

**WORK PROGRAMME 2011**

***CAPACITIES***

**PART 2**

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

***(European Commission C(2010)4903 of 19 July 2010)***

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

### **Objectives:**

**Strengthening 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 between research and innovation through European level collaboration.**

## **I CONTEXT**

### Approach for 2011

The Europe 2020 initiative of the European Commission (COM(2010)2020) sets out a strategy for smart, sustainable and inclusive growth. One of its major priorities is to further develop an economy based on knowledge and innovation.

A major objective of FP7 is to strengthen industrial competitiveness. SMEs generate most jobs and develop innovative products, processes and services in the European economy. They are therefore key actors for the implementation of FP7. This feeds directly into the goal to support the efforts of SMEs to internationalise in major growth markets<sup>1</sup>.

This work programme, with its focus on both research and innovation-related activities for SMEs, is part of the FP7 contribution to the EU2020 strategy.

The Capacities programme for SMEs aims at enhancing the research and innovation capacities of European SMEs which have little or no research capacities themselves and want to outsource research to specialised "RTD performers" (research service providers) but can also include 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, addressing in such a way the ERA objective of bringing industry closer to research and academia.

These specific measures are complemented by activities in the 'Cooperation' programme. There, however, SMEs participate themselves in the research, 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.

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<sup>1</sup> Political Guidelines for the next Commission- José Manuel Barroso

One of the flagship initiatives tabled under the Europe 2020 initiative is: "Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs. In response to this, the 2011 SME work programme promotes increased demonstration activities: on one side it strongly encourages the demonstration component in 'Research for SMEs' and 'Research for SME Associations' projects and, on the other side, it tests a new scheme dedicated to demonstration activities. If it will prove successful, the Commission intends to use this experience to elaborate viable options to enhance demonstration activities in future work programmes.

Therefore, WP2011 combines some novelty aspects with the continuation and consolidation of core measures already presented in the previous SME Work Programmes.

To achieve the objectives, the following activities will be implemented:

1) Supporting SMEs outsourcing 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 or SME associations 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.

The 2011 budget allows for funding the two distinct core schemes:

- 'Research for SMEs' targets mainly low to medium technology SMEs with little or no research capability, but also research performing SMEs who need to complement their core research capability. 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.
- 'Research for SME Associations' 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.

Both schemes follow a bottom-up approach, meaning that the research can originate in the entire field of science and technology in all industrial sectors. 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 two 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 himself.

SMEs or SME associations and RTD performers under the 'Research for the benefit of SMEs' programme have a "customer-seller" relationship. To further develop their activities, SMEs or SME associations buy knowledge from RTD performers, who sell their expertise and work at market conditions. The activities undertaken by SMEs or SME associations with their own resources are essentially focussed on initial specifications and on the validation and testing of the acquired knowledge. The specific funding model for this scheme emphasises the interest to maximise the share of outsourced research in the project.

In this context, the real investment or cost incurred by SMEs or SME associations includes a price they pay for the know-how they wish to acquire: i.e. the intellectual property rights and knowledge developed during the project.

The funding model developed reflects the economic nature of this relationship.

- From an SME/ SME association perspective it is important that it is well verified and justified how the proposed research investment fits into the overall business strategy of the SMEs (economic sectors) involved. Although the level of public funding provided is substantial, it will never cover all the costs, shortfalls will have to be covered by the participating companies or associations themselves.
- Strong emphasis is put on the outsourcing character of the actions: 'research and technological development activities' of the RTD performers should form the bulk of the project, assessed in terms of the level of activities and resources deployed.
- Flexibility is given to the consortium in establishing an agreement on intellectual property rights. The default regime is full ownership of all project results by the SMEs or SME associations. The consortium may reach a different agreement in their own best interests, as long as the SMEs and SME associations 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 price of the services provided by the RTD performers.
- 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 SMEs or SMEs associations and/or other enterprises and end-users, as agreed amongst them prior to contract signature in compliance with Article 120 of the Financial Regulation. 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 be protected against the legal impossibility for an SME or SME association to honour its financial commitment towards them. 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.

## 2) Supporting SMEs for demonstration activities

The 2011 work programme foresees a new test action, 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. The concept is to prove 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 because some further technological development is required. Activities could e.g. include testing of prototypes, scale-up studies, performance verification and implementation of new technological and non-technological solutions. This test action could also include detailed market studies and business plans. There are no thematic restrictions.

In the previous 2010 'Research for the Benefit of SMEs' work programme, as well as in this 2011 work programme, the inclusion of demonstration activities in the research projects themselves is encouraged and analysis shows that for the 'Research for SMEs' scheme up to 8% of costs on average do relate to demonstration. It is obvious that the demonstration element as part of future SME-specific R&D-projects should gain importance. The test action should also contribute additional insights on how this could be achieved most effectively.

The test action is targeted to SMEs having participated or still participating in a 'Cooperative/Collective research' project funded under the last FP6 call (FP6-2004-SME-COOP and FP6-2004-SME-COLL) or in a 'Research for SMEs'/'Research for SME Associations' project in FP7. 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 subjects of the demonstration action are ready and suitable for exploitation.

- **International cooperation:** With the aim to reinforce international cooperation on RTD for SME, in particular on manufacturing, at global level, proposals under the Intelligent Manufacturing System (IMS) scheme ([www.ims.org](http://www.ims.org)), characterised by an international partnership and technical subjects with a clear global relevance are welcome. Furthermore, 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 actions** form an essential part of the SME-specific measures. They exist in first instance in the form of direct exploitation of the project results by SMEs. This presents, indeed, a core feature of the assessment of the potential impact of the project.
- To fully exploit European research and innovation potential, **women entrepreneurs** and female researchers are encouraged to participate in the SME research specific measures.
- **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 innovative SMEs to solve common or complementary technological problems. Projects must be centred on the innovation needs of the SMEs which outsource research to RTD performers and must demonstrate a clear exploitation potential for the SMEs concerned.

#### 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>2</sup>.

#### Participants

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

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

At least three independent SME participants 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://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:EN:PDF>).

However, SMEs that are research centres, research institutes, contract research organisations or consultancy firms are not eligible as SME participants.

SMEs are the direct beneficiaries of the scheme: they outsource part of their research needs by investing in research activities carried out by the RTD performers. The grant will cover only part of this investment. The SME participants normally retain the full right of use and dissemination of any project results (Foreground). Projects are centred around 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 be directly involved in the take-up and exploitation of the research results to their own best advantage.

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<sup>2</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.

## 2. RTD performers:

At least two RTD performers independent from any other participant.

RTD performers are legal entities carrying out research and technological development activities for the benefit of SME participants. Examples of RTD performers are universities, research organisations and industrial companies, including research performing 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 solving specific problems or needs of the SME participants involved. They must be independent from 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**

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 may include conferences, publications, workshops or web-based initiatives.

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**

Budget: EUR 110 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 rules for participation.

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 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 Regulation. 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 legal impossibility for 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 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 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 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.

By default, the preferred option is that the SME-participants retain the full ownership of the Foreground and the RTD performers are remunerated accordingly. However, the SMEs may agree on other conditions with the RTD performers. It is e.g. conceivable that the SMEs do not require property rights on Foreground but that their economic interest is fully satisfied by a (non)-exclusive license. In such a situation, the RTD performer could retain ownership of the IPR and certain use rights to valorise and get a return on its own investment. This in turn will affect the level of remuneration paid by the SMEs for the research services delivered.

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 strengthening the competitiveness of SME participants and contribute at programme level to improving industrial competitiveness across the European Union. The proposed Science & Technology approach should take into account 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.

The expected outcome includes new/improved products, processes or services with a distinct market potential: they should 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 or target markets 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>3</sup>.

### **Participants**

The scheme requires participants from the following three categories:

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

At least three independent SME association/groupings, 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 independent legal entities, 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 around 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 grant will cover only part of this investment. 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-

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<sup>3</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.

AGs. They ensure the broad use and dissemination of the research results by their SME members to their best advantage.

**2. RTD performers:**

At least two RTD performers independent from 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 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 SME-AGs.

**Type of activities**

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 for the SME-AGs members.

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 may include conferences, publications, workshops, web-based initiatives.

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**

Budget: EUR 79 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 between 10 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 rules for participation.

In addition, for actions under 'Research for SME Associations', the reimbursement of eligible costs is in line with the applicable reimbursement rates according to Article 33 of the Rules for participation. However, the overall financial support will be limited to a maximum value not exceeding 110% of the total paid invoice to the SME association for RTD and demonstration activities outsourced to the RTD performers.

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.

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 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-participants, and in the best interest of the SME-AGs and their SME-members, before submitting the proposal.

By default, the preferred option is that the SME-AGs retain the full ownership of the Foreground and the RTD performers are remunerated accordingly. However, the SME-AGs may agree on other conditions with the RTD performers. It is e.g. conceivable that the SME-AGs do not require property rights on Foreground but that their economic interest is fully satisfied by a (non)-exclusive license. In such a situation, the RTD performer could retain ownership of the IPR and certain use rights to valorise and get a return on its own investment. This in turn will affect the level of remuneration paid by the SME-AGs for the research services delivered.

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 SMEs 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 ensure 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 action**

### **Technical content/scope**

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. This phase could also include detailed market studies/business plans or market strategies.

### **Topics**

The Demonstration action is a bottom-up scheme: the projects may address any research topic across the entire field of science and technology<sup>4</sup>.

### **Participants**

The consortium must consist of a minimum of 3 SMEs from at least 3 different Member States or Associated Countries. These three SMEs must be/have been participants together in a 'Cooperative research' project funded under the last FP6 call (FP6-2004-SME-COOP) or in a 'Research for SMEs' project. SMEs which were members together of the 'SME core group' in the FP6-2004-SME-COLL call or which are members together of the 'other enterprises or end-users' in a 'Research for SME Associations' project in FP7 may also participate.

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 associations, large companies and/or RTD performers is possible.

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

### **Type of activities**

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. It is expected that the management, training and other costs should not exceed 10% of the total cost of the project.

Sub-contracting should be limited to specialised tasks (such as market studies, support to IPR and use of external testing facilities) and duly justified.

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<sup>4</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.

**Resources and duration**

Indicative budget: EUR 15 million.

The overall budget of a project should typically be between 0.5 to 3 million €.

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

**Funding Scheme:** Collaborative Projects.

The co-funding for demonstration activities is therefore limited to up to 50% of the costs.

**Excepted 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 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 are the subject of the demonstration action have been originated within a 'Cooperative/Collective research' project funded under the last FP6 call (FP6-2004-SME-COOP and FP6-2004-SME-COLL) or a 'Research for SMEs'/'Research for SME Associations' project in FP7 and that these results are ready and suitable for the exploitation phase through the demonstration action.

### III IMPLEMENTATION OF CALL

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

- **Call identifier:** FP7-SME-2011
- **Date of publication:** 20 July 2010 at 17.00.00, Brussels local time<sup>5</sup>
- **Deadline:** 8 December 2010 at 17.00.00, Brussels local time<sup>6</sup>
- **Indicative budget:** EUR 204 million<sup>7</sup>

Activity/ Area	Indicative budget (EUR million)
<b>2.1 Research for SMEs</b>	110
<b>2.2 Research for SME Associations</b>	79
<b>2.3 Demonstration Action</b>	15

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 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>5</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>6</sup> The Director-General responsible may delay this deadline by up to two months

<sup>7</sup> Under the condition that the draft budget for 2011 is adopted without modifications by the budgetary authority.

Activity/ Area	Topics called	Funding Scheme
<b>2.1 Research for SMEs</b> (SME.2011.1)	The call is open to all research fields <sup>8</sup>	Research for the benefit of specific groups (in particular SMEs) - BSG
<b>2.2 Research for SME Associations</b> (SME.2011.2)	The call is open to all research fields	Research for the benefit of specific groups (in particular SMEs) - BSG
<b>2.3 Demonstration Action</b> (SME.2011.3)	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 per 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 independent SMEs established in at least 3 MS or AC.
  - At least 2 participants must be RTD performers<sup>9</sup> independent from any other participant.

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<sup>8</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.

- SMEs that are research centres, research institutes, contract research organisations or consultancy firms are not eligible as SME participants. 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 independent SME association/groupings 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 independent legal entities 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. With relation to the provisions set out in Article 33 of the Rules for Participation, SME-AGs benefit from the same status as SMEs.
  - 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 from 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 Action**:
- At least 3 participants must be independent SMEs established in at least 3 MS or AC. These three SMEs must be/have been participants together in a 'Cooperative research' project funded under the last FP6 call (FP6-2004-SME-COOP) or in a 'Research for SMEs' project. SMEs which were members together of the 'SME core group' in the FP6-2004-SME-COLL call or which are members together of the 'other enterprises or end-users' in a 'Research for SME Associations' project in FP7 may also participate.
  - At least 75% of the declared costs shall be carried out by the SME(s).

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<sup>9</sup> As defined in art.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 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 of 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 of 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>10</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. The Commission will appoint independent experts for the review of indirect actions financed under the previous framework programmes, in accordance with Articles 17 and 27 of the Rules for Participation.

An indicative budget of EUR 4.36 million has been earmarked for these purposes.

#### V BUDGET

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

Activities	Budget 2011 (EUR million) <sup>11</sup>
Research for SMEs                      FP7-SME-2011-1	110.00
Research for SME Associations      FP7-SME-2011-2	79.00
Demonstration Action                  FP7-SME-2011-3	15.00
Other actions: • Expert Evaluators and Reviewers	4.36
<b>Estimated total budget</b>	<b>208.36 *</b>

\* An additional EUR 18 million of the 2011 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.

<sup>10</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>11</sup> Under the condition that the draft budget for 2011 is adopted without modifications by the budgetary authority

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

- 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.