

SME instrument
Concept in Short & Frequently Asked Questions

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1. THE CONCEPT IN A NUTSHELL

The SME instrument is a company centred initiative that supports growth and job creation at [Small and Medium-sized Enterprises](#) targeting transnational European or global markets through funding breakthrough innovation projects. It is aimed at all types of innovative SMEs showing a strong ambition and potential to develop, grow and internationalise. It provides staged support of close-to-market activities in three phases complemented by a business coaching service. Transition from one phase to the next will be seamless provided the SME project proves to be worth further support in a further evaluation. Each phase is open to new entrants. Only applications of excellent quality, advancing the development of companies proposing ground-breaking innovation with a high market potential, will be selected for support under the SME instrument.

1.1. Phase 1: Concept and feasibility assessment

Objective: SMEs will receive funding to explore and assess the technical and technological feasibility and the commercial potential/economic viability of a breakthrough innovation with considerable novelty to the industry sector in which it is presented (new products, processes, services and technologies or new market applications of existing technologies). The activities could, for example, comprise risk assessment, market study, user involvement, Intellectual Property management, innovation strategy development, partner search, feasibility of concept and the like to establish a solid high-potential innovation project aligned to the enterprise strategy and with a European dimension Bottlenecks in the ability to increase profitability of the enterprise through innovation shall be detected and analysed during phase 1 and addressed during phase 2 to increase the return in investment in innovation activities. The assessment will be based on [a short 10-page presentation](#) of the envisaged business and market opportunity ('business innovation plan' I).

Result: The outcome of this part will be a report ('business innovation plan' II). The results of this feasibility assessment could be that solutions already exist on the market (no further funding request), or that buying existing know-how or IPR could solve the problem (no further funding request) or that additional innovation activities are recommended (which could lead to application for funding in Phase 2). A possible outcome could also be that private finance for the development of the project is sought (see Phase 3 recurring to the financial facilities supported under the specific objective "Access to risk finance").

Funding/ Duration: Funding will be provided in the form of a **lump sum of EUR 50,000** ¹ for a project of **6 months** or longer if desired and justified by the SME. Time-to-grant should be about three months after the next cut-off date².

1.2. Phase 2: Innovation Activities

Objective: SMEs will receive funding for innovation projects that address a specific challenge and demonstrate high potential in terms of company competitiveness and growth underpinned by a strategic business plan and feasibility assessment either developed through phase 1 or another means. Activities should focus on innovation activities such as demonstration, testing, prototyping, piloting, scaling-up, miniaturisation, design, market replication and the like aiming to bring an innovation idea (product, process, service etc) to industrial readiness and maturity for market introduction, but may also include some research.

In exceptional circumstances, duly justified by the character of an area and specifically announced in the Work Programme, a topic may provide for actions where the research component is more predominant, as an alternative to the innovation actions described above.

Result: At the end of Phase 2 participating companies should have developed a new idea (product, process, service) that can be deployed and launched on the market. The business innovation plan III to be developed by the end of Phase 2 will contain a detailed commercialisation strategy, including a financing plan describing how private investment will be attracted and used.

Funding/Duration: The EU contribution in the form of a grant is expected to be in the order of **500,000 to 2.5 million EUR**, but could also be higher in well justified cases. The funding rate is **70 %** (exceptionally, 100% where the research component is strongly present and specifically foreseen in the Work Programme). The single applicable rate is specified under the relevant topic.

Average project duration should be **1 to 2 years**, but it could be longer if desired and justified by the SME. The time-to-grant is expected to be six months.

1.3. Phase 3: Commercialisation

Objective: This part aims to promote the implementation and successful commercialisation of innovative solutions by facilitating access to private capital and first customers as well as offering support services.

The SME instrument with business-oriented evaluation and selection at stages 1 and 2 will provide for a competition at EU level allowing only projects of the highest quality and with

¹ Commission Decision C(2013)8198 authorizing the reimbursement of cost under the form of a lump sum for SME instrument phase 1 actions under Framework Programme Horizon 2020 states that the total eligible cost for a phase 1 project is EUR 71.249. Applying the co-financing rate of 70%, the amount of the grant is established at EUR 50.000.

² Cut-off dates for 2014 and 2015 are included in the [Horizon 2020 Work Programme on Innovation in Small and Medium-sized Enterprises](#).

the highest commercialisation potential to be funded. Successful completion of Phases 1 and 2 should therefore constitute in itself a "quality label" being conducive to market uptake and private investment.

Result: In this stage the companies should successfully place an innovation (product, process, service etc.) on the market, which strengthens their competitiveness and boosts their growth

Funding / Implementation: This stage will not provide for direct funding, but SMEs can benefit from indirect support measures as well as access to the [financial facilities supported under Horizon 2020](#) and [COSME](#).

1.4. Coaching

Objective: Companies supported through the SME Instrument will be offered a supplementary business coaching service. It aims to enhance the innovation capacity of participants, to help them align the project to their strategic business needs and to improve their business and management capabilities, thereby ensuring maximum economic impact from the support provided and long-term commercial sustainability of the project. Bottlenecks in the ability to increase profitability of the enterprise through innovation shall be detected and analysed during phase 1 and addressed during phase 2 to increase the return in investment from innovation activities.

Result: The participating SMEs develop a growth strategy covering all business aspects that can still be adapted during the innovation project with the final goal to achieve substantial economic benefits.

Funding / Implementation: Each beneficiary of the SME instrument will be offered business coaching support during Phase 1 (up to 3 coaching days) and Phase 2 (up to 12 coaching days) in addition to the grant provided in these phases. The support will be provided through the [Enterprise Europe Network](#) (EEN) and delivered by qualified and experienced business coaches. Phase 3 does not include individual business coaching, but SME instrument participants will be able to rely on continued EEN support in linking to relevant support services within the Network, regionally and nationally.

2. FREQUENTLY ASKED QUESTIONS

2.1. Eligibility and target audience

Who can apply?

Only a single for-profit SME³ 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.

³ 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

Can I apply as single entity?

If you are a for-profit SME⁴, 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](#). As of March 2014, an online SME-self declaration tool will be available to any entity wanting to [register](#) on the participant portal. After registration, SMEs can start applying for funding.

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.

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.

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')..

⁴ See 2.

2.2. 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 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 the prototype, in order to help me to situate my proposal?

There is a Technology Readiness Level (TRL) sequencer in the [General Annex G of the Work Programme](#), which allows you to situate your proposed solution. 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 of the work to be supported by this scheme concerns 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 is meant in the submission template with the term “market replication”?

The SME instrument aims to support innovation in SMEs that maximises impact and mobilises wide market uptake. Market replication can be one 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 arrival.

2.3. 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 not allowed.

2.3.1. Questions specific to 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 means⁵. 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?

⁵ Commission decision C(2013)8198

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).

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 to stop the project after phase 1 if the technical/technological and/or commercial viability of the innovation idea could not be demonstrated.

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 be paid for a completed feasibility study, also if it is not planned to continue with an application for phase 2.

However, in case only part of the foreseen work has been carried out, the lump sum will not be granted to the participant.

2.3.2. Questions specific to phase 2

Is there a minimal budget?

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 Programme⁶, 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.

Are marketing costs direct eligible costs?

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

However, costs necessary for the implementation of the project can include 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”). If these activities are subcontracted, the “best-value-for-money” principle applies, while conflicts of interest should be avoided at all times.

Can SMEs participating in phase 2 propose “in kind” payments 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:

- they are not higher than the depreciation costs of similar (purchased) equipment, infrastructure or assets,
- do not include financing fees and
- necessary to implement the action,

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

⁶ 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.

What rules apply to the subcontracting of work of the SME instrument?

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.

2.4. Implementation

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

Proposals can be permanently submitted and will be evaluated upon submission. Applicants should receive informal feedback on the outcome of the evaluation within a very short time. The information whether a project can be funded can only be communicated after the respective cut-off dates outlined in the [Work Programme](#).

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, i.e. 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, the development of a business plan?

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

Project outputs will be classified by different confidentiality levels up to publishable results, according to the business plan requirements.

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. Furthermore complementary services will be offered to support the commercialisation stage. Some of these services, for example those offered by the Enterprise Europe Network, can already be accessed during phase 2.

What about periodic reporting in the respective phases?

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

2.5. 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 relations to or differences from Eurostars (in terms of scope and in terms of type of projects if relevant)? Can the funding be combined?

The SME Instrument is different and at the same time complementary to EUROSTARS. Whereas Eurostars provides funding for transnational, collaborative projects, led by R&D performing SMEs that are based in participating EUREKA Member-States, 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 countries associated to Horizon 2020. Only in the SME instrument single company support is possible.

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

2.6. For candidate evaluators/coaches

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

Yes, provided the evaluation tasks are not carried out in the framework of the own submitted proposal.

Where/when to apply if I want to be an evaluator?

If you want to evaluate projects supported by the SME instrument under Horizon 2020, you should [register as an expert](#). Currently, there is no deadline for registration.

Where/when 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 will be remunerated in the same manner as other experts used in the context of Horizon 2020. Please refer to the appropriate section of the Participants Portal [for more information](#).

2.7. 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](#).