

**WORK PROGRAMME 2012**

***CAPACITIES***

**PART 2**

***RESEARCH FOR THE BENEFIT OF SMES***

*(European Commission C (2011)5023 of 19 July)*

**Capacities Work Programme: Research for the Benefit of SMEs**

*The available budget for the 2012 work programme is EUR 225.8 million.*

*In this 2012 work programme, it is proposed to use EUR 150 million for the call Research for SMEs and EUR 49.7 million for the call Research for SME Associations. Both calls are implemented through a single stage evaluation.*

*EUR 20 million will be allocated to the demonstration activity and EUR 2 million will be spent on calls for tenders.*

*EUR 4.12 million will be allocated to the costs of evaluations and reviews (experts).*

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## **RESEARCH FOR THE BENEFIT OF SMEs**

### **Objectives:**

**To strengthen the innovation capacity of European SMEs and their contribution to the development of new technology based products and markets by helping them outsource research, increase their research efforts, extend their networks, better exploit research results and acquire technological know how, bridging the gap in the innovation chain from idea to market through European level collaboration.**

## **I CONTEXT**

### Approach for 2012

#### **Why a Research for the benefit of SMEs programme?**

In response to the global financial crises where the EU lost **six million jobs and EUR 1000 billion annual GDP**, the EU2020<sup>1</sup> initiative was proposed by the Commission and endorsed by EU leaders in March 2010 to set out a clear vision of where Europe should be in 2020 and the kind of economy it wants to have: smarter, more sustainable and more inclusive. Research and innovation are at its very core. The EU 2020 communication foresees “reinforcing the competitive advantages of our businesses, particularly in manufacturing and within our SMEs”, “to promote technologies and production methods that reduce natural resource use” and “to promote the internationalisation of SMEs”.

The Innovation Union is one of the several flagship initiatives supporting the implementation of the EU2020 strategy. It defines political guidelines for a new broad European innovation policy, which will lead to more concrete initiatives within the Member States and the regions but, of course, also within the Commission. It comprises the whole innovation chain from ideas to market. For the first time research and innovation are at the top of the political agenda.

The Innovation Union places particular emphasis on innovation and support measures for SMEs stating “...to ensure simple access and stronger involvement of SMEs in future EU research and innovation programmes, in particular those with high growth potential...<sup>2</sup>.”

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<sup>1</sup> COM (2010) 2020 Europe 2020: A strategy for smart, sustainable and inclusive growth'

<sup>2</sup> Sec(2010) 1161 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Europe 2020 flagship initiative - Innovation union.

The Commission also recognises the crucial role that SMEs play in terms of economic growth and job creation:

Between 2002 and 2007 the number of European **SMEs grew** by over **2 million, large enterprises** grew by **2 000<sup>3</sup>**. The total number of SMEs in Europe is over 20 million.

SMEs' contribution to employment growth (84%) has been much larger than could be expected from their share in total private employment (67%), and **9.4 million jobs** were created in the SME-sector between 2002 and 2008<sup>4</sup>.

Access to appropriate sources of finance is one of the most significant constraints on business-led innovation in Europe. This leads to insufficient private sector R&D spending, which is the main reason for Europe's R&D investment gap and more crucially to a lack of financial support at the commercialisation phase for young innovative companies. The financial market crisis has aggravated the situation hitting SMEs the hardest.

This 2012 work programme *Research for the benefit of SMEs* endeavours to enhance the research and innovation capacities of European SMEs which have little or no research capacity themselves to turn innovative ideas into products and services with clear future market potential in line with the aims of the Innovation Union. The global challenges Europe faces create new opportunities for new innovative ideas to compete in these new markets.

### **Who should take part in this programme?**

Innovative SMEs that have little or no research capacity themselves, that are looking for new markets, new business partners and possibilities to extend their knowledge-base through R&D and innovation. Research performing SMEs who need to complement their core research activities through outsourcing.

This programme's focus is on the outsourcing of research by SMEs to specialised 'RTD performers' (research service providers i.e. universities, research centres, other research performing companies etc.) but can also include outsourcing by research performing SMEs who need to complement their core research activities. Two types of measures - 'Research for SMEs' and 'Research for SME Associations' - constitute the core activities of the programme.

The aim is that the participating SMEs become more competitive and their capacity to collaborate with the 'research community' is enhanced, forging closer industry / academia links. A strong emphasis is therefore placed on the economic impact of the results achieved in the project on the SMEs themselves. The economic 'benefit for the SMEs' is crucial in such projects.

Following the test 'Demonstration Action' launched in the 2011 work programme the 2012 SME work programme continues to promote and increase this activity. In response to the

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<sup>3</sup> SME Performance Review. Annual Report 2008. [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>4</sup> [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/dgentr\\_annual\\_report2010\\_100511.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/dgentr_annual_report2010_100511.pdf)

experiences in the first round, this action is now limited to projects already having taken part in Research for SMEs and Research for SME Association schemes in the FP7 Capacities Programme.

These specific measures are complemented by activities in the 'Cooperation' programme. There, however, research performing SMEs participate in the projects as part of a consortium of research organisations. A target has been set so that at least 15% of the funding available under the 'Cooperation' programme should go to SMEs. The Commission will continue the quantitative and qualitative monitoring of SME participation in the Framework Programme against the objectives set.

### **How can I ensure that my project meets the objectives of this programme?**

Based on the results of an impact assessment study on SME participation in FP5 and FP6, it has been shown that SMEs get more out of a project if its objectives are really in line with the SME needs in terms of final exploitation of the results. A strong commitment and active involvement of the SMEs will ensure the project meets its objectives. Evaluators will be instructed to 'test' the SMEs needs of the project from concept to exploitation thus helping to provide strong guarantees that the research and innovation ambitions of the SMEs and the RTD-performers will be reconciled from the outset.

It should also be highlighted that for all of the three activities mentioned above each project must include a convincing business case on how investment in the research or demonstration will lead to a clear benefit for the SMEs. This is also of particular importance to the 'demonstration activity'. The guide for applicants, which also acts as manual for the evaluators of the project proposals, will reflect this in particular emphasising the importance of a clear description of management and commercial exploitation of Intellectual Property Rights (IPR) (both background and foreground). **This point will be further elaborated in the 'content' section II of this document under the heading 'Transaction'.**

### **What does the 2012 work programme concretely include?**

One call for proposals with 3 activities detailed as follows:

- Research for SMEs
- Research for SME Associations
- Demonstration activity

Two calls for tenders

### **What is the objective of the Research for SMEs scheme?**

To directly support SMEs in the project to outsource their research activities.

This is a highly competitive programme with a high number of proposals, which demonstrates the interest of SMEs for the scheme and the economic return they expect to generate.

The programme aims at supporting SMEs in need of outsourcing research activities to RTD performers such as universities, research centres or research performing SMEs. Other enterprises and end-users, which belong to the same value chains as the participating SMEs, can participate, if it is in the interest of the project.

Projects aim at creating new knowledge or achieving results with a clear exploitation potential to improve or develop new products, processes or services which meet the needs of the participating SMEs. This scheme can assist SMEs in acquiring technological know-how and accessing international networks for their medium to long-term business development and follow a bottom-up approach, meaning that the research can originate in the entire field of science and technology in all industrial sectors.

The 2012 indicative budget allows EUR 150 million for this scheme.

### **What is the objective of the Research for SME Associations scheme?**

To indirectly support SMEs through their associations /groupings to outsource research activities.

This programme targets SME associations which act on behalf of their members to identify and address common technological problems and to promote the effective dissemination and take-up of research results. Projects may address, among others, pre-normative research issues, new business, management, production and service models, technological problems related to the development and implementation of legislation, that cannot be addressed by the 'Research for SMEs' scheme and which meet the needs of the SME members of the SME associations. It also follows a bottom-up approach.

Projects include research, technological development and demonstration activities and are encouraged to include other activities such as training, to facilitate the dissemination and exploitation of results.

The 2012 indicative budget allows EUR 49.7 million for this scheme.

The two above schemes provide financial support to SMEs or SME associations to outsource research and technological development, with the view to enable their acquisition of intellectual property rights, preferably ownership of all project results. This is a different approach from that of collaborative projects in the Cooperation programme where each participant cooperates on equal terms with regard to the research undertaken and acquires only access rights to the intellectual property rights generated by him.

### **What is the objective of the Demonstration activity?**

To prove (demonstrate) the viability of a new solution (itself a successful outcome of a research project) that offers a potential economic advantage but which cannot be directly commercialised as further technological or other developments are required.

The 2012 work programme continues with the test action introduced in the 2011 Work Programme, aimed at funding demonstration projects. SMEs often need to follow up research projects with work linked to ‘demonstration’ or production of prototypes before actually commercialising goods and services but funding for this kind of activity is not readily available. Activities could e.g. include testing of prototypes, scale-up studies, performance verification and implementation of new technological and non-technological solutions. This action could also include detailed market studies and business plans. There are no thematic restrictions.

The call for project of Demonstration Activity aims at helping participating SME to increase impact of their projects or to explore new ways of using the acquired knowledge from their research for SME or SME association project. Nevertheless, all research for SME or SME association projects are not expected to be followed by a separate Demonstration Activity project.

The demonstration activity is targeted to SMEs having participated or still participating in a 'Research for SMEs'/'Research for SME Associations' project in the FP7 Capacities Programme. The aim is to guarantee that the benefits of supporting demonstration activities will go directly to the SMEs involved which are ready to fully exploit the results of such project. The consortium will have to prove that the results from the demonstration activity are ready and suitable for exploitation.

The 2012 indicative budget allows EUR 20 million for this activity.

### **International cooperation**

Although international cooperation is not the main aim of this programme, it can play a role. SMEs can outsource work to RTD performers from any country, including third countries, if these have the right expertise and the research activity provided is cost-effective. This may also be helpful to SMEs to expand their markets. In addition, information and good practices based on the European experience in relation to SMEs and research can be disseminated to third countries in order to enable them to create the necessary structures and support mechanisms for the creation of viable and effective SME support activities.

### **Dissemination activities**

The overall aim for each of the three schemes mentioned above is for the participating SMEs to innovate and become more competitive in a global market. Therefore dissemination and exploitation of the project results must include concrete actions as an integral part of the project and demonstrate the economic impact on the SMEs. Projects must have a strong focus on exploitation with clear future market potential. Projects are expected to actively disseminate project results to the relevant public and professional audience, using multiple communication pathways including the use of new media (such as web sites, wiki pages, videos, etc), preserving the industrial and commercial interests of the benefiting SME.

As in the 2011 ‘Research for the Benefit of SMEs’ work programme, in this 2012 work programme, the inclusion of demonstration activities in the research projects themselves is encouraged. Analysis of past experience shows that for the ‘Research for SMEs’ scheme up



to 6% of costs on average do relate to demonstration. It is expected that under this work programme, the demonstration element as part of future SME-specific R&D-projects should gain importance.

For research for SMEs, dissemination activities are usually implemented by the SME participants in the project. In the case of the SMEs Associations however they are implemented through their Associations. As the Associations act as multipliers of the results via their network they must show a dissemination plan for their members. Other activities such as training, to facilitate the dissemination and exploitation of results are strongly encouraged.

For the Demonstration activity it is critical that there should be a clear route to exploitation and commercialisation. It is expected to see dissemination and exploitation directly as a result of these projects.

### **Modalities of Implementation: The Research Executive Agency**

Calls for proposals under this work programme are implemented by the Research Executive Agency (REA) according to the provisions of the Commission decision C/2008/3980 of 31/07/2008 "delegating powers to the Research Executive Agency with a view to performance of tasks linked to implementation of the specific European Union programmes People, Capacities and Cooperation in the field of research comprising, in particular, implementation of appropriations entered in the European Union budget". It is anticipated that the management practices of REA should lead to a shorter time to grant for successful proposals with respect to previous calls.

## II CONTENT OF CALL

### Activity: 2.1 Research for SMEs

#### **Technical content/ scope**

'Research for SMEs' supports small groups of innovative SMEs in solving technological problems and acquiring technological know-how. Projects must fit into the overall business and innovation needs of the SMEs, which are given the opportunity to subcontract research to RTD performers in order to acquire the necessary technological knowledge. Projects must render clear innovation and exploitation potential and economic benefits for the SMEs involved.

#### **Topics**

'Research for SMEs' is a bottom-up scheme: the projects may address any research topic across the entire field of science and technology<sup>5</sup>.

#### **Participants**

'Research for SMEs' projects require participants from the following two categories:

##### **1. SME participants:**

At least three SME participants that are independent of each other and are established in three different Member States (MS) or Associated Countries (AC).

They must be SMEs as defined by Commission Recommendation 2003/361/EC (OJ L 124, 20.5.2003, p.36) which is to be found in ([http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm)).

However, SMEs that are research centres, research institutes, contract research organisations or consultancy firms are not eligible as SME participants however they are eligible to take part as RTD performers, other enterprisers or end users.

SMEs are the direct beneficiaries of the scheme: they outsource their research needs by subcontracting the research to RTD performers. The level of public funding is substantial but will cover only part of the total costs of the project. In practice, however, the grant should suffice to cover all the costs of the outsourced research and demonstration activities.

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<sup>5</sup> Research proposals within the scope of Annex I to the EURATOM Treaty, namely those directed towards nuclear energy applications, should be submitted to relevant calls under the EURATOM 7th Framework Programme.

The project results (Foreground) generated in the project shall be at the benefit of the participating SMEs and they have rights of use and dissemination. Projects are centred on the economic interest of the SME participants which will take an active role by defining their specific technological needs and will ensure that the research performed complies with their requirements. No decision in the consortium shall be taken against the collective interest of the SME participants. They will provide input and will contribute to the research activities where appropriate and will take-up and exploit the research results to their own best advantage.

## **2. RTD performers:**

At least two RTD performers independent of any other participant.

RTD performers are legal entities carrying out research and technological development activities for the benefit of the SME participants. Examples of RTD performers are universities, research organisations and industrial companies, including research performing SMEs.

## **3. Other enterprises and end-users (including SMEs):**

SMEs have to keep a predominant role in the consortium. However, **other enterprises and end-users** may participate by making a particular contribution to the project and in addressing specific needs of the SME participants involved. The other enterprises and end-users must be independent of any other participant.

Co-ordination tasks may not be subcontracted. The organisation acting as coordinator must have the necessary capacity and competence to ensure effectively the coordination tasks. The co-ordinator of a 'Research for SMEs' project should preferably be one of the SME participants. This role may be entrusted by the SMEs in duly justified cases to a RTD performer or an organisation specialised in professional project management. The latter will participate in the project under the category "other enterprises and end-users" in support to the SMEs.

### **Type of activities**

The projects can consist of up to four different types of activities from which research and technological development activities and/or demonstration activities are compulsory.

Research and technological development activities form the core of the project and the RTD performers should perform the bulk of these. SMEs should focus on initial specifications, and on testing and validation of project results and the preparatory stages for further use. Knowledge management and IPR protection should support the SMEs in protecting and using the research results to their best advantage, leading to a clear economic impact.

Demonstration activities are designed to prove the viability of new technologies that offer a potential economic advantage, but which cannot be commercialised directly (e.g. testing of product-like prototypes). Demonstration activities are an important step of a project on its way towards commercialization and should therefore typically be a distinct element of a project.

Other activities to facilitate the take-up of results by the SMEs, in particular training and dissemination:

- Training activities are performed in general by the RTD performers and are aimed at technical and managerial staff from the participating SMEs. Training should focus on results/technologies generated by the projects. Training activities should normally not exceed 10% of the total eligible project costs.
- Dissemination activities targeted to the relevant public and professional audience, using multiple communication pathways including the use of new media (such as web sites, wiki pages, videos, et) as well as conferences and publications.

Management activities, over and above the technical management of individual work packages, provide an appropriate framework bringing together all project components and maintaining regular communications with the Commission.

### **Resources and duration**

Indicative budget: EUR 150 million.

Applicants are strongly encouraged to form small consortia which fit the purpose of the proposed project. The size of the consortium should typically be 5, but generally not exceeding 10 participants.

Accordingly, the overall budget of the project should typically be between EUR 500 000 to EUR 1 500 000 and the duration of the project should normally be between 1 and 2 years.

### **Funding Scheme:**

#### **‘Research for the benefit of specific groups (in particular SMEs)’**

The calculation of the European Union contribution for projects is built upon the reimbursement, in whole or in part, of eligible costs (based on maximum rates of reimbursement specified in the grant agreement for different types of activities within the project) and shall not exceed the maximum European Union contribution determined by the FP7 rules for the participation of undertakings, research centres and universities in actions<sup>6</sup>.

The financial support of the European Union in accordance with Article 33 of the FP7 rules for participation will be capped at a value not exceeding 110% of the estimated price to be invoiced by RTD providers to SMEs and/or other enterprises and end users as agreed amongst them prior to grant agreement signature in compliance with Article 120 of the Financial

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<sup>6</sup> Regulation (EC) No1906/2006 of the European Parliament and of the Council of 18 December 2006 laying down the rules for the participation of undertakings, research centres and universities in actions under the Seventh Framework Programme and for the dissemination of research results (2007-2013) – OJ L391, 30.12.2006.p1.

Regulation<sup>7</sup>. Within this limit, the effective reimbursement of eligible costs will be subject to the applicable rates of the various activities (see Annex 3). Should the actual invoices be lower than the initially estimated price, the financial support of the European Union will not exceed 110% of their actual value.

RTD performers will charge eligible costs only under ‘management activities’ and ‘other activities’ (including training and dissemination). Resources they use for ‘research and technological development activities’ and/or ‘demonstration activities’ will be invoiced to SMEs and/or other enterprises and end-users at an agreed price. The price and payment modalities agreed between RTD performers and SMEs should reflect the value of the intellectual property rights and knowledge acquired: the price of a licence should normally be lower than the price for ownership.

RTD performers are protected against the insolvency of an SME and/or other enterprises and end-users to honour the financial commitment towards them. In such a situation, RTD performers may be authorised to charge their eligible costs related to unpaid invoices for direct reimbursement by the European Union. This reimbursement shall be subject to the funding rates applicable for ‘research and technological development activities’ and/or ‘demonstration activities’ in accordance with Article 33 of the FP7 rules for participation and within the above-mentioned cap.

SMEs and other enterprises or end-users will charge eligible costs under the various available activities to the project. The payment of RTD performers’ invoices will be considered as an eligible cost and be reimbursed at the funding rate applicable for ‘research and technological development activities’ and/or ‘demonstration activities’.

The SMEs are held responsible for the funds managed within the project. Sufficient safeguard measures should be agreed between them and the RTD Performers allowing the former to recover from the RTD Performers any funds in case of non delivery of results, etc.

### **The transaction**

In these projects SMEs are provided with the necessary funds to buy research from RTD providers (universities, research centres, etc.) which are called RTD performers in the programme. This is done by subcontracting against market conditions in a customer/seller-relationship laid down in the so called ‘transaction’.

The SMEs remain at all times responsible for the outcome/results of the project. Therefore they have to ensure adequate management of the funds provided and for the quality of the work delivered to them by the subcontractors (RTD performers).

The RTD performers offer a research service for which they must be remunerated by the SME participants and/or other enterprises and end-users. In return the SME participants receive rights to the Foreground (including intellectual property) generated in the project. All

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<sup>7</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities – OJ L248, 16.9.2002.p1.

participants must agree on the appropriate conditions with respect to remuneration of the RTD performers and rights relinquished to the SME-participants, and in the best interest of the SME-participants, before submitting the proposal. This is referred to as 'the transaction'.

By default, the preferred option is that the SME-participants obtain the full ownership of the Foreground and the RTD performers are remunerated accordingly. The consortium may reach a different agreement in their own best interests, as long as the SMEs are provided with all the rights that are required for their intended use and dissemination of the project results. This should, however, be clearly reflected in the remuneration of the RTD performers. The way in which the Intellectual Property Rights are distributed should be clearly addressed in the project proposals, as it has consequences for the impact of the project for the SMEs. Further detail on how to prepare a project proposal and apply the funding scheme is presented in the brochure "Research for SMEs & Research for SME Associations at a glance" which can be consulted at [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm?pg=publications](http://ec.europa.eu/research/sme-techweb/index_en.cfm?pg=publications) on the SMETechWeb: [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm](http://ec.europa.eu/research/sme-techweb/index_en.cfm).

### **Expected impact**

Projects under 'Research for SMEs' aim at contributing to the innovation of products, processes and services and at strengthening the competitiveness of SME participants. This programme will also contribute to improving industrial competitiveness across the European Union. The proposed Science & Technology approach should take into account the SME demand (need for a solution to a problem) and not only the state-of-the-art in the technology domain and demonstrate the capability and commitment of the consortium to implement a tangible RTD work plan at a high quality level with a clear path towards the response to the SME needs.

The expected outcome should be innovative including new or improved products, processes or services with a distinct market potential. Project proposals: should include a comprehensive business case and demonstrate a clear economic impact for the SME participants, improving their competitiveness by creating new or expanding existing markets. Collaboration and networking at EU level should enhance their access to markets and customers.

The expected impact should be clearly described both at qualitative and quantitative level, providing where possible an indication of the economic impact, e.g. on turnover, employment, target markets and market improvements as well as expected patent applications or licence agreements. A dedicated strategy for the use of the research results is expected to ensure optimal and rapid innovation impact.

Projects shall follow basic ethical principles and include provisions for communication and dissemination of results. They should highlight any relevance to EU policies (i.e. environment, energy, health, etc), encourage gender equality initiatives (i.e. gender action plans according to the size of the project), foster dialogue beyond the research community, explore wider societal issues and address possible synergies with education.

## **Activity: 2.2 Research for SME Associations (SME-AGs)**

### **Technical content/scope**

‘Research for SME Associations’ supports SME associations to develop technological solutions to problems common to a large number of SMEs in specific industrial sectors or segments of the value chain through research, for example, to develop or conform to European norms and standards, and to meet regulatory requirements in areas such as health, safety, environmental protection and energy efficiency. Projects must be driven by the SME associations which outsource research to RTD performers for the benefit of their members and must involve a number of individual SMEs.

### **Topics**

‘Research for SME Associations’ is a bottom-up scheme: the projects may address any research topic across the entire field of science and technology<sup>8</sup>.

### **Participants**

‘Research for SME Associations’ projects require participants from the following three categories:

#### **1. SME associations/groupings (SME-AGs):**

At least three SME association/groupings that are independent of each other and are established in three different Member States (MS) or Associated countries (AC), or one European SME association/grouping established in a Member State or Associated country according to its national law and which is made up of a minimum of three legal entities independent of each other established in three different Member States or Associated countries.

SME associations/groupings are legal persons, composed mostly of and representing the interests of SMEs and/or physical persons having the same kind of activities. Examples of these are sectoral industrial associations, national or regional industrial associations and chambers of industry and commerce.

Projects are centred on the economic interest of the SME members of the SME AGs. The SME-AGs take an active role by defining the specific technological needs and ensuring that the research performed complies with their requirements. They provide input and contribute to the research activities where appropriate. The SME-AGs are the direct beneficiaries of the scheme by investing in research activities carried out by the RTD performers. The level of public funding is substantial but will cover only part of the total

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<sup>8</sup> Research proposals within the scope of Annex I to the EURATOM Treaty, namely those directed towards nuclear energy applications, should be submitted to relevant calls under the EURATOM 7th Framework Programme.

costs of the project. In practice, however, the grant should suffice to cover all the costs of the outsourced research and demonstration activities.

The SME-AGs normally retain the ownership of any project results (Foreground). No decision in the consortium shall be taken against the collective interest of the SME-AGs. They ensure the broad uptake, use and dissemination of the research results by their SME members to their best advantage.

## **2. RTD performers:**

At least two RTD performers independent of any other participant.

RTD performers are legal entities carrying out research and technological development activities for the benefit of the SME-AGs and in the interest of their SME members. Examples of RTD performers are universities, research organisations and industrial companies, including research performing SMEs.

## **3. Other enterprises and end-users (including SMEs):**

A limited number of individual SMEs (between two and preferably not more than five) from at least two different Member States or Associated countries and independent of any other participant must participate under this category to ensure that the results of the project address SME needs and can be used by a large number of SMEs. The scope of their activity will be focused on validation, take-up, training and dissemination activities, but not on research activities.

SME-AGs have to keep a predominant role in the consortium. However, other enterprises and end-users (including SMEs) may participate by making a particular contribution to the project and in solving specific problems or needs of the SME-AGs involved and the SMEs they represent.

Co-ordination tasks may not be subcontracted. The organisation acting as coordinator must have the necessary capacity and competence to ensure effectively the coordination tasks. The co-ordinator of a 'Research for SME Associations' project should preferably be one of the SME-AGs. This role may be entrusted in duly justified cases to a RTD performer or an organisation specialised in professional project management. The latter will participate in the project under the category 'other enterprises and end-users' in support to the SME-AGs.

### **Type of activities**

The projects can consist of up to four different types of activities from which research and technological development activities and/or demonstration activities are compulsory.

Research and technological development activities form the core of the project and the RTD performers should perform the bulk of these. SME-AGs and their SME members should focus on testing and validation of project results and the preparatory stages for further use. Knowledge management and IPR protection should support the SME-AGs in protecting and using the research results to the best advantage of their members, leading to a clear positive economic impact.

Demonstration activities are designed to prove the viability of new technologies that offer a potential economic advantage, but which cannot be commercialised directly (e.g. testing of



product-like prototypes). Demonstration activities are an important step of a project on its way towards commercialization and should therefore typically be a distinct element of a project.

Other activities as appropriate and directly related to the project's objectives that facilitate the take-up of results by the SMEs, in particular training, dissemination and networking:

- Training activities contribute to the professional development of the persons concerned, in particular technical and managerial staff from the participating SME-AG and their (SME) members. They aim at fostering the take-up and use of project results in larger groups of SMEs concerned. Training activities focus on results/technologies generated by the projects and can be carried out by:
  - RTD performers towards SME-AG technical and managerial staff ("Train the Trainer" formula) and/ or towards SMEs,
  - SME-AG staff towards technical and managerial staff of SME members.

Training activities should normally not exceed 15% of the total eligible project costs.

- Dissemination activities targeted to the relevant public and professional audience, using multiple communication pathways including the use of new media (such as web sites, wiki pages, videos, etc.) as well as conferences and publications. Projects include activities to effectively disseminate the research results to the members of the SME associations, and if appropriate, more widely. Furthermore, dissemination to policy makers, including standardisation bodies, is encouraged to facilitate the use of policy relevant results by the appropriate bodies at international, European, national or regional levels.

Management activities, over and above the technical management of individual work packages, provide an appropriate framework bringing together all project components and maintaining regular communications with the Commission.

### **Resources and duration**

Indicative budget: EUR 49.7 million.

Applicants are strongly encouraged to form small consortia which fit the purpose of the proposed project. The size of the consortium should be typically between 5 and 15 participants; the SME end users group should be limited to 2 to 5 members necessary to achieve the objectives.

The overall budget of the project should typically be between EUR 1 500 000 to EUR 3 000 000 and the duration of the project should normally be between 2 and 3 years.

### **Funding Scheme:**

#### **'Research for the benefit of specific groups (in particular SMEs)'**

The calculation of the European Union contribution for projects is built upon the reimbursement, in whole or in part, of eligible costs (based on maximum rates of reimbursement specified in the grant agreement for different types of activities within the

project) and shall not exceed the maximum European Union contribution determined by the FP7 rules for participation<sup>9</sup>.

The financial support of the European Union in accordance with Article 33 of the rules for participation will be capped at a value not exceeding 110% of the estimated price to be invoiced by RTD providers to the SME Associations and/or other enterprises and end users as agreed amongst them prior to grant agreement signature in compliance with Article 120 of the Financial Regulation<sup>10</sup>. Within this limit, the effective reimbursement of eligible costs will be subject to the applicable rates of the various activities (see Annex 3). Should the actual invoices be lower than the initially estimated price, the financial support of the European Union will not exceed 110% of their actual value.

RTD performers will charge eligible costs only under ‘management activities’ and ‘other activities’ (including training and dissemination). Resources they use for ‘research and technological development activities’ and/or ‘demonstration activities’ will be invoiced to SME-AGs at an agreed price. The price and payment modalities agreed between RTD performers and the SME-AGs should reflect the value of the intellectual property rights and knowledge acquired: the price of a licence should normally be lower than the price for ownership. RTD performers are protected against the insolvency of the SME Associations and/or other enterprises and end-users to honour the financial commitment towards them. In such a situation, RTD performers may be authorised to charge their eligible costs related to unpaid invoices for direct reimbursement by the European Union. This reimbursement shall be subject to the funding rates applicable for ‘research and technological development activities’ and/or ‘demonstration activities’ in accordance with Article 33 of the rules for participation and within the above-mentioned cap.

SME associations and other enterprises or end-users will charge eligible costs under the various available activities to the project. Subject to an agreement between SME-AGs and their SME members, the payment of RTD performers’ invoices by SME members will be considered as eligible costs for them and be reimbursed at the funding rate applicable for ‘research and technological development activities’ and/or ‘demonstration activities’.

### **The transaction**

In these projects SME AGs are provided with the necessary funds to buy Research from RTD providers (universities, research centres, etc.) which are called RTD performers in the programme. This is done by subcontracting against market conditions in a customer/seller-relationship laid down in the so called ‘transaction’.

The SME AGs remain at all times responsible for the outcome/results of the project. Therefore they have to ensure adequate management of the funds provided and for the quality of the work delivered to them by the subcontractors (RTD performers).

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<sup>9</sup> See footnote 6.

<sup>10</sup> See footnote 7.

The RTD performers offer a research service for which they must be remunerated by the SME-AGs and/or other enterprises and end-users. In return the SME-AGs receive rights on Foreground (including the intellectual property rights) generated in the project. All participants must agree on the appropriate conditions with respect to remuneration of the RTD performers and rights relinquished to the SME-AGs, and in the best interest of the SME-AGs and their SME-members, before submitting the proposal. This is referred to as 'the transaction'.

By default, the preferred option is that the SME-AGs obtain the full ownership of the Foreground and the RTD performers are remunerated accordingly. The consortium may reach a different agreement in their own best interests, as long as the SMEs-AGs are provided with all the rights that are required for their intended use and dissemination of the project results. This should, however, be clearly reflected in the remuneration of the RTD performers. The way in which the Intellectual Property Rights are distributed should be clearly addressed in the project proposals, as it has consequences for the impact of the project for the SME-AGs and their SME-members. Further detail on how to prepare a project proposal and apply the funding scheme is presented in the brochure 'Research for SMEs & Research for SME Associations at a glance' which can be consulted at [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm?pg=publications](http://ec.europa.eu/research/sme-techweb/index_en.cfm?pg=publications) on the SMETechWeb: [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm](http://ec.europa.eu/research/sme-techweb/index_en.cfm)

### **Expected impact**

Projects under 'Research for SME Associations' aim at developing new or conforming to existing European norms and standards, meeting regulatory requirements and policy objectives in areas such as health, safety and environmental protection, research into new business, management, production and service models, or solving technological problems common for larger groups of SMEs that could not be addressed under 'Research for SMEs'.

The proposed Science & Technology approach should take into account the state of the art in the targeted technology domain and demonstrate the capability of the consortium to implement a tangible RTD work plan at a high quality level. Projects should lead to a clear economic impact for the SME members of the SME-AGs involved in the project, thus contributing at programme level to improving industrial competitiveness across the European Union.

The readiness to meet regulatory requirements and/or to influence norms and standards will give SME-AGs and their SME-members a competitive advantage in creating new or expanding existing markets. Collaboration and networking at EU level is expected to enhance their access to markets and customers geographically and sectorially.

The expected impact should be clearly described both at qualitative and quantitative level, providing an indication of the expected consequences for the SME-AGs concerned. This should cover the implications concerning compliance with regulatory requirements, but also economic impact, e.g. on turnover, employment or target markets as well as expected patent applications or licence agreements. A dedicated dissemination and exploitation strategy is expected to ensure that a large group of SMEs benefit from the results post project completion.

Projects must respect basic ethical principles and include provisions for communication and dissemination of results. They should highlight any relevance to EU policies (i.e. environment, energy, health, etc), encourage gender equality initiatives (i.e. gender action plans according to the size of the project), foster dialogue beyond the research community, explore wider societal issues and address possible synergies with education.

## **Activity: 2.3 Demonstration activity**

### **Technical content/scope**

Demonstration projects must be centred on the needs of the SMEs to carry out demonstration activities before being able to enter the market. Activities can include testing of product-like prototypes, scale-up studies, performance verification and implementation of new technical and non-technical solutions. However, the demonstration projects are not meant for further research and development activities. This phase could also include detailed market studies/business plans or market strategies.

### **Topics**

The Demonstration activity is a bottom-up scheme: the demonstration projects may address the entire field of science and technology<sup>11</sup>.

### **Participants**

At least 3 independent legal entities, each of which is established in a MS or AC, and no 2 of which are established in the same MS or AC. The consortium must include a minimum of 2 SMEs independent of each other from at least 2 different Member States or Associated Countries. These 2 SMEs must be/have been participants together in a successful 'Research for SMEs' project that has finished or is in its last year of operation by the submission deadline date or members together of the 'other enterprises or end-users' in a 'Research for SME Associations' project in the FP7 Capacities Programme. In addition to this minimum consortium requirement, the participation of SMEs that have not taken part in the former research project is possible.

The SMEs should have a predominant role in the consortium: at least 75% of the declared costs shall be carried out by the SMEs and the coordinator of the project must be one of the SME participants. The participation of other actors, like SME end-users, SME associations, large companies and/or partners specialised in dissemination of innovative results is possible.

Applicants are encouraged to form small consortia fit for the purpose of the proposed demonstration project.

### **Type of activities**

The demonstration projects can consist of up to three different types of activities from which demonstration activities are compulsory.

Demonstration activities are designed to prove the viability of new technologies that offer a potential economic advantage, but which cannot be commercialised directly (e.g. testing of product-like prototypes).

Management activities over and above the technical management of individual work packages provide an appropriate framework bringing together all project components and maintaining regular communications with the Commission.

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<sup>11</sup> Research proposals within the scope of Annex I of the EURATOM Treaty, namely those directed towards nuclear energy applications, should be submitted to relevant calls under the EURATOM 7th Framework Programme.

Other activities to facilitate the take-up of results by the SMEs, in particular training and dissemination:

- Training activities are performed in general by the RTD performers and are aimed at technical and managerial staff from the participating SMEs. Training should focus on results/technologies generated by the projects.
- Dissemination activities targeted to the relevant public and professional audience, using multiple communication pathways including the use of new media (such as web sites, wiki pages, videos, et) as well as conferences and publications

The emphasis of this activity is with the demonstration part. Management and other activities shall only represent a small part of the project. Sub-contracting shall be limited to specialised tasks (such as market studies, support to IPR and use of external testing facilities) and duly justified.

### **Resources and duration**

Indicative budget: EUR 20 million.

The overall budget of a project should typically be between EUR 500 000 to EUR 3 000 000.

It is expected that the duration of a project would be in the range of 18 to 24 months.

### **Funding Scheme:** Collaborative Projects.

For demonstration activities the EU financial contribution is limited to up to 50% of the total eligible costs<sup>12</sup>.

**Expected impact:** Projects under the scheme for demonstration aim at bridging the gap between research and market. The concept is to prove the viability of a new solution (itself an outcome of a successful research project) that offers a potential economic advantage, but which cannot be directly commercialised.

The expected impact should be clearly described both at qualitative and quantitative level, providing an indication of the expected economic impact, e.g. on turnover, employment or target markets as well as expected patent applications or licence agreements.

Projects ensure to respect basic ethical principles and include provisions for communication and dissemination of results.

**Other information / Specific Features:** The participants should demonstrate that the research results which lead to the demonstration activity originate from a 'Research for SMEs'/'Research for SME Associations' project in the FP7 Capacities Programme and that these results are ready and suitable for the exploitation phase through the demonstration project.

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<sup>12</sup> See footnote 6.

**Activity: 2.4 Calls for tenders**

**Technical content/scope**

The European Commission intends to launch two new calls for tenders to conduct *ex-post* impact assessments of SME participation in FP7.

**1. Impact assessment on SME Specific measures in FP7.**

**Resources and duration**

**Indicative budget:** EUR 1 000 000.

**Estimated publication date:** last quarter of 2011.

**Duration of the contract:** 12 months.

**Type of contract:** service contract

**Funding Scheme:** Coordination and support action – public procurement

**Expected impact**

The study would be a follow up of the ‘impact assessment of the SME Specific measures under FP5 and FP6’. The aim of the study would be to obtain evidence on the social and economic impacts, the relevance, the effectiveness and the added value of the SME-specific measures under FP7.

**2. Impact assessment on the participation of SMEs in the FP7 Specific Programmes**

**Resources and duration**

Indicative budget: EUR 1 000 000.

**Estimated publication date:** last quarter of 2011.

**Duration of the contract:** 12 months.

**Type of contract:** service contract

**Funding Scheme:** Coordination and support action – public procurement

**Expected impact**

The study would be a follow up of the ‘impact assessment of the participation of SMEs in the ‘Themes’ of FP5 and FP6’ and will focus on the SMEs that participated in projects funded under the Specific programmes of FP7, mainly under the Cooperation Specific Programme. The study will obtain evidence on the impacts of SME participation in FP7 and the impact of the project output on the SMEs themselves. It will also verify the relevance, effectiveness, efficiency, utility and added value of SME participation in FP7 to evaluate whether the expected impacts are realistic.

### III IMPLEMENTATION OF CALL

#### Call title: Research for the Benefit of SMEs

- **Call identifier:** FP7-SME-2012
- **Date of publication:** 20 July 2011 at 17.00.00, Brussels local time<sup>13</sup>
- **Deadline:** 6 December 2011 at 17.00.00, Brussels local time<sup>14</sup>
- **Indicative budget:** EUR 219.7 million<sup>15</sup>

Activity/ Area	Indicative budget (EUR million)
<b>2.1 Research for SMEs FP7-SME-2012-1</b>	150.00
<b>2.2 Research for SME Associations FP7-SME-2012-2</b>	49.70
<b>2.3 Demonstration Activity FP7-SME-2012-3</b>	20.00

The budget for this call is indicative. The final budget awarded to actions implemented through this call for proposals may vary:

- The final budget of the call may vary by up to 10% of the total value of the indicated budget.
  - Any repartition of the call budget between the different actions may also vary by up to 10% of the total value of the indicated budget for the call
- **Topics called:** the call is open to all research fields

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<sup>13</sup> The Director-General responsible for the call may publish it up to one month prior to or after the envisaged date of publication.

<sup>14</sup> The Director-General responsible may delay this deadline by up to two months

<sup>15</sup> Under the condition that the draft budget for 2012 is adopted without modifications by the budgetary authority.



Activity/ Area	Topics called	Funding Scheme
<b>2.1 Research for SMEs</b> (SME.2012.1)	The call is open to all research fields <sup>16</sup>	Research for the benefit of specific groups (in particular SMEs) - BSG
<b>2.2 Research for SME Associations</b> (SME.2012.2)	The call is open to all research fields	Research for the benefit of specific groups (in particular SMEs) - BSG
<b>2.3 Demonstration Activity</b> (SME.2012.3)	The call is open to all research fields	Collaborative projects - CP

- **Eligibility conditions**

- The general eligibility criteria are set out in Annex 2 to this work programme and in the guide for applicants (three different guides for applicants are available, one for each activity). Please note that the completeness criterion also includes that part B of the proposal shall be readable, accessible and printable.

Funding scheme	Minimum conditions
Research for the benefit of specific groups (in particular SMEs)	At least 3 independent legal entities, each of which is established in a MS or AC, and no 2 of which are established in the same MS or AC.
Collaborative Projects	At least 3 independent legal entities, each of which is established in a MS or AC, and no 2 of which are established in the same MS or AC.

- Only information provided in part A of the proposal will be used to determine whether the proposal is eligible with respect to budget thresholds and/or minimum number of eligible participants.
- The following additional eligibility criteria apply in this call for **Activity 2.1 Research for SMEs**:
  - At least 3 participants must be SMEs independent of each other established in at least 3 MS or AC.
  - At least 2 participants must be RTD performers<sup>17</sup> independent of any other participant.

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<sup>16</sup> Research proposals within the scope of Annex I to the EURATOM Treaty, namely those directed towards nuclear energy applications, should be submitted to relevant calls under the EURATOM 7th Framework Programme.

<sup>17</sup> As defined in Article 2 of Regulation (EU) No 1906/2006 of 18 December 2006 laying down the rules for the participation of undertakings, research centres and universities in actions under the Seventh Framework

- If there are any other enterprises and end-users participants, they must be independent of any other participant.
  - SMEs that are research centres, research institutes, contract research organisations or consultancy firms are not eligible as SME participants, however they are eligible to take part as RTD performers, other enterprisers or end users. This eligibility criterion will be checked definitely and finally at the end of the negotiation, before the signature of the grant agreement.
- The following additional eligibility criteria apply in this call for **Activity 2.2 Research for SME Associations**:
- At least 3 participants must be SME associations/groupings independent of each other established in 3 MS or AC. An alternative to this is that there may be 1 European SME association/grouping established in a MS or an AC. This association/grouping must be made up of a minimum of 3 legal entities independent of each other established in 3 MS or AC. SME associations/groupings are legal persons, composed mostly of and representing the interests of SMEs and/or physical persons having the same kind of activities.
  - At least 2 participants must be RTD performers (having the capacity to carry out research at the request of the association(s)/grouping(s)), independent of any other participant.
  - At least 2 participants must be SMEs (other enterprises or end-users) established in 2 MS or AC.
- The following additional eligibility criteria apply in this call for the **Activity 2.3 Demonstration Activity**:
- At least 2 participants must be SMEs independent of each other established in at least 2 MS or AC. These 2 SMEs must be/have been participants together in a successful 'Research for SMEs' project that has finished or is in its last year of operation by the submission deadline date or members together of the 'other enterprises or end-users' in a 'Research for SME Associations' project in the FP7 Capacities Programme. In addition to this minimum consortium requirement, the participation of SMEs that have not taken part in the former research project is possible.
  - The coordinator of the project must be an SME.
  - At least 75% of the declared costs shall be carried out by the SME(s).

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Programme and for the dissemination of research results (2007-2013): "*RTD performer*" means a legal entity carrying out research or technological development activities in funding schemes for the benefit of specific groups as identified in Annex III to Decision No 1982/2006/EU".

- **Evaluation procedure:**

- The evaluation will follow a single stage procedure.
- The evaluation criteria and scoring scheme are set out in Annex 2 to the work programme.
- Please note that for this call, the threshold for the Potential impact criterion will be 4 (instead of 3) and the overall threshold will be 11 (instead of 10).
- Proposal page limits: Applicants must ensure that proposals conform to the page limits and layout given in the guide for applicants, and in the proposal part B template available through the EPSS.

The Research Executive Agency will instruct the experts to disregard any pages exceeding these limits.

The minimum font size is 11. All margins (top, bottom, left, right) should be at least 15mm (not including any footers or headers).

- Experts might be asked to carry out the individual evaluation of proposals remotely.
- The procedure for prioritising proposals with equal score for this call will differ from Annex 2 as follows: the first step (point 'i') making reference to topics is suppressed, and point "ii" (now point 'i') indicates that the proposals will be prioritised first according to the scores for the criterion impact and, when these scores are equal, according to the scores for the criterion scientific and technological excellence (ref. guide for applicants).
- A reserve list of proposals will be established.
- The following will be evaluated under the impact criterion for **Activities 2.1 Research for SMEs** and **2.2 Research for SME Associations**:

Within part B of the proposal, the rules on dissemination and use, including intellectual property rights management and the settlement of internal disputes, are described. In particular, part B should contain provisions related to the remuneration of the RTD performers especially if different from the default regime, clearly indicating the ceiling for remuneration agreed within the consortium and the related consequences in terms of allocation of ownership and use and dissemination rights.

- **Indicative timetable:** evaluation results estimated to be available within 3 months after closure date. Grant agreement signature: it is estimated that the first grant agreements related to the call will come into force 6 months after the closure date.

The objective is that all grant agreements will have been completed within 6 months after the adoption of the ranked list of proposals.

- **Consortium agreements:** The participants are deemed to have concluded a consortium agreement before the signature of the grant agreement.

It addresses issues such as the internal organisation of the consortium, the management of the European Union financial contribution, rules on dissemination and use, including intellectual property rights management and settlement of internal disputes.

- **The forms of grants and maximum reimbursement rates** which will be offered are specified in Annex 3 to the Capacities work programme.
- **Flat rates to cover subsistence costs:** In accordance with Annex 3 to this work programme, this call provides for the possibility to use flat rates to cover subsistence costs incurred by beneficiaries during travel carried out within grants for indirect actions. For further information, see the relevant guides for applicants for this call. The applicable flat rates are available at the following website: [http://cordis.europa.eu/fp7/find-doc\\_en.html](http://cordis.europa.eu/fp7/find-doc_en.html) under 'Guidance documents/Flat rates for daily allowances'.

#### IV OTHER ACTIONS<sup>18</sup>

The Research Executive Agency will appoint independent experts to assist with the evaluations of proposals and the review of indirect actions financed under FP7.

An indicative budget of EUR 4 121 042 has been earmarked for these purposes.

#### V BUDGET

##### Research for the Benefit of SMEs – Indicative budget\*

Activities	Budget 2012 (EUR million) <sup>19</sup>
Research for SMEs FP7-SME-2012-1	150.00
Research for SME Associations FP7-SME-2012-2	49.70
Demonstration Activity FP7-SME-2012-3	20.00
Calls for tenders	2.00
Other actions: • Expert Evaluators and Reviewers	4.12
<b>Estimated total budget</b>	<b>225.82</b>

\* An additional EUR 19 million of the 2012 budget will be dedicated to EUROSTARS (Art 185 TFEU). These data have only an informative purpose.

All budgetary figures given in this work programme are indicative. The final budgets may vary following the evaluation of proposals.

The final budget awarded to actions implemented through the call for proposal may vary:

<sup>18</sup> In accordance with Articles 14, 17 and 27 of Regulation (EC) No 1906/2006 of 18 December 2006 laying down the rules for the participation of undertakings, research centres and universities in actions under the Seventh Framework Programme and for the dissemination of research results (2007-2013).

<sup>19</sup> Under the condition that the draft budget for 2012 is adopted without modifications by the budgetary authority

- The total budget of the call may vary by up to 10% of the total value of the indicated budget; and
- Any repartition of the call budget may also vary by up to 10% of the total value of the indicated budget for the call

For actions not implemented through calls for proposals:

- The final budgets for evaluation, monitoring and review may vary by up to 20% of the indicated budgets for these actions.