a pre-proposal for a check?

Currently, there is no pre-proposal checking foreseen. Please contact a [National Contact Point](#) or an [Enterprise Europe Network partner](#) for support.

When to submit my application (phase 1 or phase2)?

You can submit your application for phase 1 or phase 2 at any time as of March 2014. The SME Instrument is managed as a permanently open call with – in general – four cut-off dates per year. Applications can be submitted at any point in time. In order to facilitate fast evaluation and turnaround, applicants are encouraged not to submit proposals very close to the cut-off dates, but to use the whole time span. Applications will be evaluated immediately upon submission.

Do I know the result of my application earlier if I submit earlier?

Applicants will receive feed-back on the evaluation outcome within a short time after submitting their application. The information whether a project can be funded can only be communicated after the respective cut-off dates.

When I have submitted a proposal, can I improve it and submit a new version before the cut-off date?

No, this is not possible.

3. FUNDING AND FINANCIAL ADMINISTRATION

Which financial validation is required to be funded in phase 1 and phase 2?

For single applicants/participants:

Single participants are exempt from a financial capacity check, yet have to formally declare that they have the financial capacity to carry out the proposed action.

For project coordinators of SME consortia:

- In phase 1, project coordinators will have to self-check their financial viability using [the tool available via the Participant Portal](#).

- In phase 2, project coordinators receiving a grant of EUR 500,000 or more will have to undergo a financial viability check, in line with [the specifications in the Horizon 2020 online manual published on the participant portal](#).

What about relevant matching fund (for covering the 30%) in phase 1 and 2?

It has to come from the participating SME(s). It can be from different sources, e.g. own resources, private investment etc. Double EU funding for the same project is prohibited.

3.1. Questions on phase 1

If there is more than one SME participating, will the lump sum (EUR 50,000) then be multiplied by the number of participants?

No. Only one grant in the form of a lump sum of EUR 50,000 will be awarded per selected proposal, which means that it has to be shared amongst consortium partners.

How does the lump sum funding relate to the 70% co-financing rule?

The lump sum for phase 1 has been established by the Commission on the basis of objective statistical means³. The total eligible cost for a phase 1 project has been fixed at EUR 71,249. Applying the co-financing rate of 70%, the amount of the grant is established at EUR 50,000.

Is there an advance payment of grant money?

Yes. For Phase 1, there will be an advance payment of 40% of the lump sum of EUR 50,000. The guarantee fund will however retain 5% of the total amount of the grant.

Is a standard budget breakdown needed with the proposal submission?

No detailed cost declarations by applicants are necessary. There is a standard budget table provided in the [specific template for the technical annex for Phase 1 proposals](#), which needs to be used. The description of work (feasibility study) in the application must demonstrate that the envisaged work corresponds to the total eligible costs.

To what extent is sub-contracting allowed for the completion of aspects of the feasibility study?

Sub-contracting is possible, but needs to be justified. Work can be subcontracted to operators in line with the “best-value-for-money”-principle, and provided that conflicts of interest are avoided (see subcontracting clauses in annotated grant agreement models).

³ Commission decision C(2013)8198

What happens if the project is dropped after stage 1 of the three stages in the SME instrument (i.e. if the deployment is not viable)?

It is an acceptable outcome of the feasibility assessment in phase 1 to stop the project after if the technical/technological and/or commercial viability of the innovation idea could not be demonstrated.

The lump sum will be paid for a completed feasibility study if the reporting obligations are fulfilled and tasks have been carried out as projected in Annex I of the grant agreement.

The lump sum will not be granted in case only part of the foreseen work has been carried out.

3.2. Questions on phase 2

Is there a minimal budget to apply for funding?

No. The Commission considers that proposals requesting an EU contribution of between EUR 500,000 and 2.5 million would allow phase 2 to be addressed appropriately. This does not preclude submission and selection of proposals requesting other amounts

Is there an advance payment of grant money?

Yes. For Phase 2, advance payments are foreseen on the basis of the standard rules for Horizon 2020, as specified in the grant manual.

Are different funding models possible for different partners or tasks?

The same funding model will apply for phase 2 of the SME instrument, whatever the tasks and partners are. It covers generally 70% of the direct eligible costs. In exceptional cases, defined in the work Programme⁴, the funding rate can be up to 100%.

How do I declare the costs of a phase 2 project?

The general Horizon 2020 financial rules are applicable.

What are eligible direct costs (partly) covered by SME Instrument funding?

Direct costs related to the implementation of the project, such as personnel costs, travel, equipment, infrastructure, goods and services. Please refer to article 6 of the ([mono-beneficiary](#) or [multi-beneficiary](#)) model grant agreement for full details.

In general costs are eligible if they correspond to the tasks agreed upon in the grant agreement and they are ineligible if this is not the case, or if they are reimbursed under any other funding scheme.

⁴ For instance the SME Instrument phase 2 call topic “Clinical validation of biomarkers and/or diagnostic medical devices” (framed within Societal Challenge 1: Health, demographic change and wellbeing) in the Horizon 2020 2014-2015 Work Programme.

Are marketing costs direct eligible costs?

Communication and interaction activities with potential investors or customers, or dissemination of milestone achievements during the project (under a Work Package “communication and dissemination activities”) can be necessary to implement the project. Then those costs are eligible

Activities or products purely intended to support commercial purposes do not qualify as eligible costs.

Can SMEs participating in phase 2 propose “in kind” contributions provided by third parties against payment as a complement to the 70% of funding (if relevant) offered via the EU grant?

Yes, they can. Equipment, infrastructure or other assets contributed in-kind against payment can be labelled eligible costs if:

- The third parties and their contributions are set out in the annex I (to the proposal)
- they are not higher than the depreciation costs of similar (purchased) equipment, infrastructure or assets,
- do not include financing fees and
- are necessary to implement the action,

in full compliance with article 11 of the model grant agreement. For more details, see the annotated grant agreement.

What rules apply to subcontracting?

Work can be subcontracted to operators in line with the “best-value-for-money”-principle, and provided that conflicts of interest are avoided (see subcontracting clauses in annotated specific SME Instrument grant agreement model). For very high subcontracting levels in a Phase 2 project however, the motivation or the capacity of the participant to carry out the action could be subject to doubt and would have to be very well justified, given the intervention logic of the SME Instrument.

4. IMPLEMENTATION

What will be the benefits of entering phase1? I see the risk that our competitors will hear about our concept in the frame of action meetings or dissemination measures, and we may lose some time advantage.

Phase 1 supports SMEs to assess all aspects, including the commercial potential, of an innovation project that shall become crucial for the business' strategy to enhance

competitiveness and to grow. Phase 1 is not mandatory, but recommended so as to be able to present a well substantiated proposal for phase 2.

Phase 1 projects are short, around six months or even less, and leaner and meaner in project administration than phase 2 projects. Time-to-grant for phase 1 projects is 3 months.

Our concept would be of great interest to our market competitors. What are the measures to ensure confidentiality in both the evaluation phase and in phase 1?

Expert evaluators and Commission staff are bound by a confidentiality agreement and could incur serious sanctions in case of violations. Commission services will verify if no conflicts of interest could occur before a proposal is allocated to experts. Furthermore applicants are entitled to name three experts and their affiliation that will not be allowed to consult and evaluate the submitted proposal.

Project outputs will be classified by different confidentiality levels up to publishable results.

If I succeed phase 1, will I have more chances to successfully access phase 2?

Successful completion of phase 1 will have allowed you to make the feasibility assessment and elaborate the business plan required for phase 2. Support in phase 1, including coaching, should have helped to mature the project to a stage that a proposal for funding in phase 2 can be well substantiated.

However proposals from successful participants to phase 1 will be scrutinised and evaluated as any other proposal applying to phase 2.

Are phase 3 activities implemented in parallel or as follow-up of phase 2?

Successful completion of phase 2 will endow the innovative output of participating SMEs with a kind of quality label, which will open possibilities for support from the access to risk finance facilities under [Horizon 2020](#) and [COSME](#). The latter should facilitate access to private finance.

Some complementary services supporting commercialisation can already be accessed during phase 2, for example those offered by the Enterprise Europe Network.

What about periodic reporting in the respective phases?

There is one report at the end of phase 1 and periodic reports for Phase 2 projects.

5. ACCESS TO COMPLEMENTARY SUPPORT / FUNDING

What is the nature of the coaching support, and how many coaching days are offered in the respective phases?

We are talking about business/management coaching, for up to 3 days in Phase 1, and for up to 12 days in Phase 2. The role of the coach is to support the SME (specifically its management team) in its (project) commercialisation efforts. This service is offered exclusively to SME Instrument participants.

What support does phase 3 of the SME instrument provide, and to who is it intended?

In phase 3, the SME instrument does not provide grant support to SMEs.

However, participants successfully rounding off phase 2 of an SME Instrument project will be offered to benefit from a range of additional services, including investment readiness support and facilitated access to risk finance, and [the full range of EEN services](#), in order to help successful commercialisation of the project during Phase 3.

What is EEN and what will it do for me? How should I approach the EEN?

EEN stands for [Enterprise Europe Network](#). It is there to help SMEs to make the most of their business opportunities in the EU, including through innovation, research or technology transfer. EEN's more than 600 members provide information on EU programmes and actions, including on Horizon 2020 and notably the SME Instrument. [Find](#) and contact your [local EEN representative](#).

What are the differences between the SME instrument and Eurostars (in terms of scope and in terms of type of projects if relevant)? Can the funding be combined?

Eurostars provides funding for transnational, collaborative projects, led by R&D performing SMEs in participating EUREKA countries, while the SME instrument offers full-cycle support for all types of innovation performed by all kinds of innovative SMEs that are based in the EU or Horizon 2020 associated countries. Only the SME instrument supports single companies.

Funding may be complementary in certain cases, but can never be effectively combined.

6. FOR CANDIDATE EVALUATORS/COACHES

Is it possible to apply as evaluator even though my company wants to submit a proposal?

Yes, you do not evaluate the proposals your company submits.

Where/when do I have to apply if I want to evaluate projects supported by the SME instrument?

You should [register as an expert](#) at the participant portal. Currently, there is no deadline for registration.

Where/when do I have to apply if I want to be a coach?

Information on expected profiles and opening of expression of interest will be communicated shortly.

Which type of contract will be offered to expert evaluators / coaches?

The coaches and experts will be remunerated in the same manner. Please refer to the appropriate section of the Participants Portal [for more information](#).

7. MORE INFORMATION

Where, when to find additional information and guidelines?

If you would like to get acquainted with the basic features and modalities of the SME instrument, please download [this leaflet](#).

If you do not know where to start or even which call topic to respond to, please consult your [SME National Contact Point](#) or [Enterprise Europe Network](#).

If you are looking to apply, please visit [the SME instrument call-page](#) at the [participant portal](#).

If you would like to know what information you need to pitch to the EU in order to be selected for participation to the SME instrument, please review the proposal templates available on the [participant portal](#), both for [phase 1](#) and for [phase 2](#).

Are there any official information days or training days foreseen?

Information events are held on a regular basis, many times in Brussels, Belgium. To keep track of relevant events, please consult [the Horizon 2020 portal events' page](#) or the [SME Techweb](#).