

Short practical guide for beneficiaries to

EU funding opportunities

for research and innovation 2014-2020

1st EDITION



EUROPEAN COMMISSION

Directorate-General for Research and Innovation
Directorate B — Research and Innovation
Unit B5 – Spreading Excellence and Widening Participation

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Short practical guide for beneficiaries to EU funding opportunities for Research and Innovation

2014 - 2020

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Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-79-38962-7 doi:10.2777/83989

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Introduction

Investment in research and innovation is essential for Europe's future and therefore is at the heart of the Europe 2020 strategy for smart, sustainable and inclusive growth. This strategy emphasises the need to sustain and where possible promote growth enhancing expenditures within overall fiscal consolidation efforts.

New growth opportunities can come from providing new products and services derived from technological breakthroughs, new processes and business models, non-technological innovation and innovation in the services sector, combined with and driven by creativity, flair and talent, or, in other words, from innovation in its broadest sense. Moreover new growth opportunities can arise from tackling societal challenges such as the ageing population, energy security, climate change, including disaster risk management, and social inclusion, which need breakthrough innovations.

The Union budget for 2014-20 marks a decisive shift towards R&I and other growth enhancing items, with a 30 % real terms increase in the budget for **Horizon 2020**, the new EU programme for research and innovation. With almost EUR 80 billion of funding available over 7 years (2014-2020), Horizon 2020 is the biggest EU research and innovation programme ever. It will lead to more breakthroughs, discoveries and world-first by taking great ideas from lab to the market.

A further EUR 83 billion is expected to be invested in R&I as well as SMEs through the new **European Structural and Investment Funds (ESIF)** that will invest in total EUR 366.8 billion in Europe's Member States throughout the 2014-2020 programming period. Strengthening research, technological development and innovation is a priority for the ESI Funds. Support to strengthening research, technological development and innovation is part of thematic concentration requirements (80% of the ERDF allocation in more developed regions / 60% in transition regions / 50% in less developed regions). Innovation is necessary for countries and regions to become/remain competitive by increasing companies' productivity, accessing new, higher added-value markets and ultimately leading to sustainable employment creation in a context of fierce global competition.

In a complementary way, **COSME**, the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (2014 - 2020), will contribute with EUR 2.3 billion to the objectives of smart, sustainable and inclusive growth by strengthening the competitiveness and sustainability of the Union's enterprises, encouraging an entrepreneurial culture and promoting the creation and growth of SMEs.

Commission services are encouraging synergies between the different Union funds to amplify the research and innovation investments and their impact on competitiveness, jobs and growth. This can be done also by combining different forms of innovation and competitiveness support, or carrying innovative ideas further to bring them to the market. For instance Horizon2020 and ESIF funding can be brought together in the most appropriate way, either by combining funding in the same project, which is possible only for ESIF and Horizon 2020, or through successive projects that build on each other or parallel projects/roadmaps that complement each other.

This short document provides potential beneficiaries of EU funding for research and innovation (research institutions, universities, SMEs, etc.) with the practical information they need to access this funding and clarifies the different and complementary roles that each programme plays in supporting different types of activities.

This guide is complementary to the Guide "Enabling Synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes – Guidance for policy-makers and implementing bodies", published in June 2014 and focussing on the different possibilities to combine funding to increase the overall impact of the EU programmes (http://ec.europa.eu/regional policy/sources/docgener/guides/synergy/synergies en.pdf). While the Guide on Synergies addresses staff, organisations and managing authorities in charge of designing and implementing ESIF programmes as well as institutions involved in the implementation of policy instruments for research, innovation and competitiveness at EU, national and regional level, this guide takes a user's perspective and provides the potential final beneficiaries with a simplified understanding of which interventions can be funded by the different programmes.

The first edition of the Practical Guide was introduced in 2008 to provide a concise description of the main funding sources in the field of research and innovation. It explained how they can be combined in practice and provided policy makers with advice on setting up mechanisms at the national and regional levels to foster co-ordinated access to funding. Following an invitation by the Competitiveness Council, the Commission, improved, upgraded and expanded the scope of the existing Practical Guide which was republished in 2012. This edition is a concise updated version of the one published in 2012.

Horizon 2020

1. In a nutshell:

Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness.

Seen as a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the Members of the European Parliament. They agreed that research is an investment in our future and so put it at the heart of the EU's blueprint for smart, sustainable and inclusive growth and jobs.

By coupling research and innovation, Horizon 2020 is helping to achieve this with its emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation to the market and to society, thus creating added value for the EU.

2. How is it structured and how much funding?

Horizon 2020 is focused on three priorities:

- I. Excellent science
- II. Industrial leadership
- III. Societal challenges

In addition, two further specific objectives are to be pursued by H2020:

- IV. Spreading Excellence and Widening Participation
- V. Science with and for Society

Excellent science is at the foundation of economic prosperity and wellbeing. The experience with the European Research Council, demonstrates the value of EU level competition for the best individual teams. Within only a few years of operation, the ERC has already supported Nobel prize-winning scientists and ERC grants are widely regarded as a stamp of excellence. Excellent science provides the basis of new technologies.

The "Future and Emerging Technologies" (FET) scheme:

http://ec.europa.eu/programmes/horizon2020/en/h2020-section/future-and-emerging-technologies will be expanded to support unconventional and pioneering science with the potential to be tomorrow's technologies. Excellent science depends on developing, attracting and retaining talent. Through the "Marie Sklodowska Curie" actions, the EU has developed attractive opportunities for researchers to move across countries and improve their careers at all stages. Finally, top class research requires access to major infrastructures which are often expensive and only located in a few places in Europe.

Total funding for 2014-2020	€ million
European Research Council (ERC) Frontier research by the best individual teams	13 095
Future & emerging technologies Collaborative research to open new fields of innovation	2 696
Marie Sklodowska-Curie actions (MSCA) Opportunities for training and career development	6 162
Research infrastructures (including e-infrastructure) Ensuring access to world-class facilities	2 488

Industrial leadership - Innovative companies are at the heart of job creation and growth. However, Europe lacks such companies, particularly among small and medium-sized enterprises. Key enabling technologies (KET) - such as advanced manufacturing, microelectronics, nanotechnology and biotechnology - underpin innovation across many industries and sectors (http://ec.europa.eu/programmes/horizon2020/en/h2020-section/nanotechnologies-advanced-materials-advanced-manufacturing-and-processing-and-biontechnology). For Europe to build and maintain a lead in these technologies requires strategic investments. A major barrier to

growth is the lack of access to finance for innovative companies. Working with the European Investment Bank, support to venture capital and loans will be scaled up. The participation of SMEs will be important in all areas of Horizon 2020 and specific measures will be in place for this (see p. 12). In addition, there will be a dedicated activity for research intensive SMEs in all areas, as well as services to support all SMEs to innovate.

Total funding for 2014-2020	€ million
Leadership in enabling & industrial technologies (LEITs) (ICT, nanotechnologies, materials, biotechnology, manufacturing, space)	13 557
Access to risk finance Leveraging private finance & venture capital	2 842
Innovation in SMEs Fostering all forms of innovation in all types of SMEs	616

Societal challenges - Meeting the concerns of citizens and society and the EU policy objectives relies on research and innovation. For example, meeting the target to reduce CO2 emissions depends on new technologies and solutions for energy, transport, agriculture and management of resources. This requires a broad, multi-disciplinary approach that brings together researchers, industry, public bodies and users to create innovative solutions that will meet peoples' needs. Horizon 2020 will support not only research into new technologies and solutions, but also their piloting, demonstration and market uptake. In this way the full impact of EU funding will be achieved.

Total funding for 2014-2020	€ million
Health, demographic change & wellbeing	7 472
Food security, sustainable agriculture and forestry, marine/maritime/inland water research and the bio-economy	3 851
Secure, clean & efficient energy	5 931
Smart, green & integrated transport	6 339
Climate action, environment, resource efficiency & raw materials	3 081
Inclusive, innovative & reflective societies	1 309
Secure societies	1 695

Specific objective 'Spreading excellence & widening participation'

Total funding for 2014-2020	€ million
Spreading excellence & widening participation	816

Specific objective 'Science with and for society'

Total funding for 2014-2020	€ million
Science with and for society	462

3. How much funding?

The programme has a total budget of over €80 billion for the period 2014-2020.

Concerning individual projects, the basic principle of funding in Horizon 2020 is co-financing. This means that, in general, the Commission does not "purchase" research services by placing contracts and paying a price. Rather, it gives grants to projects, thus contributing a certain percentage to the overall costs.

The maximum reimbursement rates for the costs of a project depend on the funding scheme, the legal status of the participants and the type of activity.

3.1 Funding schemes and funding rates

Funding rates vary according to the specific actions:

Research and innovation actions

These actions primarily consist of activities aiming to establish new knowledge and/or to explore the feasibility of a new or improved technology, product, process, service or solution. For this purpose they may include basic and applied research, technology development and integration, testing and validation on a small-scale prototype in a laboratory or simulated environment.

Projects may contain closely connected but limited demonstration or pilot activities aiming to show technical feasibility in a near to operational environment.

Funding rate: 100%

Innovation actions

These actions primarily consist of activities directly aiming at producing plans and arrangements or designs for new, altered or improved products, processes or services. For this purpose they may include prototyping, testing, demonstrating, piloting, large-scale product validation and market replication.

A 'demonstration or pilot' aims to validate the technical and economic viability of a new or improved technology, product, process, service or solution in an operational (or near to operational) environment, whether industrial or otherwise, involving where appropriate a larger scale prototype or demonstrator.

A 'market replication' aims to support the first application/deployment in the market of an innovation that has already been demonstrated but not yet applied/deployed in the market due to market failures/barriers to uptake. 'Market replication' does not cover multiple applications in the market of an innovation that has already been applied successfully once in the market. 'First' means new at least to Europe or new at least to the application sector in question. Often such projects involve a validation of technical and economic performance at system level in real life operating conditions provided by the market. Projects may include limited research and development activities.

Funding rate: 70% (except for non-profit legal entities, where a rate of 100% applies)

Coordination and support actions

Actions consisting primarily of accompanying measures such as standardisation, dissemination, awareness-raising and communication, networking, coordination or support services, policy dialogues and mutual learning exercises and studies, including design studies for new infrastructure, and may also include complementary activities of strategic planning, networking and coordination between programmes in different countries.

Funding rate: 100%

SME instrument (application open to SMEs from the EU Member-States and Horizon 2020 associated countries only)

See description at p. 12.

a) SME instrument (phase 1)

Funding rate: Funding will be provided in the form of a **lump sum of EUR 50,000**, which will cover 70% of the eligible costs for undertaking of the action.

b) SME instrument (phase 2)

Funding rate: 70% (exceptionally, 100% where the research component is strongly present, and identified as such in the relevant section of the Work Programme). The single applicable rate is specified under the relevant topic.

c) SME instrument (phase 3)

This stage will not provide for direct funding.

ERA-NET Cofund

See description at p. 15.

Funding rate: The Union contribution will be limited to a maximum of 33% of the total eligible costs of the action. The Union contribution to the costs for support to or implementation of trans-national projects is limited to one call per grant agreement.

4. Who can apply?

Horizon 2020 funding is based on competitive calls that are open to a wide range of organisations and individuals. Universities, research centres, SMEs, public administrations, multinational corporations, funding bodies, even individuals – all have the opportunity to participate.

Participation in Horizon 2020 is open across the world, meaning that (except where this is explicitly excluded) European researchers can cooperate with their counterparts in third countries on any topic of their choice. This does not automatically imply that entities from third countries are eligible for funding by the Union budget.

Legal entities established in the following countries and territories are eligible to receive funding through Horizon 2020:

- 1. The Member States of the European Union, including their overseas departments;
- 2. The **countries associated to Horizon.** These countries are formally and financially involved in the programme and in return, organisations and researchers have participation rights equal to their EU counterparts.

As of 10 July 2014, Association Agreements have been concluded and/or signed with the following countries: Iceland, Norway, Albania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova.

Association agreements will apply retroactively from 1 January 2014 (i.e. from the beginning of Horizon 2020).

The association of the Faroe Islands is expected to be adopted and signed before the end of 2014.

Association of Switzerland is currently on hold; please see the separate information note [http://ec.europa.eu/research/participants/data/ref/h2020/other/hi/h2020-hi-swiss-part en.pdf]

Further information on the status of entities from potential Associated Countries during the first years of implementation of Horizon 2020 can be found at: http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf.

- 3. Additionally the new International strategy of the European Commission focuses on research in areas of common interest and mutual benefit in order to achieve these objectives. To strengthen implementation, the strategy also differentiates between three country groupings:
 - Industrialized and emerging economies

(like, **BRICS -** Brazil, Russia, India, China and South Africa) can participate on a self-financing basis and receive funding under specific conditions;

Enlargement and neighborhood countries

(automatically eligible for funding); and

· Developing countries

(automatically eligible for funding and listed in Annex A of the Horizon 2020 work programme).

Afghanistan, Albania, Algeria, American Samoa, Angola, Argentina, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo (Democratic Republic), Congo (Republic), Costa Rica, Côte d'Ivoire, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Indonesia, Iran, Iraq, Jamaica, Jordan, Kazakhstan, Kenya, Kiribati, Korea (Democratic Republic), Kosovo*, Kyrgyz Republic, Lao, Lebanon, Lesotho, Liberia, Libya, former Yugoslav Republic of Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Micronesia, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Palau, Palestine, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Samoa, Sao Tome and Principe, Senegal, Serbia, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, South Sudan, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, Uzbekistan, Vanuatu, Uruguay, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

In addition, in all of the relevant parts of Horizon 2020, topics have been flagged as being particularly suitable for international cooperation. In these cases, the area selected for cooperation is specified upfront and consortia are encouraged to include third country partners (in many cases particular countries or regions are targeted) in their consortia. The list of flagged international cooperation topics can be found at https://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/ftags/international cooperation.html#c,topics=flags/s/IntlCoop/1/1.

To check whether an entity from a particular third country is eligible for funding from Horizon 2020, please check the Annex A of the General Conditions of the Horizon 2020 work programme – (http://ec.europa.eu/research/participants/data/ref/h2020/wp/2014 2015/annexes/h2020-wp1415-annexa-countries-rules en.pdf)

5. How to apply

Two-year work programmes announce the specific areas that will be funded by Horizon 2020. Look out for them on the online Participant Portal where you will find the open calls for proposals http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/index.html

The steps to be followed for the application process are the following:

- 1. Identify the call and draft your proposal.
- 2. Find your partners. Many calls require a team of at least three partners. If you need help to identify a potential partner with particular competences, facilities or experience, use the partner search options.
- 3. Submit your proposal. If you wish to respond to a call, you must submit a proposal before the deadline. The Participant Portal has clear instructions to guide you through the process. The system is simpler than ever no more paper! All proposals are submitted online.
- 4. Evaluation by experts. Once the deadline has passed, all proposals are evaluated by a panel of independent specialists in their fields. The panel checks each proposal against a list of criteria to see if it should receive funding.
- 5. Grant agreement. Once a proposal passes the evaluation stage (five months' duration), applicants are informed about the outcome. The European Commission then draws up a grant agreement with each participant. The grant agreement confirms what research & innovation activities will be undertaken, the project duration, budget, rates and costs, the European Commission's contribution, all rights and obligations and more. The time limit for signing the grant agreements is generally three months.

6. The main novelties of Horizon 2020

6.1 Horizon 2020 funding for SMEs

Horizon 2020 stimulates SME participation across the whole programme, yet with a particular focus on **close-to-market support**. SMEs cannot take full advantage of research and development activities if those are not translated into innovation, through value creation from novelty, which is picked up by users and consumers, and eventually impacts society.

Horizon 2020 covers the whole innovation chain from basic research to innovative products. From lab to market; from bright idea to must-have product. The programme has special attention for gaps in funding for high-risk innovation; it will create business opportunities out of the response to major societal challenges; it will strengthen productivity and innovation capacities and it will help innovative companies to grow. As such, more money will be available for testing, prototyping, demonstration and pilot type activities, for business-driven R&D, for promoting entrepreneurship and risk-taking, and for shaping demand for innovative products and services.

SME participation will be promoted across Horizon 2020, in particular in the industrial leadership and societal challenges pillars. Through this integrated approach, it is expected that **20% of the total combined budget** for all **societal challenges** (listed on p. 4) and the **enabling and industrial technologies** (including ICT, nanotechnologies, advanced materials, advanced manufacturing & processing and biotechnology, space) will go to SMEs. This means that at least \in 8.65 billion¹ in Horizon 2020 project grant support should find its way directly to SMEs. The bulk of that budget – over \in 5.5 billion² of grant support – is dedicated to go to SMEs participating into collaborative Research and Innovation Actions as members of consortiums.

Research and Innovation actions facilitate collaborative research and innovation activities across Europe through transnational consortiums of industry, that consist of minimum of three different partners (legal entities) from three different EU member-states or countries associated to Horizon 2020³. The major initiatives that favor the involvement of SMEs in such actions include the selection of SME-relevant topics and specific coordination and support actions. Whereas SME participation is expected not to be uniform across all different priorities of Horizon 2020, the ambition is clearly to enhance SME participation across the board.

The SME Instrument

The dedicated, SME-exclusive instrument will encourage for-profit small and medium-sized enterprises⁴ to put forward their most innovative ideas with an EU dimension that cannot find financing on the market because of their high-risk character. The new EU instrument aims to fill gaps in funding for high-risk innovation and close-to-market activities in SMEs, with the intention to give a strong boost to breakthrough innovation. It targets highly innovative SMEs showing a strong ambition to develop, grow and internationalize, regardless of whether they are high-tech and research-driven or non-research conducting, social or service companies. Only SMEs will be able to apply for funding. Single company support will be possible in order to ensure market relevance and increase commercialisation of project results. SMEs can decide how best to organise the project and with whom to collaborate, including through the sub-contracting of tasks if they lack in-house capabilities. The SME instrument comes with a budget of roughly € 3 billion⁵ over the period of implementation of Horizon 2020 (2014-2020). It covers the whole innovation cycle in three seamlessly connected stages, the final focus being on successful delivery of new products, services or processes on the market.

¹ In 2013 constant prices.

² In 2013 constant prices.

³ For the full list of countries associated to Horizon 2020, please review the list at http://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/international-cooperation_en.htm.

⁴ For correct understanding of what a small or medium-sized enterprise is under EU law, please review http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm.

⁵ In 2013 constant prices.

- A feasibility part will allow for an assessment of the technological and commercial potential of a project (proof of concept). Funding is provided in the form of a lump sum.
- A main grant will support an innovation project focusing on activities such as demonstration, testing, prototyping, pilot lines, scale-up studies, miniaturisation, design, performance verification etc. and market replication.
- The commercialisation phase is supported indirectly through facilitated access to debt and equity financial instruments as well as various other measures, like possible links to private finance and innovative procurement networks at different national or regional levels. The EU quality label that will be provided to successfully completed projects will help raising credibility on the market and facilitate access to private investment.

Successful completion of one stage will allow an SME to move on to the next; each stage is open to all SMEs. In addition, a coaching and mentoring scheme is developed to the exclusive benefit of beneficiaries of the instrument in order for them to accelerate the impact from the funding provided, thus equipping the company with the skills and capacities for innovation-driven growth. The service will be provided by specially-recruited business practitioners and will be accessible through the Enterprise Europe network.

Horizon 2020 Access to Risk Finance

Building on a budget of over €2.7 billion, Horizon 2020 supports a new generation of EU financial instruments and advisory services – "InnovFin – EU Finance for Innovators" – that will help innovative enterprises access finance more easily.

Over the next seven years, it is expected that "InnovFin – EU Finance for Innovators" will make available more than €24 billion of financing for research and innovation (R&I) by small, medium-sized and large companies and the promoters of research infrastructures. This finance is expected to support a total of €48 billion of investments into Research & Innovation in Europe.

"InnovFin – EU Finance for Innovators" will consist of a range of tailored **facilities** – from **debt** (guarantees for intermediaries that lend to innovative enterprises or direct loans) to **equity** – helping to support the smallest to the largest R&I projects in the EU and countries associated to Horizon 2020. The facilities are **demand-driven**, with no prior allocations between sectors, countries or regions, and build. The management of these facilities is currently in the hands of the European Investment Bank group.

InnovFin guarantees and loans are backed by funds set aside under Horizon 2020 and by the <u>European Investment Bank</u> (EIB) and the <u>European Investment Fund</u> (EIF) for the purpose of supporting R&I investment, which by nature is riskier and harder to appraise than tangible investments.

The InnovFin SME Venture Capital facility is to provide finance for mainly early-stage investments, with a particular focus on early-stage SMEs with the potential to carry out innovation and grow rapidly.

Fast Track to Innovation (FTI) pilot

The FTI pilot supports projects undertaking innovation from the demonstration stage through to market uptake, including stages such as piloting, test-beds, validation in real world/working conditions, prenormative research and standard-setting. It targets relatively mature new technologies, concepts, processes and business models that need a last development step to reach the market and wider deployment. Whenever relevant, proposals should refer to the Technology Readiness Level (TRL) to indicate the maturity of the technology.

Proposals must relate to any field under the specific objective 'Leadership in enabling and industrial technologies' and/or to any of the specific objectives under the priority 'Societal challenges'.

Proposals must specify the intended outcome of the project and describe its performance indicators/success criteria. Moreover, they must contain measures to enhance the probability of eventual commercial take-up.

Proposals must build on a business plan clearly describing the commercial potential (potential users/customers and benefits for them; targeted European/global markets etc.), the business opportunities of participants and a credible commercial strategy, identifying next steps and specifying other actors to be involved. Particular attention must be paid to IP protection and ownership, and the possibility of commercial exploitation ('freedom to operate').

The expected impact must be clearly described in both qualitative and quantitative terms. Factors such as time sensitivity and the international competitive situation should be considered in the light of the technology/innovation fields and industry sectors concerned. Possible impacts on sustainability or climate change should also be mentioned.

Consortia must involve participants from industry. Universities, research and technology organisations and further innovation actors may also participate, as well as further partners that play a key role in the commercialisation process, such as industrial associations, incubators, investors, or the public sector. First-time applicants to Horizon 2020 are particularly welcome.

Type of action: Innovation actions (finance up to 70%).

Spreading excellence and Widening participation

In order to address the challenges of R&D investments, efficiency of national research and innovation systems and networking, Horizon 2020 introduces specific measures to close the innovation divide through engaging those who could commit more towards the EU research and innovation effort. This will greatly enhance competitiveness.

Teaming will invest in Europe's research and innovation potential through supporting the creation of new (or upgrading of existing) Centres of Excellence on the basis of partnerships with internationally leading institutions.

Twinning aims to build on the huge potential of networking for excellence through knowledge transfer and, exchange of best practice between research institutions and leading partners.

ERA Chairs will bring outstanding researchers to universities and other research organisations that have high potential for research excellence. On their side, institutions should mobilise support from different funding sources, including from the European Structural and Investment Funds, to invest in facilities and infrastructures in the context of Smart Specialisation Strategies and commit to institutional change and a broader support to innovation.

A Policy Support Facility will inform better the formulation and optimisation of research and innovation policies in low performing Member States and regions aiming to make them more competitive at European level by offering expert advice to public authorities. Efforts to improve the international experience and networking capacities of peripheral institutions will be made by stimulating their participation with cross-border science networks through dedicated COST activities (http://www.cost.eu/), connecting unexploited pockets of excellence throughout Europe.

7. Partnering for Research and Innovation and related funding opportunities

7.1 ERA-NET Cofund

ERA-NET Cofund under Horizon 2020 is designed to support public-public partnerships, including joint programming initiatives between Member States, in their preparation, establishment of networking structures, design, implementation and coordination of joint activities as well as Union topping-up of a trans-national call for proposals. It is based on the merger of the former ERA-NET and ERA-NET Plus actions and is implemented by using 'programme co-fund actions'. It allows for programme collaboration in any part of the entire research-innovation cycle.

The main and compulsory activity of the ERA-NET Cofund under Horizon 2020 is the implementation of the co-funded joint call for proposals that leads to the funding of transnational research and/or innovation projects. The call is normally based on a call for proposals resulting in grants to third parties. In addition to the co-funded call the consortia may implement other joint activities including other joint calls without Union co-funding.

Participants in ERA-NET Cofund actions are research funders at national and regional level mandated by the national/regional authority. The duration of the actions is 5 years. ERA-NET Cofund may also, depending on the research area and the underlying national programmes and their governing principles, target governmental research organisations.

The co-funded call for proposals will in these cases be based on in-kind contributions from their institutional funding and the beneficiaries carry out the transnational projects resulting from their call for proposals fully or partially themselves. The in-kind contributions are the resources allocated as direct expenditure in the selected trans-national projects that are not reimbursed by the Union contribution.

The Union contribution will be limited to a maximum of 33% of the total eligible costs of the action. The Union contribution to the costs for support to or implementation of trans-national projects is limited to one call per grant agreement.

The projects must be trans-national projects involving at least two independent entities from two different EU Member States or Associated Countries.

7.2 Article 185 Initiatives

Article 185 of the Treaty on the Functioning of the European Union (TFEU) enables the EU to participate in research programmes undertaken jointly by several Member States, including participation in the structures created for the execution of those joint programmes.

The EU can participate in the implementation of a joint research programme undertaken by several Member States which would achieve a full integration of the scientific part (central organization of calls, common evaluation and selection rules, centralized monitoring of projects) as well as of its management, by a single Dedicated Implementation Structure with appropriate governance and common funding from participating states.

The EU is has been co-funding five Art.185 initiatives since FP6. All five existing initiatives will be funded as well under Horizon 2020 with successor initiatives with extended scope and budget:

AAL2 - Ambient Assisted Living Joint Programme (FP7 and Horizon 2020 – DG CNECT) http://www.aal-europe.eu/

BONUS - Joint Baltic Sea Research and Development Programme (FP7 – DG RTD) http://www.bonusportal.org/

EDCTP2 - European & Developing Countries Clinical Trials Partnership (FP6 and H2020 – RTD) http://www.edctp.org/

EMPIR - European Programme for Metrology Research and Innovation (FP7 and H2020- RTD) http://www.euramet.org/index.php?id=homepage

Eurostars2 - Joint research programme for R&D performing SMEs (FP7 H2020 - RTD) https://www.eurostars-eureka.eu/

With Horizon 2020 a number of changes were introduced in the way initiatives have to be designed and implemented. The main change is that the Rules for Participation and Dissemination for Horizon 2020 apply to Art.185 initiatives, with only limited possibilities for derogations. This will bring these initiatives closer to Horizon 2020 and make them more coherent. The current Art.185 initiatives can be grouped into centralised (BONUS, EDCTP2 and EMPIR) and decentralised (AAL2, Eurostars2) types of initiatives, depending on whether the funds are channelled through the dedicated implementation structure (DIS) of the initiative or through national funding bodies using national rules. In general, for the centralised form, where the DIS enters into direct contractual relations with the beneficiary, the derogations from the Rules for Participation are fewer than in the decentralised form.

Detailed information on the on-going initiatives and related call for proposals can be found on the web sites listed above.

7.3 Joint Programming

The overall aim of the Joint Programming process is to pool national research efforts in order to make better use of Europe's public R&D resources and to tackle common societal challenges more effectively in a few key areas. It is a structured and strategic process whereby Member States agree, on a voluntary basis and in a partnership approach, on common visions and Strategic Research Agendas (SRA) to address major societal challenges. On a variable geometry basis, Member States commit to Joint Programming Initiatives (JPIs) where they implement together joint Strategic Research Agendas.

Joint Programming Initiatives **are led by Member States** and have only received EU support for their setup phase, i.e. they are not a funding instrument of the EU.

Cross-border collaboration and cooperation of research funding, has the following objectives:

- To raise the quality of research;
- To increase the critical mass required to address major challenges such as societal ones;
- To avoid unnecessary duplication of research funding;
- To allow researchers to work together across borders.

Detailed information on the on-going JPI and related call for proposals can be found on the specific web sites:

- ✓ JPI "Neurodegenerative Diseases" (including Alzheimer's) http://www.neurodegenerationresearch.eu/index.php?id=145
- ✓ JPI "Agriculture, Food Security and Climate Change" https://www.faccejpi.com/
- ✓ JPI 'A Healthy Diet for a Healthy Life' http://www.healthydietforhealthylife.eu/
- ✓ JPI on Cultural Heritage and Global Change http://www.jpi-culturalheritage.eu/
- ✓ JPI 'More Years, Better Lives (the Potential & Challenges of Demographic Change)' http://www.jp-demographic.eu/
- ✓ JPI 'The Microbial Challenge"- http://www.jpiamr.eu/
- ✓ JPI "Healthy and Productive Seas and Oceans" http://www.jpi-oceans.eu/
- ✓ JPI "Water Challenges for a Changing World" http://www.waterjpi.eu/
- ✓ JPI "Connecting Climate Knowledge" http://www.jpi-climate.eu/home
- ✓ JPI "Urban Europe" http://jpi-urbaneurope.eu/

7.4 Joint Technology Initiatives

Joint Technology Initiatives (JTIs) are long-term Public-Private Partnerships involving industry, the research community and public authorities. They are managed by dedicated legal entities based on Article 187 TFEU (ex Article 171 TEC). JTIs support large-scale multinational research activities in areas of major interest to European industrial competitiveness and of high societal relevance. For sectors that operate at European and international levels, and where the scale of the investments are beyond the means of individual Member States, public-private partnerships in research and innovation provide powerful and much needed tools to deliver on the objectives of Horizon 2020 as they enable a long-term, strategic approach to research and innovation, reduce uncertainties by allowing for long-term commitments; they provide a legal structure to pool resources and to gather critical mass.

Most of the investment will go to five public-private partnerships in innovative medicines, aeronautics, bio-based industries, fuel cells and hydrogen and electronics. These must address the objectives of Horizon 2020, including the integration of research and innovation activities.

On-going initiatives (Article 187):

- Innovative Medicines Initiative 2 http://www.imi.europa.eu/
- Fuel Cells and Hydrogen 2- http://www.fch-ju.eu/
- Clean Sky 2- http://www.cleansky.eu/
- Bio-based Industries http://bbi-europe.eu/
- Electronic Components and Systems http://www.ecsel-ju.eu/
- Shift2Rail http://www.shift2rail.org/

Other Article 187 Initiatives:

• SESAR - http://www.sesarju.eu/

Detailed information on the on-going JTIs and related call for proposals can be found on the specific web sites listed above.

Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020)

1. In a nutshell:

Improving the competitiveness of enterprises is essential for the Union to deliver on its Europe 2020 priorities of smart, sustainable and inclusive growth. COSME is the Union's programme to strengthen the competitiveness and sustainability of the Union's enterprises, encourage an entrepreneurial culture and promote the creation and growth of SMEs. These objectives will be met by:

- improving access to finance for SMEs in the form of equity and debt;
- improving access to markets, particularly inside the Union but also at global level;
- improving framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, including in the tourism sector;
- promoting entrepreneurship and entrepreneurial culture;

COSME builds on the Entrepreneurship and Innovation programme (EIP) established for 2007-2013 under the Competitiveness and Innovation Framework Programme (CIP), with the main exception of innovation related activities that will be prolonged under Horizon 2020.

In particular actions enabling innovation policy learning, facilitating services supporting the growth of SMEs through innovation and innovation-related services by the Enterprise Europe Network, will be funded by the "Innovation in SMEs" Work Programme under Horizon 2020 (See p. 9).

The Commission is responsible for the implementation of COSME and the implementation is partly delegated to an executive agency, the European Agency for Competitiveness and Innovation (EASME, http://ec.europa.eu/easme/), while the financial instruments are entrusted to the European Investment Fund (EIF, http://www.eif.org/).

Indirect management with international organisations is also envisaged for certain analytical and benchmarking activities.

2. How is it structured?

The COSME programme is structured around four specific objectives:

2.1 Improving access to finance

COSME facilitates and improve access to finance for SMEs through two different financial instruments, available from 2014: a loan guarantee Facility and a Equity Facility for Growth (see point 3.1).

2.2 Access to markets

COSME reinforces the services of the Enterprise Europe Network http://een.ec.europa.eu/. The Network will contribute to the objectives of the programme by facilitating access to European and international markets for European SMEs and by providing growth-oriented, integrated business and innovation support services that help strengthen the competitiveness and sustainability of European enterprises. The Network will primarily address European SMEs that seek to exploit new opportunities in the Single Market, but also in third countries.

COSME will for instance fund IPR SME Helpdesks for China, ASEAN and Mercosur to help SMEs to deal with issues relating to intellectual property rights (IPRs) in these countries. These includes the registration of formal IPRs, such as patents, trademarks or utility models, advice on dealing with infringements of intellectual property rights or manage intellectual property as business assets.

2.3 Supporting entrepreneurs

Entrepreneurs and their new businesses are key to European growth and competitiveness. Promotion of entrepreneurship and entrepreneurial culture is therefore one of the four main objectives of COSME.

The programme will support exchanges schemes among young entrepreneurs, improve the business environment so that entrepreneurs can grow and flourish and focus on dedicated support for specific groups.

2.4 More favourable conditions for business creation and growth

COSME lightens the administrative burden on business by removing unnecessary reporting and information requirements.

It identifies and exchange best practices among national administrations to improve SMEs policy as well.

3. Main funding schemes

3.1. COSME financial instruments for SMEs

The financial instruments aim to cover market gaps in the supply of debt and equity finance to SMEs. These instruments are managed by the European Investment Fund (EIF) on behalf of the European Commission and implemented via financial intermediaries or specialised funds (http://www.access2finance.eu).

The financial instruments cover the different needs of SMEs according to the stage in their life-cycle:

- The Loan Guarantee Facility

The COSME budget provides funding for guarantees and counter-guarantees for financial intermediaries (e.g. guarantee organisations, banks, leasing companies) to help them provide more loan and lease finance to SMEs. This facility will also include securitisation of SME debt finance portfolios.

By sharing the risk, COSME guarantees will allow the financial intermediaries to expand the range of SMEs they can finance. This will facilitate access to debt finance for many SMEs who might otherwise not be able to raise the funding they need. Under the Guarantee Facility, it is expected that COSME will enable between 220 000 and 330 000 SMEs to obtain financing for a total value of between £14 and £21 billion.

- The Equity Facility for Growth

The COSME budget will also be invested in funds that provide venture capital and mezzanine finance to expansion and growth-stage SMEs in particular those operating across borders.

The fund managers will operate on a commercial basis, to ensure that investments are focused on SMEs with the greatest growth potential.

The Equity Facility should help between 360 and 560 firms to receive equity investment with an overall volume invested ranging from €2.6 to 4 billion.

3.2. Policy analysis, development, coordination, best practice exchange and thematic networks

This funding scheme includes:

- a) Studies, data collection, surveys and publications;
- b) Meetings of experts, including experts from public institutions, experts sent by SMEs and other interested parties, conferences and other events;
- c) Awareness raising, networking and other relevant activities;
- d) Benchmarking of national and regional performances, and work on good practices, including their dissemination and implementation; and
- e) Best practice actions to spread knowledge and share experience across Europe, which will be linked to thematic networks bringing together a variety of stakeholders around a given objective

4. How much funding?

The overall indicative budget of COSME for 2014-2020 is €2.3 billion. It will start at €275 million in 2014 and rise progressively to €430 million in 2020. A large share of the budget, 60% minimum over the period, will be allocated to the financial instruments that proved their efficiency during the CIP. They will be complemented by the Horizon 2020 financial instruments, focusing on research and innovation, which should be delegated as well to the EIF, ensuring synergies and complementarity within the single EU debt financial instrument for EU enterprises' growth and Research and Innovation (R&I).

5. Who can apply?

Participation in COSME is open to a wide range of organisations and individuals. However, eligibility criteria differ from one funding scheme to the other.

6. How to apply

On COSME financial instruments for SMEs:

SMEs or other entrepreneurs looking for debt or equity finance, who would like to see which financial intermediaries currently work with the COSME financial instruments, should consult the page

http://www.eif.org/what we do/where/index.htm

On other objectives of the COSME programme:

General information regarding COSME calls is published on ENTR website.

More details can be found on the EASME website http://ec.europa.eu/easme/ and applications can submitted via the participant portal:

http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/cosme/index.html

Both kinds of calls are published on the EASME website http://ec.europa.eu/easme/ and on specific pages of the participant portal:

http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/cosme/index.html

6.1 COSME financial instruments

SMEs wishing to apply for the debt finance or venture capital referred to in sections 3.1 should consult the page http://www.access2finance.eu, where they can find out if they are eligible and can see the list of financial intermediaries in their country.

Please note that the Commission does not provide direct financial support to SMEs but works only via these intermediaries.

6.2 Grants for projects and other implementing measures

Unless stated otherwise in the description of the action or in the specific call texts, all actions financed under the programme will be subject to a pre-financing payment paid at the start of the action, interim payments following each reporting period, if applicable, and a final payment, including necessary adjustments, at the end of the last reporting period.

Selection and award criteria:

As regards all grants envisaged in this work programme, each proposal will be evaluated on the basis of the selection criteria specified in the respective calls for proposals. Essentially, these criteria are based on the following:

- Financial capacity to complete the proposed operation:

Stable and sufficient sources of finance to ensure the continuity of the organisation throughout the project and to play a part in financing it;

Operational (technical and management) capacity to complete the operation;

Capacity to manage activities corresponding to the size of the project for which a grant is requested;

Adequate professional qualifications and experience of the team responsible for the project/operation.

An evaluation of the quality of proposals, including the proposed budget, will be based on the following award criteria:

- Relevance of the actions proposed in view of the objectives established in the call;
- Quality of the proposed actions;
- Impact on target audience;
- Budget and cost-effectiveness.

The European Structural and Investment Funds - Cohesion Policy

1. In a nutshell:

Cohesion policy aims - via the European Structural and Investment Funds (ESIF) - to reinforce economic and social cohesion in the EU by redressing the main regional imbalances through support for the development and structural adjustment of regional economies. In so doing, it supports the priorities of the Community and in particular the need to strengthen competitiveness and innovation.

The funds providing specifically support under cohesion policy are the following:

- European Regional Development Fund (ERDF), aiming at reducing the regional disparities in the European Union and investing in growth
- European Social Fund (ESF), investing in people
- Cohesion Fund (CF), investing in environment and trans-European networks in the area of transport infrastructure.

For the 2014-2020 period, the Funds supporting cohesion policy have been brought together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF) under a common strategic framework in order to maximise their effectiveness and optimise synergies. However, this section only concerns the ERDF & ESF.

In order to contribute to the Union strategy for smart, sustainable and inclusive growth (Europe 2020) and to economic, social and territorial cohesion, in the 2014-2020 programming period the Funds should focus their support on a limited number of thematic objectives, to ensure maximum impact for these investments. Under the EU's 2014-2020 budget, ESIF will invest EUR 366.8 billion⁶ in Europe's Member States, their regions and cities to deliver the EU-wide goals of growth and jobs, as well as tackling climate change, energy dependence and social exclusion. Of this, more than € 100 could concern innovation in the broad sense.

2. How is it structured?

Investments under ERDF will be concentrated on 4 key priorities, out of 11: innovation and research, the digital agenda, support for small and medium-sized businesses (SMEs) and the low-carbon economy. EUR 109.5⁷ billion will be dedicated to these themes.

As an ex-ante conditionality to investments into R&I from ESIF, Member States and regions are requested to set-up smart specialisation strategies.

The smart specialisation strategies will help regions to tap into their innovation potential and build on particular assets and strengths. Each Member State or region will focus on a limited set of priority areas, in which it has a competitive advantage based on an assessment of how R&I can help transform the existing economic structure in order to face globalisation. These strategies have to be drawn up in an entrepreneurial discovery process that involves not only innovation policy-makers, but also enterprises, universities, civil society and other innovation actors. Smart specialisation priority fields are not about picking technologies or sectors, but about economic and R&I activities and/or generic technologies that can help a regional economy diversify into higher value added markets, modernize/rejuvenate or exploit new/emerging economic activities, e.g. via cross-sectorial linkages (e.g. biotech and agro-food, nanotech and textiles, ICT and Tourism, etc.).8

⁶ Please note that these figures do not include EAFRD and EMFF.

⁷ Please note that the figures are expressed in current prices.

⁸ For more information on Smart Specialisation Strategies you may consult: http://s3platform.jrc.ec.europa.eu/s3pguide and http://ec.europa.eu/regional policy/sources/docgener/informat/2014/smart specialisation en.pdf

The two main funds under which research and innovation activities can be supported are the:

European Regional Development Fund (ERDF): for strengthening competitiveness through helping regions to anticipate and promote economic change through innovation and the promotion of the knowledge society, entrepreneurship, protection of the environment, and improvement of their accessibility. It also supports cross-border co-operation through joint local and regional initiatives, transnational co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience.

European Social Fund (ESF): strengthening competitiveness and employment by helping Member States and regions to enhance access to employment and sustainable inclusion in the labour market, adapt the workforce, their enterprises and entrepreneurs with a view to improving the anticipation and positive management of economic change, in particular by promoting lifelong learning and increased investment in human resources, the development of qualifications and competences, the dissemination of information and communication technologies, e-learning, eco-friendly technologies as well as the promotion of innovation and business start-ups.

Concerning research and innovation, in the 2014-2020 programming period the support can include:

- Supporting innovation actors (especially research centres and SMEs) which are directly engaged in developing innovative solutions and the economic exploitation of new ideas through:
 - Advisory and support services;
 - Direct investments; and
 - Financial instruments that help access private sources of finance.
- Investing in infrastructure, equipment, pilot product lines, and advanced manufacturing necessary for applied research and innovation activities, including technologies that create capabilities for further innovation in a range of other sectors.
- Facilitating the cooperation, networking activities and partnerships among different innovation actors working in the same field universities, research and technological centres, SMEs and large firms to achieve synergies and technology transfers.
- Investing in innovation by SMEs in order to increase their competitiveness.
- Focussing on the training of researchers, development of post-graduate courses of study and entrepreneurial skills.

Also the EAFRD and the EMFF foresee important investments in innovation, in particular in SMEs in their areas, and the Cohesion Fund holds potential for the procurement of innovative transport and environment solutions.

3. How much funding?

Every EU region may benefit from the support of **ERDF** and **ESF**. However, the amount of ESIF funding and the co-funding rates for projects vary between different types of regions:

Less developed regions: supporting the less developed regions will remain an important priority for cohesion policy and more than 70% of the Cohesion Policy funding will go there to sustain the catching-up process. This category concerns those regions whose GDP per capita is less than 75 % of the average GDP of the EU-27. The co-funding rates per priority axis can be around 80-85% (and even higher for specific projects).

Transition regions: this category includes all regions with a GDP per capita between 75 % and 90 % of the EU-27 average. The co-funding rates per priority axis can be up to 60% (but higher or lower for individual projects)

More developed regions: While interventions in the less developed regions will remain the priority for cohesion policy, there are important challenges that concern all Member States, such as global competition in the knowledge-based economy and the shift towards the low carbon economy. This category concerns those regions whose GDP per capita is above 90 % of the average GDP of the EU-27. The co-funding rates per priority axis can be up to 50% (but higher or lower for individual projects).

Investments from ESIF are disbursed on **territorial basis**, to the region or member state subject of the OP. Nevertheless, there is also room for **wider cooperation**, making the setting up of more EU-wide cooperation projects easier with the possibility to support projects located outside the ESIF programme area. Besides this, under the "European Territorial Cooperation" objective the "INTERREG" projects support cooperation beyond the national borders. Macro-regional strategies like the Danube Basin and the Baltic Sea Strategies have no specific ESIF allocations, but can be supported by national and regional ESIF programmes, INTERREG, own national /regional funding as well as centrally managed EU programmes.

For the individual enterprise or researcher looking for funding opportunities, what counts to find out about the detailed conditions and modalities for funding is the **content of the operational programme(s)** that cover the region in which the applicant is located.

4. Who can apply?

Theoretically all research and innovation actors (enterprises, universities, technology transfer bodies, cluster organisations, higher education institutes, etc.) can apply. However, the eligibility of their project proposals depends on the ESIF programmes for the relevant territory. This means that within the intervention types, objectives and available budgets in an ERDF programme, only those R&I projects that support the relevant national or regional smart specialisation strategy⁹ are eligible.

5. How to apply?

Please do not send any ESIF funding applications directly to the Commission!

The management and programming of the ESIF is decentralised: the implementation and allocation of funds to projects is not handled by the Commission. The Commission negotiates and approves the operational programmes proposed by the Member States and regions. The Member States and their regions manage the programmes, implement them by setting up the management mechanisms, procedures, call specifications and evaluating and selecting projects, paying the beneficiaries, controlling and assessing the results.

For each ESIF programme, the Member State appoints a **Managing Authority** (a national, regional or local public authority or public/private body or for INTERREG "Joint Technical Secretariats"). Further information can be found at http://ec.europa.eu/regional policy/index en.cfm.

To apply for ESIF funding, you will need to contact the relevant Managing Authority or find out on their web-sites about their calls for proposals/tender, as well as the eligibility and funding conditions and award procedures (e.g. ongoing application and project selection, calls for proposals on specific topics or competitions with fixed deadlines, etc.).

The project selection criteria are agreed by each ESIF programme's Monitoring Committee and are published (e.g. on Managing Authority websites). Projects will be evaluated according to these criteria.

Bear in mind in addition that a research or innovation project submitted to an ESIF programme will be judged on its likely contribution to the socio-economic development of the Member State or region (for ERDF, this has to be identified in the process of the development of the relevant smart specialisation strategy) as well as on its scientific or technological quality.

⁹ To find out about the smart specialisation strategy that applies to your country / region, please see: http://s3platform.jrc.ec.europa.eu/map

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This guide provides potential beneficiaries of EU funding for research and innovation (research institutions, universities, SMEs, etc.) with the practical information they need to access this funding and clarifies the different and complementary roles that each programme plays in supporting different types of activities.

The first edition of the Practical Guide was introduced in 2008 to provide a concise description of the main funding sources in the field of research and innovation. It explained how they can be combined in practice and provided policy makers with advice on setting up mechanisms at the national and regional levels to foster co-ordinated access to funding. Following an invitation by the Competitiveness Council, the Commission, improved, upgraded and expanded the scope of the existing Practical Guide which was republished in 2012. This edition is a concise updated version of the one published in 2012.

