

SME Instrument

Frequently Asked Questions

Contents

FOR APPLICANTS

A. Eligibility and type of SMEs targeted 2

B. Preparing your application and submitting your proposal 4

C. Evaluation of your proposal 6

D. Feedback on your proposal..... 7

E. Funding and financial administration 7

 Phase 1 7

 Phase 2 9

F. Implementation 10

G. Coaching and other forms of support 11

FOR EVALUATORS AND COACHES

H. Candidate evaluators and coaches 12

I. More information 12

A. ELIGIBILITY AND TYPE OF SMEs TARGETED

1) 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, such as research providers or larger companies, can be involved as third parties, usually in a subcontracting relationship.

2) Can I apply as a single entity?

If you are a for-profit SME, yes.

3) Is it better to apply as a single entity or as a consortium?

There is no best option. It's up to you to define how the project could be better implemented. This would depend on many factors such as type of project, actual capacities of the SME and other project partners necessary to the project's implementation, etc.

4) What type of SME is targeted by the SME Instrument?

The European Commission is looking for highly innovative firms that are ambitious and have the potential to develop, grow and have a European or international impact.

5) How do I check if I'm an SME?

Please refer to [the EU definition of an SME](#). If you're still not sure, please check the [EU extensive user guide](#).

6) How do I register as an SME and what documents do I need to send you?

You must not send any documents. Companies must complete an online questionnaire if they want to [register](#) as an 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 registering can SMEs start applying for funding under the SME Instrument. If a company disagrees with the outcome of the questionnaire, it can request manual verification: in that case, the validation service will request any necessary documents.

For further information regarding self-declaration of SME status, please refer to the [SME Self-Assessment Guidance](#) and the related [FAQ – Beneficiary Register](#)'

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').

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

Start-ups are not excluded. However, the SME Instrument is not designed to be a company creation vehicle, but to support the growth of companies with innovative ideas with European or global commercialisation potential.

8) *Can SMEs from non-EU 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. However, SMEs established in other countries can be involved as third parties, for example in a subcontracting relationship.

9) *Is there a limit to the number of SME Instrument applications or projects that I can make or take part in at the same time?*

Yes. You can only make one submission or take part in one implementation concerning a Phase 1 or Phase 2 project at any one time, be it as a single applicant, a lead applicant or as a partner in an SME consortium.

To be precise: if the applicant or any member of the consortium has already submitted another application for SME Instrument Phase 1 or Phase 2 funding, it is not possible to submit a further proposal until 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 concerned, it is also not possible to submit a further proposal, since it would be ineligible.

10) *Does this mean that I can't submit a proposal for Phase 1 if I am already a partner in a Phase 2 project?*

Yes.

11) *But could I 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.

12) *Does the SME instrument have its own specific grant agreement or does it follow the Model General Grant Agreement?*

SME Instrument Phase 1 and SME Instrument Phase 2 each have their own specific Grant Agreements (see [annotated specific SME Instrument Phase 1 Grant Agreement](#) and [annotated specific SME Instrument Phase 2 Grant Agreement](#)). In exceptional cases, defined in the Work Programme², whenever the funding rate can be up to 100%, the [General Model Grant](#)

² In the 2014-2015 Work Programme, this applies for the SME Instrument Phase 2 call topic 'PHC-12-2014 Clinical validation of biomarkers and/or diagnostic medical devices'.

[Agreement](#) applies for Phase 2 instead of the specific SME Instrument Phase 2 Grant Agreement.

B. PREPARING YOUR APPLICATION AND SUBMITTING YOUR PROPOSAL

1) How do I start?

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

2) Where can I find information online?

Visit the [SME Instrument call-page](#).

3) How do I decide which topic best fits my proposal?

Read the [topic descriptions for the SME Instrument](#) on the Participant Portal, and work out where the centre of gravity of your proposal lies, and match it with a topic. Your [Enterprise Europe Network \(EEN\) representative](#) or your [National Contact Point](#) can help.

4) Is there a template for applications to Phase 1 and 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](#).

5) Can I apply directly to Phase 2?

Yes, however we encourage you to start from Phase 1.

Phase 1 supports an SME or SMEs to assess all aspects, including the commercial potential, of an innovation project that could become crucial for their 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 in project administration than Phase 2 projects. The time-to-grant for Phase 1 projects is 3 months.

6) Is there a template for applications to Phase 3?

No. Projects that have successfully completed Phase 2 might benefit from Phase 3.

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

No. Nevertheless, 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 direct funding. It offers a range of services in support of commercialisation and access to private finance, in particular via the [financial facilities supported under Horizon 2020](#) and [COSME](#)).

8) *What does the European Commission mean by the terms "business plan" and "elaborated business plan"?*

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

9) *Are the 10-page application for Phase 1 and the "business innovation plan 1" the same thing?*

Yes. Part B of the Phase 1 proposal can be considered an initial business plan. Part A contains the administrative forms.

10) *Are there guidelines describing the technological readiness of prototypes, in order to help me to position my proposal?*

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

Can research and development activities be supported?

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

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

It depends on which Phase you are applying to:

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

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

'Market replication' means the way you intend to reach a critical mass of customers and sustainable self-sufficiency in the short to medium term.

13) Is Phase 3 obligatory? If my company does not wish to proceed to Phase 3, do I have to prepare an elaborated business plan?

Phase 3 is not obligatory.

14) Can I submit a pre-proposal for a check?

No. Please contact a [National Contact Point](#) or an [Enterprise Europe Network \(EEN\) partner](#) for support.

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

No.

16) If I submit a proposal in say May 2014, and it is rejected after the first cut-off date, can I resubmit it in October 2014?

You can re-apply as soon as you receive a rejection, in principle, though you would be well advised to consult a [National Contact Point](#) or an [Enterprise Europe Network \(EEN\) partner](#) before doing so.

17) When should I submit my application (Phase 1 or Phase2)?

You can submit your application for Phase 1 or Phase 2 at any time. The SME Instrument call is permanently open with – in general – four cut-off dates per year. Applications can be submitted whenever you want. However, to help ensure fast evaluation and turnaround, please do not submit your proposal very close to a cut-off date, but use the whole time-span available. Each application is evaluated immediately it is submitted.

C. EVALUATION OF YOUR PROPOSAL

1) Our concept would be of great interest to our market competitors. How are you ensuring confidentiality in both the evaluation phase and in Phase 1?

Expert evaluators, Agency and European Commission staff are bound by a confidentiality agreement and will incur serious sanctions in case of violations. Commission and Agency services will verify that no conflicts of interest could occur before a proposal is allocated to experts. Furthermore, applicants are entitled to name three individual experts that will not be allowed to see and evaluate the submitted proposal. Project outputs will be classified by different confidentiality levels up to publishable results.

2) *How do the evaluation criteria reflect market ambitions and innovativeness?*

The main evaluation criterion is 'impact', which has a weighting of 1.5, and looks at the likely economic impact of the company a few years ahead. The 'excellence' criterion focuses on the quality and specifically the breakthrough nature of the innovation.

D. FEEDBACK ON YOUR PROPOSAL

1) *Will I know the result of my application earlier if I submit it earlier?*

Yes, though only up to a point. Your proposal will be evaluated a short time after you submit it, and we will tell you whether or not it has passed the minimum quality threshold. However, we can only tell you if it will be funded after the relevant cut-off date has passed. This is because decisions on funding are taken after ranking the whole batch of proposals submitted before the cut-off date concerned.

E. FUNDING AND FINANCIAL ADMINISTRATION

1) *What financial validation is required in order for my proposal to be funded in Phase 1 and Phase 2?*

For single applicants/participants:

Single applicants or participants are exempt from a financial viability check. However, they must formally declare that they have the financial capacity to carry out the proposed action.

For coordinators of SME consortia:

- In Phase 1, project coordinators must 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 must undergo a financial viability check, in line with [the specifications in the Horizon 2020 online manual published on the Participant Portal](#).

2) *Where should matching funding come from for covering the 30% gap in Phase 1 and Phase 2?*

It must come from the participating SME(s). It can come from different sources, e.g. own resources, private investment, etc. Please note double EU funding for the same project is prohibited.

PHASE 1

3) *If there is more than one SME participating, will the lump sum (EUR 50 000) 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 it has to be shared amongst consortium partners.

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

The lump sum for Phase 1 was established by the European Commission after a statistical analysis³. The total eligible cost for a Phase 1 project is fixed at EUR 71 249. Applying the co-financing rate of 70%, the amount of the grant is established at EUR 50 000.

5) 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. However, the guarantee fund will retain 5% of the total amount of the grant.

6) Is a standard budget breakdown needed with the proposal submission?

Detailed cost declarations by applicants are not necessary. There is a standard budget table provided in the [specific template for the technical annex for Phase 1 proposals](#), which must be used. The description of work (feasibility study) in the application must demonstrate that the envisaged work corresponds to the total eligible costs.

7) Do I need to specify several work-packages in my Phase 1 proposal?

No. As no budget breakdown is required in the usual sense, only one work-package needs to be defined.

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

Sub-contracting is possible, but must be justified. Work can be subcontracted to operators in line with the 'best-value-for-money'-principle and provided there are no conflicts of interest.

9) Are the costs of consultants considered as eligible costs?

If you need help to, for example, analyse IPR issues, assess the potential of market or develop an innovation strategy, the Phase 1 grant can be used to hire a consultant to do so, and the costs will be considered as eligible costs.

10) How will the feasibility study be approved at the end of Phase 1?

The aim of Phase 1 is to assess whether the business idea is achievable or not. In case the lump sum was not used for this purpose, the feasibility study will not be accepted.

11) What happens if the project stops after Phase 1 has been completed?

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

³ See Commission Decision C(2013)8198:
http://ec.europa.eu/research/participants/data/ref/h2020/other/legal/unit_costs/unit-costs_sme-ph1_en.pdf

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

The lump sum will not be granted if only part of the tasks have been carried out.

PHASE 2

12) Is there a minimum 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 the submission and selection of proposals requesting other amounts

13) Will there be a financial viability check if my company applies to Phase 2?

Single applicants or participants are exempt. Even a company with a potentially weak financial viability can apply for and receive a Phase 2 grant. However, less pre-financing will be paid and more intermediate deadlines will be set in order to ensure the work remains on track. In case of a consortium, a financially weak company cannot be the coordinator.

14) What Phase 2 pre-financing is actually envisaged in normal circumstances?

About 50% of the whole Phase 2 grant. However, financially weak companies with large grants are likely to see their pre-financing decreased and/or more reporting deadlines introduced.

15) Is a bank guarantee required?

No.

16) 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.

17) Are different funding models possible for different partners or tasks?

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

18) How do I declare the costs of a Phase 2 project?

The general Horizon 2020 financial rules apply.

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

19) 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. Costs are ineligible if this is not the case, or if they are reimbursed under another funding scheme.

20) Are marketing costs considered as eligible direct costs?

If 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') are 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.

21) What rules apply to subcontracting?

Work can be subcontracted to operators in line with the 'best-value-for-money'-principle, and provided there are no conflicts of interest.

For Phase 2, subcontracting is not restricted to a limited part of the action. However, for very high subcontracting levels in a Phase 2 project, 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.

For Phase 2 proposals, experts assess the 'best value for money' of subcontracts separately during the evaluation process. For this reason, subcontracts that are part of the proposal and have been positively assessed cannot be put into question afterwards (see subcontracting clauses in annotated specific SME Instrument Phase 2 Model Grant Agreement).

F. IMPLEMENTATION

1) If I succeed in Phase 1, will I have a better chance chances to successfully access Phase 2?

Successful completion of Phase 1 will have enabled you to make the feasibility assessment and elaborate the business plan required for Phase 2. Support in Phase 1, including coaching, will 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 in Phase 1 will be scrutinised and evaluated as any other proposal applying to Phase 2.

2) *Are Phase 3 activities implemented in parallel or as follow-up of Phase 2?*

Successful completion of Phase 2 will give you a kind of quality label, which will open possibilities for support from the financial instruments under [Horizon 2020](#) and [COSME](#), including access to private debt and equity finance.

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

3) *What about periodic reporting?*

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

G. COACHING AND OTHER FORMS OF SUPPORT

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

The coaching provided covers business development and management issues. Up to 3 days are offered in Phase 1, and 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.

2) *What support does Phase 3 of the SME instrument provide, and who is it intended for?*

In Phase 3, the SME instrument does not provide grant support.

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

3) *What is EEN and what will it do for me? How should I approach it?*

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 here](#).

4) *What are the differences between the SME Instrument and Eurostars II in terms of scope and in terms of type of projects? Can the funding be combined?*

Eurostars II 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 based in the EU or in Horizon 2020 associated countries. Only the SME Instrument supports single companies. Funding may be complementary in certain cases, but can never be combined.

H. FOR CANDIDATE EVALUATORS/COACHES

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

Yes. Of course, you will not evaluate the proposals your company submits.

2) Where and when should I apply if I want to evaluate projects supported by the SME Instrument?

You should [register as an expert](#) via the Participant Portal. Currently, there is no deadline for registration.

3) Are there any guidelines or training for evaluators, particularly on the type of companies the SME Instrument targets?

Evaluators are provided with an [online web briefing](#). A model proposal to help train evaluators is under preparation.

4) Where and when do I have to apply if I want to be a coach?

You should apply via the [dedicated website of the Executive Agency of Small and Medium Sized Enterprises \(EASME\)](#). The call of expression of interest will be open for the whole duration of Horizon 2020.

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

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

I. MORE INFORMATION

1) Where and when can I find additional information and guidelines?

If you would like to get acquainted with the basic features 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 \(EEN\) contact](#).

If you are looking to apply, please visit [the SME Instrument call-page](#) via the [Participant Portal](#).

If you would like to know what information you need to provide to the EU in order to be selected and funded for an SME Instrument project, please review the proposal templates available on the [Participant Portal](#), both for [Phase 1](#) and for [Phase 2](#).

2) *Are any official information days or training days foreseen?*

Information events are held on a regular basis in Brussels. To keep informed about relevant events, please consult [the Horizon 2020 portal events page](#) or the [SME TechWeb](#).