



Research for SME associations at a glance...



Objectives

Research for SMEs associations aims at developing technical solutions to problems common to a large number of SMEs in specific industrial sectors or segments of the value chain through research that could not be addressed under **Research for SMEs**. Projects can, for example, aim to develop or conform to European norms and standards, and to meet regulatory requirements in areas such as health, safety and environmental protection. Projects must be driven by the SME associations, which are given the opportunity to subcontract research to RTD performers in order to acquire the necessary technological knowledge for their members.

Projects must render clear exploitation potential and economic benefits for the SMEs members of the associations involved.

Principle – the overall approach

The SME associations and their members are the direct beneficiaries of the project: they invest in the RTD project and outsource (subcontract) most of the research and demonstration activities to RTD performers and receive in return the technological know-how they need.

The relationship between the SME associations, who act on behalf of their members, and the RTD-performers under this programme is therefore a “customer-seller” relationship. The idea is to allow SME associations to assist their members in further developing their activities by buying knowledge from RTD performers, who sell their expertise and work. Research and development activities undertaken by the SME associations themselves (and their members) with their own resources are essentially focussed on initial specifications and, later, on validation and testing of the acquired knowledge. In this context, the real investment or cost incurred by the SME associations includes the price they pay for the know-how they wish to acquire on behalf or for their members: the intellectual property rights and knowledge developed during the project.

From the perspective of the associations and their members, but also for a positive evaluation of the proposal, it is important that it is well verified and justified how the proposed research investment addresses the needs of large communities of SMEs. Furthermore it is crucial to demonstrate how the activities for dissemination and use will ensure that indeed large communities of SMEs will benefit economically from the project results. The associations and their members have to keep in mind that, even if the level of public funding provided is substantial, it will never cover all the costs, shortfalls will have to be covered by the participating associations themselves.

It is important to note that **Research for SMEs associations** is a bottom-up scheme: the projects may address any research topic across the entire field of science and technology.



Activities in the project

A project will typically require a mix of different activities to achieve its objectives:

- § **Research and technological development activities (RTD)** form the core of the project with a major contribution from the RTD performers. SME associations, their members and the SMEs directly involved in the project focus on specifications, testing and validation of project results and the preparatory stages for further use.
- § **Demonstration activities (DEMO)** 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). This is the last development stage before products or processes enter production.
- § **Other activities (OTHER)** facilitate the take-up of results by the SME associations and their members, in particular training and dissemination.
- § **Management activities (MANAG)** are a regular part of the project and provide an appropriate framework that brings together all project components and maintains regular communications with the Commission.

Minimum requirements for the consortium

Projects under **Research for SME associations** require participants from the following categories:

- § At least three independent SME association/groupings (SME-AGs), established in three different Member States or associated countries, or one European SME association/grouping. SME associations/groupings are legal persons, composed mostly of and representing the interests of SMEs (e.g. industrial associations, national or regional industrial associations and chambers of industry and commerce).
- § RTD performers: At least two RTD performers which must be independent from any other participant and which can come from any country. Examples of RTD performers are universities, research organisations and industrial companies, including research performing SMEs.
- § In addition, Other enterprises and end-users (including SMEs) may participate by making a particular contribution to the project. They must also be independent from any other participant. A limited number of individual SMEs (2-5) must participate to ensure that the results of the project address SME needs and can be used by a large number of SMEs.

Recommendations for resources and duration

The size of the consortium should typically be between 10 and 15 participants. In addition, the SME end users group should be limited to 2 to 5 members. The overall budget of the project should typically be between €1.5 million to €4.0 million and the duration of the project should normally be between 2 and 3 years. If a project deviates from these recommendations a justification is required.

Decision-making, coordination of the project and consortium agreement

The management and **decision making** approach of the project should be tailored to the real needs terms of scale and complexity. The consortium has to ensure that no decision can be taken against the collective interest of the SME associations.

The **coordination of the project** is a demanding and complex management task which requires a well qualified and experienced coordinator. The SME associations may entrust the coordination to a RTD performer or a partner in the consortium specialised in professional project management. The coordinator carries out the following tasks:

- § Monitor the compliance by the partners with their obligations;
- § Verify that all partners access to the grant agreement;
- § Receive the Community financial contribution and distribute it in accordance with the consortium and grant agreement;
- § Keep the records and financial accounts and inform the Commission of its distribution;
- § Intermediary for efficient and correct communication between the participants and reporting regularly to the participants and to the Commission on the progress of the project.

Once a project has been selected and negotiations are finalised the participants have to submit a signed **consortium agreement** to further detail information already reflected in the Technical Annex to the contract. It addresses issues such as the internal organisation of the consortium, the management of the Community financial contribution, rules on dissemination and use, including intellectual property rights management or the settlement of internal disputes.

Intellectual property rules

Already at the proposal stage the consortium has to provide a clear and adequate description of how the participants will organise IPR (Intellectual Property Rights) ownership and user rights (e.g. licences, royalties) among themselves.

The consortium may decide to follow the default regime, which gives full ownership of all project results ("foreground") and IPR to the SME associations.

SME associations have the possibility to find tailor-made solutions to organise the ownership of project results and its dissemination and use in a way that takes into account the needs, interests and capabilities of the SME-AGs and their members, of the Other enterprises and end-users involved in the project as well as the RTD performers. The arrangement should address transfer of ownership, licences or any other form of rights for the dissemination and use of results generated by the project. It has to make sure that SME associations are provided with all the rights that are required for the intended use and exploitation of the project results by their members. In practice, this can, for example, mean that the RTD performers keep ownership of the entire foreground (or parts of it) and that the SME associations and their members acquire licences only.

In exchange the RTD performers co-invest with own resources in the project. Therefore the price and payment modalities agreed between RTD performers and SME associations should reflect the value of the intellectual property rights and knowledge acquired, meaning for example that the price of licences should be lower than the price for ownership of all results.

Preparing a proposal

This quick guide to Research for SME associations is intended to help understanding the principles of *Research for SME associations*. It does not supersede the official and legally binding documents related to the call. To prepare a proposal please refer to the:

- § Work programme "Research for the benefit of SMEs"
- § Guide for applicants "Research for SME associations"
- § Guide to Intellectual Property Rules for FP7 projects
- § Rules for the submission of proposals

These documents and additional information about the **open calls** are available on the following webpage:

http://cordis.europa.eu/fp7/dc/index.cfm?fuseaction=UserSite.CapacitiesDetails.CallPage&call_id=36

The **SME TechWeb** provides a wide range of background information and resources for technology oriented SMEs:

<http://sme.cordis.lu/home/index.cfm>

The network of **National Contact Points (NCP) for SMEs** is the main provider of advice and individual assistance in all Member States and associated countries. They offer a wide range of services and should be the first contact when preparing a proposal.

You can easily find the contact details of the designated National Contact Points for your country: http://cordis.europa.eu/fp7/ncp_en.html

The SME definition

SMEs employ fewer than 250 persons and have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. Additional conditions for autonomy apply. More information:

http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm

Calculation of the project budget

Proposals will include a detailed work plan with the different activities necessary to achieve the project's objectives. Based on the resources which are needed to implement the work plan the consortium has to set up a project budget.

Step 1: The budget for the SME associations

SME associations charge eligible costs under the various activities to the project. The remuneration of the RTD performers (excl. VAT) by SME associations will be considered as eligible costs for the latter. VAT is not an eligible cost.

The way SME-AGs and RTD performers choose to arrange for the remuneration should take into account the nature of the transaction, the IPR arrangements and/or the legal status of the SME-AGs and may be based e.g. on invoices or grant agreements between SME-AGs and RTD performers. Each participant has also to make sure that they carry out the transaction and remuneration in accordance with the applicable national laws.

It is important to understand that SME associations have the possibility to charge costs incurred by its members in carrying out the project directly to the project. This means in practice, that the associations can offer their members to contribute to the project without the need to become a partner in the consortium while charging their members costs as eligible costs to the project.

The following fictive example shows a possible distribution of costs for the different activities.

Budget for the SME-AGs Activities and costs	SME-AG 1	SME-AG 2	SME-AG 3
RTD	770.000	470.000	130.000
Own RTD	40.000	30.000	10.000
Invoice RTD performers for subcontracted RTD	730.000	440.000	120.000
DEMO	50.000	0	0
Own DEMO	0	0	0
Invoice RTD performers for subcontracted DEMO	50.000	0	0
OTHER	50.000	20.000	20.000
MANAGEMENT	110.000	10.000	7.000
TOTAL	980.000	500.000	157.000

Step 2: The budget for the RTD Performers

RTD performers will charge eligible costs only under Management activities and Other activities (including training and dissemination). Resources they use for RTD and Demonstration will be invoiced directly to the SME associations at an agreed price and appears therefore in the budget of the SME associations.

Budget for the RTD performers Activities and costs	RTD 1	RTD 2
OTHER	60.000	45.000
MANAGEMENT	10.000	10.000
TOTAL	70.000	55.000

Step 3: The budget for the Other enterprises and end-users (including SMEs)

A limited number of individual SMEs (2-5) must participate to ensure that the results of the project address SME needs and can be used by a large number of SMEs.

In addition the SME associations may require in certain cases the participation of additional participants in the category Other enterprises and end-users (OTH) to make a particular contribution to the project.

Participants under this category may also charge eligible costs under the various activities to the project including direct subcontracting to the RTD performers.

Budget for Other enterprises and end users Activities and costs	OTH 1 [SME]	OTH 2 [SME]	OTH 3 [SME]	OTH 4
RTD	40.000	40.000	40.000	25.000
Own RTD	25.000	25.000	25.000	25.000
Invoice RTD performers for subcontracted RTD	15.000	15.000	15.000	0
DEMO	20.000	20.000	20.000	25.000
Own RTD	20.000	20.000	20.000	25.000
Invoice RTD performers for subcontracted RTD	0	0	0	0
OTHER	0	0	0	0
MANAGEMENT	2.000	2.000	2.000	2.000
TOTAL	62.000	62.000	62.000	52.000

Step 4: The total budget of the project

The individual budgets form together the total budget of the proposed project:

SME-AG 1	770.000	50.000	110.000	50.000	980.000
Own activities	40.000	0			
Subcontracting	730.000	50.000			
SME-AG 2	470.000	0	10.000	20.000	500.000
Own activities	30.000	0			
Subcontracting	440.000				
SME-AG 3	130.000	0	7.000	20.000	157.000
Own activities	10.000				
Subcontracting	120.000				
RTD 1			10.000	60.000	70.000
RTD 2			10.000	45.000	55.000
OTH 1 [SME]	40.000	20.000	2.000	0	62.000
Own activities	25.000	20.000			
Subcontracting	15.000				
OTH 2 [SME]	40.000	20.000	2.000	0	62.000
Own activities	25.000	20.000			
Subcontracting	15.000				
OTH 3 [SME]	40.000	20.000	2.000	0	62.000
Own activities	25.000	20.000			
Subcontracting	15.000				
OTH 4	25.000	25.000	2.000	0	52.000
Own activities	25.000	25.000			
Subcontracting					
TOTAL	1.515.000	135.000	155.000	195.000	2.000.000

Calculation of the EC contribution

The European community will provide a financial support to the project which covers only part of the total costs. The SME associations will therefore have to contribute with their own or financial resources to the project. The EC contribution is based on upper funding limits for individual activities:

- § Research and technological development activities: maximum of 50 % of the eligible costs.
However, SMEs, non-profit public bodies, secondary and higher education establishments, and research organisations may receive up to 75 %.
- SME associations, which fulfil any of the above mentioned conditions, qualify for the higher funding rate.

- § Demonstration activities: maximum of 50%
- § Management and Other activities: maximum of 100%

One important rule for the calculation of the EC contribution applies:

In order to achieve the aim of promoting the outsourcing of research and demonstration activities, the financial support to the project will be limited to 110% of the total amount of the subcontracting to the RTD performers (price to be invoiced by RTD performers to SMEs).

Partners & costs	RTD [50%/75%]	DEMO [50%]	MANAG [100%]	OTHER [100%]	TOTAL	Maximum EC contribution
SME-AG 1	770.000	50.000	110.000	50.000	980.000	762.500
Own activities	40.000	0				
Subcontracting	730.000	50.000				
SME-AG 2	470.000	0	10.000	20.000	500.000	382.500
Own activities	30.000	0				
Subcontracting	440.000					
SME-AG 3	130.000	0	7.000	20.000	157.000	124.500
Own activities	10.000					
Subcontracting	120.000					
RTD 1			10.000	60.000	70.000	70.000
RTD 2			10.000	45.000	55.000	55.000
OTH 1 [SME]	40.000	20.000	2.000	0	62.000	42.000
Own activities	25.000	20.000				
Subcontracting	15.000					
OTH 2 [SME]	40.000	20.000	2.000	0	62.000	42.000
Own activities	25.000	20.000				
Subcontracting	15.000					
OTH 3 [SME]	40.000	20.000	2.000	0	62.000	42.000
Own activities	25.000	20.000				
Subcontracting	15.000					
OTH 4	25.000	25.000	2.000	0	52.000	27.000
Own activities	25.000	25.000				
Subcontracting						
TOTAL	1.515.000	135.000	155.000	195.000	2.000.000	1.547.500
TOTAL amount of subcontracting, excl. VAT						1.385.000
Maximum EC contribution = 110% of subcontracting to RTD performers excl. VAT						1.523.500
Requested EC contribution is the minimum of the two:						1.523.500

Therefore this fictional project would receive a financial support of up to €1.523.500.

Distribution of the EC contribution

In a next step the partners in the consortium have to decide how to allocate the total EC contribution among partner.

It is important to distinguish between the distribution of costs between partners and the allocation of the EC contribution among partners. It is up to the consortium to decide upon the allocation of the EC contribution. This allows the consortium to find the right balance between the individual contributions to the project (costs for own and financial resources) and the expected benefits from the project results.

It is important to keep in mind that the SME associations and Other enterprises and end-users have always to take into account the remuneration of the RTD performers.

For our project example we show two possible scenarios – but keep in mind that each consortium should find a tailor-made solution according to its individual situation.

Partners & costs	Total costs	EC contribution for each participant	Own contribution (in kind)	Own contribution (in cash)
SME-AG 1	980.000	838.500	141.500	0
Subcontracting	780.000			
SME-AG 2	500.000	440.000	60.000	0
Subcontracting	440.000			
SME-AG 3	157.000	120.000	37.000	0
Subcontracting	120.000			
RTD 1	70.000	70.000	0	0
RTD 2	55.000	55.000	0	0
OTH 1 [SME]	62.000	0	62.000	0
Subcontracting	15.000			
OTH 2 [SME]	62.000	0	62.000	0
Subcontracting	15.000			
OTH 3 [SME]	62.000	0	62.000	0
Subcontracting	15.000			
OTH 4	52.000	0	52.000	0
Subcontracting				
TOTAL	2.000.000	1.523.500		

Scenario 1: RTD performers receive a contribution to cover their management and other costs, Other enterprises and end-users do not receive any EC contribution. SME-AG 2 and 3 receive a contribution which allows them to cover the invoices and the remaining EC contribution goes to SME-AG 1.

Scenario 2: All partners receive an EC contribution according to their share of costs in the project with the exception of participants OTH 1-3, which receive a contribution to cover the invoices of the RTD performers and OTH 4, who does not receive any EC contribution.

Partners & costs	Total costs	EC contribution for each participant	Own contribution (in kind)	Own contribution (in cash)
SME-AG 1	980.000	822.321	157.679	0
Subcontracting	780.000			
SME-AG 2	500.000	419.552	60.000	20.448
Subcontracting	440.000			
SME-AG 3	157.000	131.739	25.261	0
Subcontracting	120.000			
RTD 1	70.000	58.737	11.263	0
RTD 2	55.000	46.151	8.849	0
OTH 1 [SME]	62.000	15.000	47.000	0
Subcontracting	15.000			
OTH 2 [SME]	62.000	15.000	47.000	0
Subcontracting	15.000			
OTH 3 [SME]	62.000	15.000	47.000	0
Subcontracting	15.000			
OTH 4	52.000	0	52.000	0
Subcontracting				
TOTAL	2.000.000	1.523.500		