

SME Instrument

Frequently Asked Questions

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A. ELIGIBILITY AND TYPE OF SMEs TARGETED

1) Who can apply?

Only a single for-profit SME¹ or a consortium of for-profit SMEs can apply for funding under the SME Instrument. All applicants need to be legally established in the [EU-28](#) or in a [country associated to Horizon 2020](#). Other partners, such as research providers or larger companies, can be involved as third parties, usually in a subcontracting relationship, and do not need to be established necessarily in the EU or countries associated to Horizon 2020.

2) Can I apply as a single entity?

If you are a for-profit SME established in the EU or a country associated to Horizon 2020, yes.

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

There is no best option. It is up to you to define how the project could be better implemented in function of many different factors. Without being comprehensive, the differences between a single company application and a consortia lie in elements like project ownership and responsibility, IPR arrangements, but also financial viability, and not only in the distribution of tasks.

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

The European Commission is looking for highly innovative firms – based in the EU-28 or in countries associated to Horizon 2020 – that are ambitious and have the potential to develop, grow and have a European or international impact. It is advisable that the SME has, and can demonstrate, a good knowledge and experience in the markets it intends to master. The European Commission is interested in companies which follow a development strategy that pursues breakthrough innovation and/or the potential to disrupt existing markets.

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

Please refer to [the EU definition of an SME](#). If you're still not sure, please check the [EU extensive user guide](#). In addition, the Horizon 2020 Beneficiary Register – available via the [Participant Portal](#) – includes an SME self-assessment test.

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

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

You must not send any documents. Companies must complete an online questionnaire if they want to [register](#) as an SME in the Beneficiary Register of the Participant Portal. SMEs will be asked for a self-assessment of their SME status through this web-based questionnaire. Only after registering can SMEs start applying for funding under the SME Instrument. If a company disagrees with the outcome of the questionnaire, it can request manual verification: in that case, the validation service will request all necessary documents for assessment.

7) *How do I initiate the SME self-assessment process in the Beneficiary Register of the Participant Portal?*

Once you have completed the first part of your Participant Identification Code (PIC) registration process, you will be given the option to choose a specific programme. Proceed by selecting Research and Innovation Programme from the drop down list. You will subsequently be asked whether you want to declare your organisation as SME. The SME self-assessment wizard will then run you through the rest of the process.

Note: Please make sure you have all required financial accounts readily available when you start the SME self-assessment. [A user guide is available here](#)

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

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

9) *Can SMEs from non-EU countries participate?*

Only applications from a single SME or a consortium of SMEs that are all established in [EU Member States](#) or [countries associated to Horizon 2020](#) are eligible for funding. However, SMEs established in other countries can be involved as third parties, for example in a subcontracting relationship.

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

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

To be precise: if the applicant or any member of the consortium has already submitted another application for SME Instrument Phase 1 or Phase 2 funding, it is not possible to submit a further proposal until an applicant receives the information that the submitted proposal will not be funded. If a proposal has been accepted for funding, and for the duration of the project concerned, it is also not possible to submit a further proposal, since it would be ineligible.

11) Does this mean that I cannot submit a proposal for Phase 1 if I am already a partner in a Phase 2 project?

Yes.

12) But could I however submit a proposal to the SME Instrument and at the same time to another (not SME Instrument-related) topic of Horizon 2020 or other EU programme?

Yes.

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

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

B. PREPARING YOUR APPLICATION AND SUBMITTING YOUR PROPOSAL

1) How do I start?

A good first step is to contact the closest [SME National Contact Point](#) or [Enterprise Europe Network \(EEN\) partner](#), that are entitled to provide SMEs free-of-charge info and guidance on Horizon 2020 (including the SME instrument) and other EU programmes, among other services.

2) Where can I find information online?

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

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

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

Furthermore, by carefully reading the topic description you can check whether your proposal is effectively addressing the proposed innovation domain and avoid potential 'out-of-scope' circumstances. For instance, you could discover that the urban development solution that you have in mind is probably better placed in a topic other than 'Space' or that the 'Open

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

Disruptive Innovation Scheme' topic has little relevance for your innovative mechanical equipment.

4) *Is there a template for applications/proposals to Phase 1 and Phase 2?*

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

5) *Can I delete the comments and guidance notes in the application template in order to have more space available for my application?*

Yes.

6) *Can I apply directly to Phase 2?*

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

Phase 1 supports an SME or SMEs to assess all aspects, including the commercial potential, of an innovation project that could become crucial for the development and/or consolidation of a strategy to enhance competitiveness and to grow. Phase 1 is not mandatory, but recommended so as to be able to present a well-substantiated proposal for Phase 2.

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

7) *Is there a template for applications to Phase 3?*

No. Only SMEs already participating in previous phases might benefit from Phase 3.

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

We suggest you review the SME Instrument [information site](#). You can refer also to the specific proposal templates for the SME Instrument (available via [the Participant Portal](#)), and to [part D of the General Annexes to the Work Programme](#).

Phase 3 does not provide direct funding. It offers a range of services in support to go-to-market and access to finance, in particular via the [financial facilities supported under Horizon 2020](#) and [COSME](#) programmes.

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

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

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

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

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

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

Can research and development activities be supported?

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

12) How developed should my business model be at submission stage?

It depends on which Phase you are applying to:

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

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

SME Instrument support is directed towards companies that maximize their impact and mobilize wide market uptake of their innovation(s), helping them reach a critical mass and self-sufficiency during the project and in the short/medium term.

A clear business and exploitation strategy should be building blocks for every proposal. The challenge for SME instrument applicants in terms of market replication is to find ways to encourage the uptake of their innovation on a broader scale during their project or shortly after.

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

Phase 3 is not obligatory. Given the end goal of the SME instrument, which is delivering innovation onto the market, and the ambitions of successful applicants – which are commercial success and growth – the preparation of an elaborate business plan is self-evident.

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

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

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

No, once submitted a proposal cannot be reworked before it has been evaluated. Once the applicant has received feedback from evaluation, he is free to rework his proposal and submit a modified version, even before the next cut-off date if time allows.

17) If I submit a proposal and it is rejected after the cut-off date, can I resubmit it again?

You can re-apply as soon as you receive a rejection. Nevertheless, we strongly recommend to work on the innovation strategy of your company and to improve the proposed business case before resubmitting. You would be well advised to consult a [National Contact Point](#) or an [Enterprise Europe Network \(EEN\) partner](#) before any re-submission.

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

You can submit your application for Phase 1 or Phase 2 at any time. Each application is sent to evaluation immediately after submission. The SME Instrument call is permanently open with – in general – four cut-off dates per year. Applications can be submitted at any time. In the interest of fast evaluation and turnaround, applicants are encouraged to submit their proposal as long as possible before cut-off dates.

C. EVALUATION OF YOUR PROPOSAL

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

Expert evaluators, Agency and European Commission staff are bound by a confidentiality agreement and will incur serious sanctions in case of violations.

European Commission and Agency services will verify that no conflicts of interest could occur before a proposal is allocated to experts for evaluation. Furthermore, applicants are entitled to name three individual experts that will not be allowed to see and evaluate the submitted proposal. Project outputs will be classified by different confidentiality levels up to publishable results.

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

The main evaluation criterion is 'impact', which has a weighting of 1.5 for proposals above threshold; it looks at the likely economic impact of the company a few years down the line. The 'excellence' criterion focuses on the quality and specifically the breakthrough nature of the innovation. For further information please consult the [self-evaluation form](#) on the Participant Portal.

D. FEEDBACK ON YOUR PROPOSAL

1) *How long will it take before I receive feedback from evaluation after having submitted my proposal?*

We aim to inform you within about 4 weeks after submission whether or not your application met all the necessary thresholds in order to be considered fundable. However, we can only tell you if it will be funded after the relevant cut-off date (which occurs every three months). This is because decisions on funding are taken after ranking the whole batch of proposals submitted before or on the periodic date concerned.

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

Yes, though only up to a point. Your proposal will be evaluated a short time after you submit it, and we will tell you whether or not it has passed the minimum quality threshold. However, as mentioned in the previous question, we can only tell you if it will be funded after the relevant cut-off date.

E. FUNDING AND FINANCIAL ADMINISTRATION

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

For single applicants/participants:

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

For coordinators of SME consortia:

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

- In Phase 2, project coordinators receiving a grant of EUR 500 000 or more must undergo a financial viability check, in line with [the specifications in the Horizon 2020 online manual published on the Participant Portal](#).

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

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

PHASE 1

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

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

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

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

5) *Is there an advance payment of grant money?*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PHASE 2

12) *Is there a minimum budget to apply for funding?*

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

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

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

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

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

15) Is a bank guarantee required?

No.

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

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

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

The general Horizon 2020 financial rules apply.

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

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

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

19) Are marketing costs considered as eligible direct costs?

If communication and interaction activities with potential investors or customers, or dissemination of milestone achievements during the project (under a work-package 'communication activities') are necessary to implement the project, then those costs are eligible.

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

20) What rules apply to subcontracting?

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

For Phase 2, subcontracting is not restricted to a limited part of the action. However, for very high subcontracting levels in a Phase 2 project, the motivation or the capacity of the participant to carry out the action could be subject to doubt and would have to be very well justified.

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

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

For subcontracting related to clinical trials, please refer to the 'FAQ' and the 'Essential information for clinical studies' documents for Societal Challenge 1:

<http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/calls/h2020-phc-2015-two-stage.html#tab2>)

F. IMPLEMENTATION

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

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

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

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

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

Some complementary services supporting go-to-market can already be accessed during Phase 1 or 2, for example those offered by the Enterprise Europe Network (EEN).

3) What about periodic reporting?

There is one report at the end of Phase 1. The number of reporting periods in Phase 2 will depend on the project duration. In general, projects with a duration of 12 months will only have a single period.

G. COACHING AND OTHER FORMS OF SUPPORT

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

The coaching provided covers business development and management issues. Up to 3 days are offered in Phase 1, and up to 12 days in Phase 2. The role of the coach is to support the SME (specifically its management team) in its (project-related) go-to-market efforts. This service is offered exclusively to SME Instrument participants.

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

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

However, participants will be offered access to a range of additional services including investment-readiness support, potential risk finance, and [EEN services](#), in order to help successful go-to-market of the innovation during Phase 3.

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

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

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

Eurostars II provides funding for transnational, collaborative projects led by R&D performing SMEs in [participating EUREKA countries](#), while the SME Instrument offers full-cycle support for all types of innovation performed by all kinds of innovative SMEs based in the EU or in Horizon 2020 associated countries. Only the SME Instrument supports single companies. Funding may be complementary in certain cases, but can never be combined.

H. FOR CANDIDATE EVALUATORS/COACHES

1) Is it possible to be an evaluator under a call topic in which my company has submitted a proposal?

No, according to the rules under Horizon 2020, evaluators will not be assigned with the evaluation of their own proposal or any proposals competing with it, for obvious conflict of interest-reasons.

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

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

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

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

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

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

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

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

I. MORE INFORMATION

1) *Where and when can I find additional information and guidelines related to the SME instrument?*

If you would like to get acquainted with the basic features of the SME instrument, please download [this leaflet](#), or review this [info-graphic](#).

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

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

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

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

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