



Guidance Notes for Horizon 2020 SME Instrument Applicants

1. Overall background information about the SME Instrument

- 1.1. Provision within the Horizon 2020 framework programme to support highly innovative SMEs (Small Medium Enterprises) that have the capacity to make a disruptive contribution to existing markets, through the application of new technology.
- 1.2. Budget of €2.9 billion over 7 years.
- 1.3. Single company applications are welcomed.
- 1.4. Applications have to be made against specific “SME Instrument Calls”. Each call relates to a particular theme such as Sustainable Food Production or ICT. In 2015 there are 13 such themes.
- 1.5. Applications can be submitted throughout the year. There is no need to wait until a specific cut-off date or deadline: the earlier a proposal is submitted, the earlier it will be evaluated.
- 1.6. Further information on each of the SME Instrument calls can be found at the following link:
http://ec.europa.eu/easme/sme_en.htm

2. Eligibility Criteria

- 2.1. Application has to be led by a “for profit”, trading SME based within the European Union or one of the Horizon 2020 associate countries. For the definition of an SME see:
http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_de
- 2.2. While single entity applications are welcomed, collaborative applications can also be entertained.
- 2.3. Part of the work programme may be subcontracted to another type of organisation (e.g. academic research group) but the application would have to demonstrate that this was the most cost effective way for conducting that part of the work programme and it would be normally expected that such a part would not be a major part of the work programme. The SME must clearly be leading the project.
- 2.4. The expectation is that the applicant will be an established SME with at least 3 years’ trading accounts to demonstrate financial sustainability. A start-up company can apply but they will have to demonstrate that they have a viable, long-term business plan whether or not they were to receive funding support through the SME Instrument.

3. Structure and Support Available

- 3.1. There are three “phases” within the SME Instruments. Only Phases 1 and 2 carry funding support. In phase 3, companies can call on (non-financial) support services of the Enterprise Europe Network.
- 3.2. Applications can be made at Phase 1 or Phase 2. While it is anticipated that most projects will start with Phase 1 and then proceed to Phase 2, applications will be evaluated for projects that go straight

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in for Phase 2. However, it is recognised that a project that received Phase 1 support and demonstrates that it is a commercialisable concept is likely to have a greater chance of receiving Phase 2 support than many projects that go straight for Phase 2.

3.3. **Phase 1** –Concept and feasibility assessment

3.3.1. Idea to concept

3.3.2. €50,000 flat rate funding support (nominal match) plus 3 days free business coaching

3.3.3. "Key Account Manager" from the Enterprise Europe Network (EEN) who will help the SME manage the project by, determining coaching needs, proposing suitable coaches and facilitating the interaction between all concerned parties

3.3.4. Approximately 6 months duration

3.3.5. Typical activities supported: Prove Technical and Commercial Viability, Explore IP Regime, Design Study, Develop Pilot Application, Risk Assessment, Business Planning

3.3.6. Output will be a business plan that could be incorporated into an application for..

3.4. **Phase 2** –Demonstration of Commercial Potential

3.4.1. Concept to market-readiness

3.4.2. €0.5 million to €2.5 million funding support at 70% of project costsⁱ plus up to 12 days free business coaching.

3.4.3. Services of a Key Account Manager, including regular progress monitoring to help keep coaching and the project as a whole on track.

3.4.4. Duration 1 – 2 years

3.4.5. Typical activities supported: Prototyping, Testing, Piloting, Miniaturisation, Scaling-up, Application Development, Business Planning

3.4.6. Output will be an elaborated business plan and a product or application that can be commercialised.

3.5. **Phase 3** –Commercialisation

3.5.1. Market-readiness to market launch

3.5.2. No funding support or business coaching as such. Innovation support, partnering and internationalisation services of the Enterprise Europe Network remain available. Since the EEN Key Account Manager will have gained a good understanding of the company and its specific needs by then, particularly targeted, individualised services can be provided.

3.5.3. Help provided for: EU Quality Label (Promotion & Networking with Financiers/Clients), Investment Readiness Training, Facilitating access to private finance, Training, coaching, IP management, Knowledge Transfer

4. Types of Project Supported

4.1. Potentially market-disruptive projects from highly innovative firms.

4.2. Underlying technology needs to be at, or progressing towards, Technology Readiness Level 6 (TRL6), i.e. it can be practically demonstrated in a relevant (industrial) environment. For a list and definition of the different TRLs see:

http://ec.europa.eu/research/participants/data/ref/h2020/wp/2014_2015/annexes/h2020-wp1415-annex-g-trl_en.pdf

4.3. The SME Instrument is designed to support innovation projects that are close to market introduction. It will not support pure research projects. The aim of the project always has to have a

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clear business dimension and demonstrate the growth potential the company expects to derive from it.

4.4. Experience of the first evaluation round for Phase 1 applications has shown:

4.4.1. There were wide variations as to the amount of applications attracted by the different calls.

4.4.2. While the budgets allocated to the different calls also varied, some calls were far more heavily oversubscribed than others.

4.4.3. In particular, applications for the Food Production and ICT calls were least likely to be successful (only 24% and 28% respectively of those that achieved higher than “threshold” (see below) scores).

4.4.4. For other calls such as (Green Transport, Urban Infrastructures, Diagnostic Devices and Biomarkers and Space) if the application received an evaluation score above the “threshold” (see below) it would have automatically been funded.

5. Application Process

5.1. An application for a Phase 1 or Phase 2 project can be made at any time but evaluation (see below) takes place in discreet evaluation rounds each with their cut-off date of which there will be four a year for both Phase 1 and Phase 2.

5.2. The company must first register as an SME in the Beneficiary Register of the Participant Portal. Check if you are already registered or to register visit:

<http://ec.europa.eu/research/participants/portal/desktop/en/organisations/register.html> This will entail obtaining a 9 digit Participant Identification Code (PIC) and then completing an on-line SME Self-Assessment Questionnaire to verify SME status.

5.3. To submit your project proposal, you need to go to the section Electronic Proposal Submission on a specific Topic page that belongs to a call. You need to be logged in with your Participant Portal account to start filling in standard forms and submit your proposal to the Commission.

5.4. It is an on-line process but there are templates that can be used to help prepare the application these are available at:

http://ec.europa.eu/research/participants/data/ref/h2020/call_ptef/pt/h2020-call-pt-sme-1_en.pdf (for Phase 1) and: http://ec.europa.eu/research/participants/data/ref/h2020/call_ptef/pt/h2020-call-pt-sme-2_en.pdf (for Phase 2)

6. The Project Proposal

6.1. Applicants are advised to concentrate first on the Project Proposal (Section B) of the template where the requirements for the project proposal itself are laid out. The indicated section headings and sub headings should be used as presented.

6.2. The indicated page limits must be observed. These are: for full proposals, the cover page, and sections 1, 2 and 3, together should not be longer than 10 pages for a Phase 1 application or 30 pages for a Phase 2 application.

6.3. All tables in these sections must be included within this limit.

6.4. The minimum font size allowed is 11 points.

6.5. The page size is A4 and all margins (top, bottom, left, right) should be at least 15 mm (not including any footers or headers).

- 6.6. While the templates provide guidance notes as to what should be included in each section, applicants should also take note of the evaluation criteria that the evaluators will be considering, see below.
- 6.7. Considering the conclusions that can be drawn from applications received so far, proposals are more likely to succeed if they
- includes a clear and thorough description of the business opportunity linked to the project (rather than just describing the project itself),
 - Explain why the proposer is more likely to succeed than a competitor would be (i.e. a convincing company description is needed)
 - Show a clear understanding of the target market(s), including information about (potentially) competing products and a concept for commercialisation
 - Demonstrate why the proposed project leads to a real innovation and show it does not replicate existing products
 - See also comments under Evaluation below.

7. Evaluation Overview

7.1. Evaluation cut-off dates are (2017):

Phase 1	3 rd May	Phase 2	6 th April
	6 th September		1 st June
	8 th November		18 th October

7.2. Upon submission, applications are first checked for eligibility then allocated to 3 or 4 independent evaluators. Each will read the application and score it against three criteria, Impact, Excellence and Quality of Implementation.

7.3. A Phase 1 application has to achieve a threshold score of at least 4 out of 5 for each criteria and an overall score of 13 out of 15 for it to be considered for funding.

7.4. Evaluators have been briefed to look for the following evidence under each criterion. the criterion Impact will be evaluated first, then Excellence and Implementation. If the proposal fails to achieve the threshold for a criterion, the evaluation of the proposal will stop:

7.4.1. Impact

- Convincing description that there will be a market for the innovation
- Targeted users are well described
- Good understanding of market conditions, growth rate, competitive solutions and key stakeholders, or includes a plan for achieving this
- Realistic description how the innovation has the potential to boost the growth of the applying company
- Demonstration of alignment with the overall company strategy; commercial and management experience; requirements for commercial exploitation
- Initial commercialisation plan is outlined and explains how it will be further developed
- Clear European dimension
- Realistic description of status and strategy of knowledge protection

7.4.2. Excellence

- Innovation aims at exploring new market opportunities addressing EU/global challenges

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- Realistic description of the current stage of development; added value of innovation; understanding of competing solutions
- Good comparison with known commercial solutions or includes plans for achieving this information
- Approach and activities to be developed are consistent with the expected impact of the project
- Expected performances of the innovation are convincing and have a relevant commercial potential; potentially better than alternatives
- Good understanding of both risks and opportunities related to a successful market introduction of the innovation, both from a technical, commercial point of view

7.4.3. Implementation

- The proposal demonstrates that the project has the relevant resources (personal, facilities, networks, etc.) to develop its activities in the most suitable conditions
- If relevant, describes in a realistic way how key stakeholders /partners /subcontractors could be involved
- The proposal includes a realistic time frame and a comprehensive description of work
- The team has relevant technical/scientific knowledge/management experience, including a good understanding of the relevant market aspects for the particular innovation. If relevant the proposal includes a plan to acquire missing competences.

7.5. Applicants should also consider the points made on the self-evaluation form:

http://ec.europa.eu/research/participants/data/ref/h2020/call_ptef/ef/h2020-call-ef-sme_en.pdf

- 7.6. After the deadline for the relevant evaluation round, the proposals that have achieved evaluation scores above the thresholds will be considered for funding. For each of the calls there is an allocated budget. If the number of above threshold proposals is lower than the budgeted allocation for a particular call then they will all receive funding. If, on the other hand, the number of above threshold proposals exceeds the allocated budget for that call (as in the majority of the calls for the 1st Phase 1 evaluation round) then those proposals will be ranked according to their evaluation round but with the **score for Impact being weighted 1.5 compared to a weighting of 1 for the scores for the other criteria.**
- 7.7. Successful applicants will be notified by letter, unsuccessful applicants should receive an email notification to say that their evaluation summary has been posted against their proposal on the Participants' Portal.
- 7.8. Unfortunately the commission are unable to give anything other than the score for each criterion and a very generic comment as feedback.

8. Sources of Help

8.1. Enterprise Europe Network Hamburg/ Schleswig-Holstein

See <http://hhsh.enterprise-europe-germany.de/>

Email: een@ib-sh.de

Phone: 0431 9905 -3495

8.2. National Contact Points

See: <http://www.horizont2020.de/beratung-nks-kmu.htm>

ⁱ Health projects may attract up to €5 million funding at 100% of project costs

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