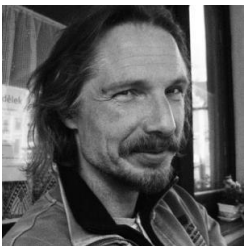


Fine-tuning 4S

SMEs & Small-scale, small projects & Simplification & State aid

17 December 2021 | Online, Zoom

Welcome!



Bernhard



Przemysław



Iuliia



Housekeeping

- Stay 'muted', unless talking
- Contribute & share (any idea is welcome!)
- Be open (no recording, no notes of who said what)
- Be patient to others
- Questions/contributions: chat/ raise virtual hand



Why are we here?

Objectives

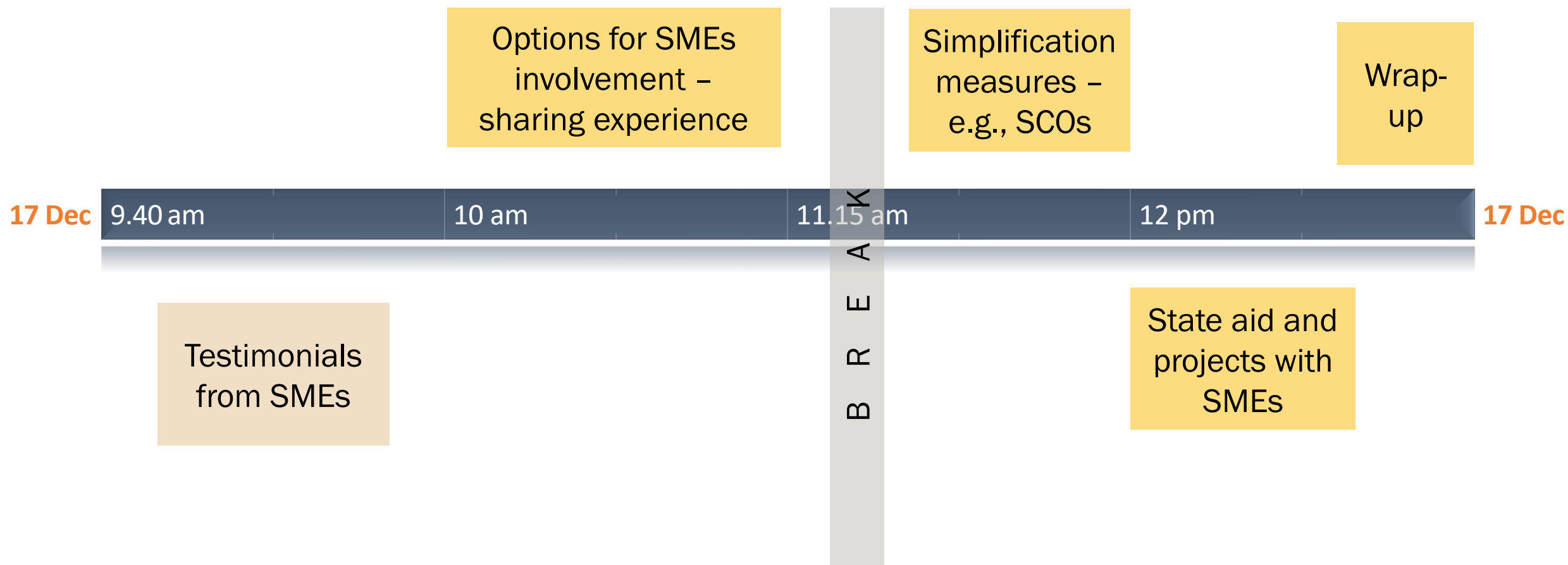
- To disseminate good practices and management models of engaging SMEs in Interreg projects
- To look into 4 different ways to involve SMEs in projects
- To discuss simplification measures and address some of the common uncertainties (e.g., State aid)

Format

- 17 December, 09.30 – 12.45 CET
- Time & timing
- External speakers -> ask questions!



Agenda for today



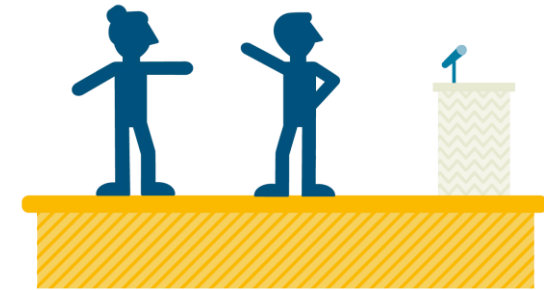
Testimonials from SMEs participating in Interreg projects

But first... What do they say?



SMEs sharing experience

- Riccardo Pulselli & Elena Neri – Indaco2,
project Blue Deal (MED)
- Yves Ozog – Advisor CrossRoads (Flanders –
the Netherlands)
- Rachel Way – Buurtzorg, project TICC (2 Seas)





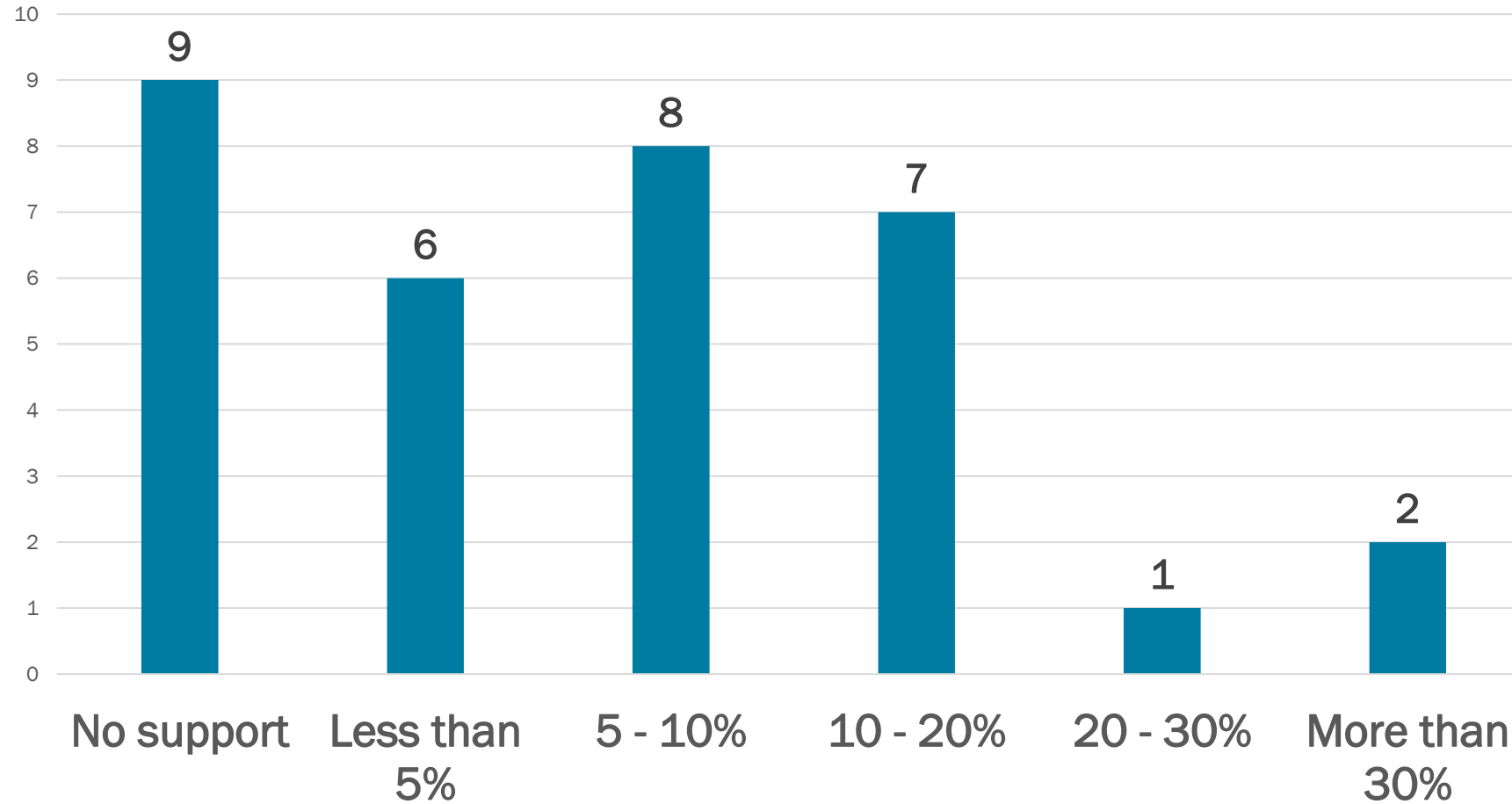
Questions/ Comments

Different options of SMEs involvement



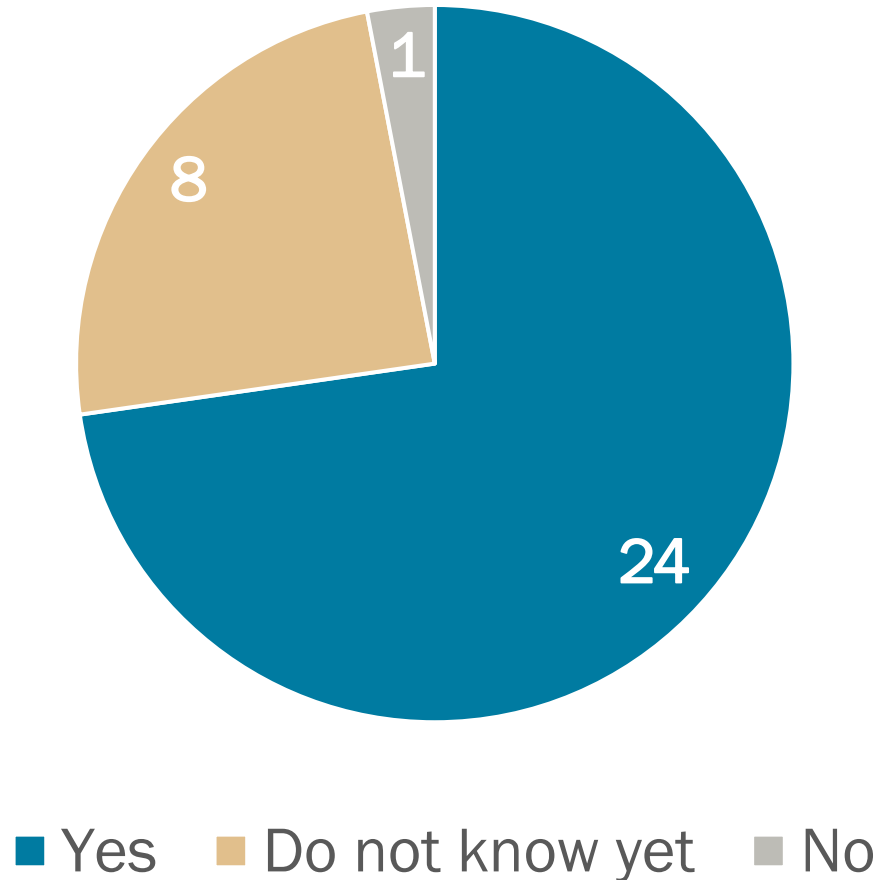
Support to SMEs in Interreg 2014-2020

Data from 33 unique Interreg programmes

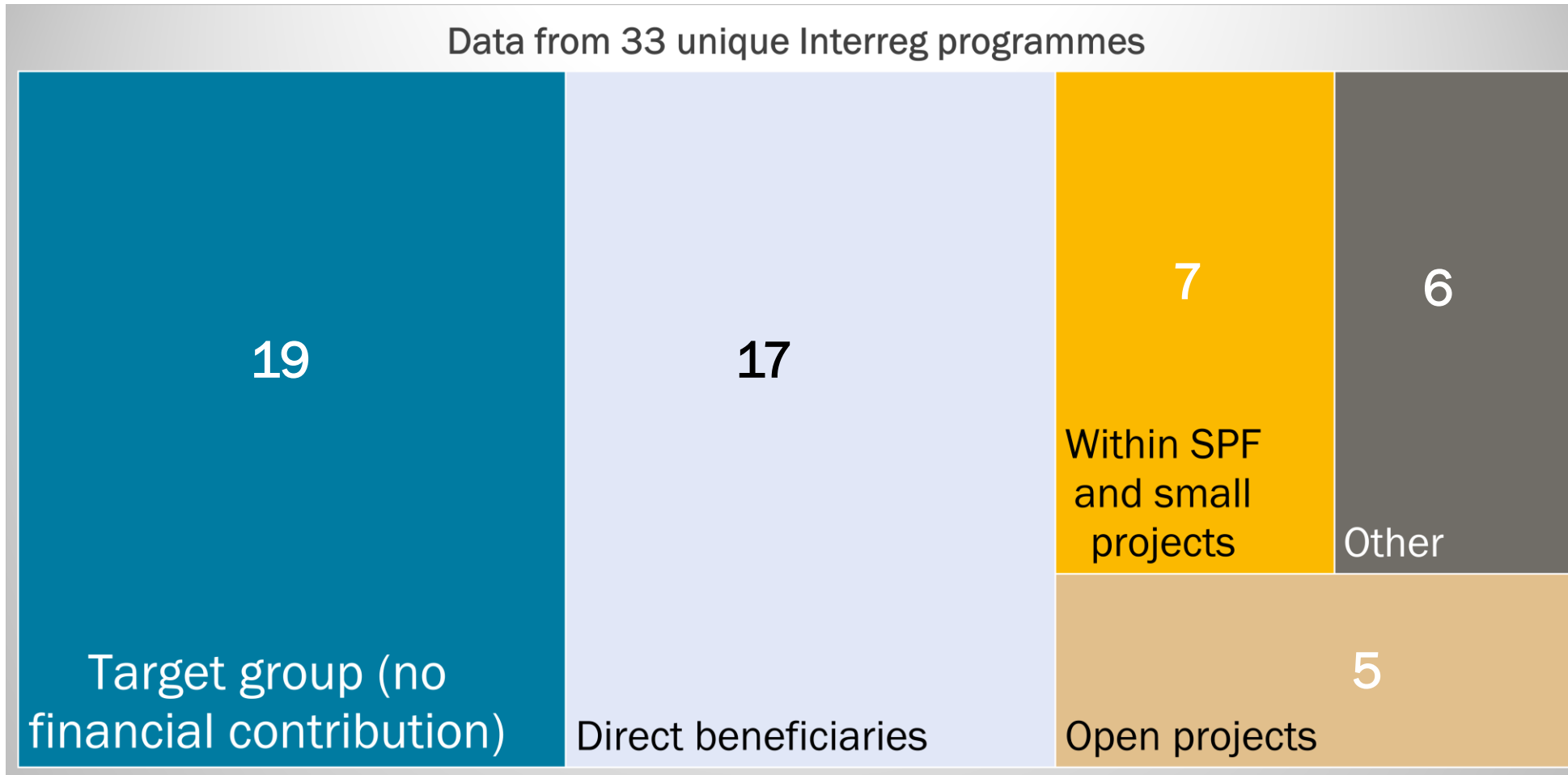


Are you planning to support SMEs in 2021-2027?

Data from 33 unique Interreg programmes



How are you planning to involve SMEs?



SMEs in Interreg projects

Johanna März, North-West Europe

- Current practice and future plans

Direct
beneficiaries

Target
groups

Part of SPF

Open
projects

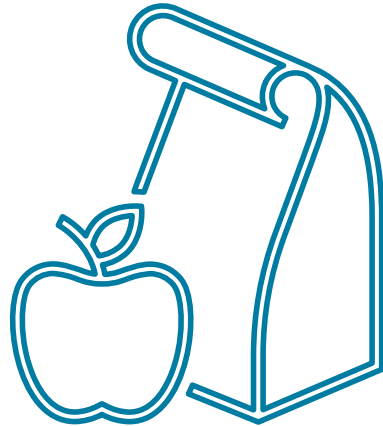
Quinten Helwig, Flanders – the Netherlands

- Current practice of open projects, evaluation, deliberations
- Future plans (SPF, continuation of open projects)



Questions/ Comments

Comfort break



Simplification measures for SMEs



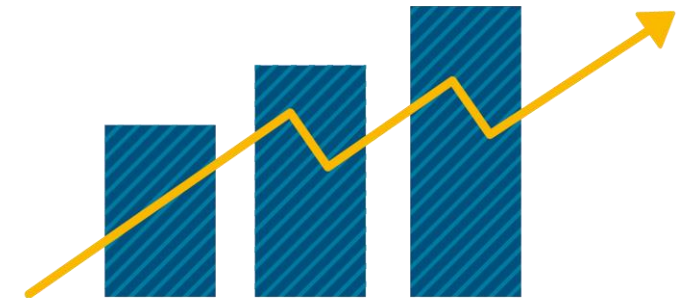
Why are we talking about simplification for SMEs?

- Trust issues compared to public bodies, bureaucracy
 - Heavy administration, complex rules
 - State aid issues
 - Difficulties accessing finance: pre-financing, public procurement, liquidity, long times for reimbursement
 - Capacity (staff)
 - Non-existing instruments in Interreg to test
 - Lack of common rules for SMEs to participate in Interreg programmes
- (contrast with Horizon Europe)
- Risk assessment
 - Durability of the project
 - Properties of investment results
 - Limited operational capacity (insufficient experience in PM)
 - Long selection process



How to make participation of SMEs in Interreg projects more attractive

- Small-scale projects with simplified procedures
- Use of SCOs
- Targeted campaigns to involve thematic SMEs in projects
- Indirect measures for SMEs as target groups (e.g., vouchers)
- Making use of GBER articles
- SPF and support SMEs indirectly as subgrantees
- Flexible monitoring system (4 payment claims per year per partner + 1 annual progress report)
- Improved payment process – no issues with the report -> 2 weeks for payment



“Copy-paste” SCOs –

Article 53(3) CPR, points (c) and (d)

- For similar types of operations
- Method should be in place at the moment of your call for proposals
- Method should be re-used entirely and not only its result (not only amount, % but what is eligible, scope, etc.)
- If any adjustments in the original method, it should be mirrored in the copy-pasted
- MA to justify “similarity” of types of operations (similar ≠ equal)
- If the method is discontinued, it is not possible to copy-paste it!



Factsheet on copy-
paste SCOs

“Copy-paste” SCOs –

Article 48(2) CPR, point (b), (c) and (d) of paragraph 1



- fixed rate,
- ready to use and relatively easy to apply,
- similarly to off-the-shelf, no justifications for calculation methodology, data sources, etc. are needed, only similarity of operations.

- no clear definition what is similar,
- risky during transition period,
- close monitoring of the original method,
- no flexibility as to the content of the method (scope, eligibility should be the same).

SCOs in Horizon Europe

What's happening?



Horizon Europe

- The next EU research & innovation investment programme (2021-2027)
- Objective: reducing the administrative burden and the risk of errors
- Shift from focus on financial management and checking costs to focus on scientific-technical content of the projects
- Less red tape:
 - Simplified forms of funding (flat rates, unit costs, lump sums, prizes) based on the experience in Horizon 2020, incl. ongoing pilots on lump sum project funding



HORIZON EUROPE

Menu of SCOs in Horizon Europe

Unit costs

- personnel costs of SME owners/natural persons not receiving a salary;
- personnel costs calculated by the beneficiaries according to their usual cost accounting practices (average personnel costs);
- costs of internally invoiced goods and services calculated by the beneficiaries according to their usual cost accounting practices.

Flat rate

- indirect costs (up to 25% flat-rate of the total eligible direct costs, excluding eligible direct costs for subcontracting, financial support to third parties and any unit costs or lump sums which include indirect costs)

Menu of SCOs in Horizon Europe

Lump sums – intention:

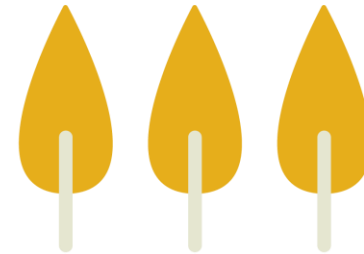
- Funding based on reimbursement of incurred costs stays complex and error-prone;
- Lump sum project funding removes all obligations on actual cost reporting and financial ex-post audits – i.e., a major reduction of administrative burden;
- Focus on scientific/technical performance and outputs;
- No actual costs, no financial audits;
- 2 types of [lump sums](#) offered*:
 - Fixed amount in the call
 - Per project based on the budget (so-called, “draft budget” method – Article 53(3)(b) CPR)

**EC decision authorizing the use of lump sum contributions under the Horizon Europe programme, July 2021*

Lump sums in Horizon Europe – further details

Fixed lump sum

- defined in the call for proposals;
- proposals describe the efforts and resources applicants commit to mobilise for this amount;
- applicants must provide proposed split of the lump sum per work package and per beneficiary;
- the evaluation – and competition between proposals
 - ensures that adequate resources are committed.



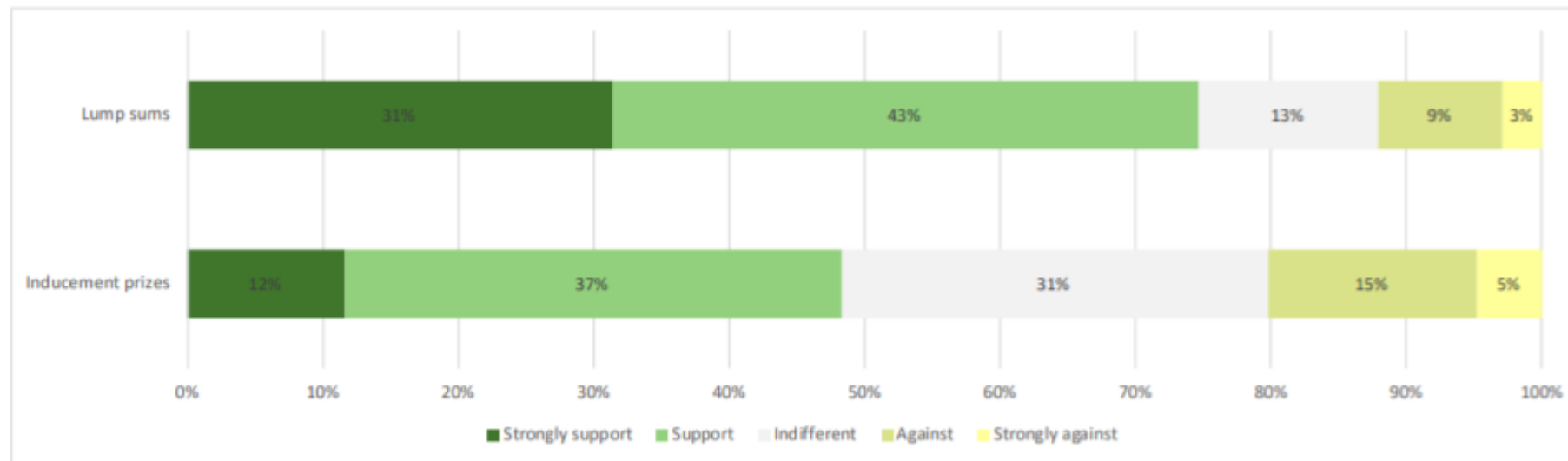
Lump sums in Horizon Europe – draft budget

| Draft budget - steps | Responsibilities |
|------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Horizon Europe provides list of eligible cost categories and items | <ul style="list-style-type: none"> - Personnel costs (employees, natural persons, seconded persons, SME owners and natural person beneficiaries); - Subcontracting costs; - Purchase costs; - Other cost categories (e.g., transnational access to research infra); - Indirect costs (a flat rate of up to 25% of the direct cost categories) |
| Applicant proposes the amount of the lump sum based on the estimated direct and indirect costs | Cost estimation is done per WP, beneficiary, incl. description of activities and resources needed |
| Evaluation of proposals | Standard HE procedures + in-depth checks - external independent experts Experts check budget estimates based on the relevant benchmarks on costs and resources (e.g., market prices, statistical data or historical data on previously funded and comparable actions) |
| Established amount LS | Authorising officer based on the assessment findings |
| Final lump sum is included in the grant agreement | Amount is set as a maximum grant amount (applying the reimbursement rate of HE) |

Horizon 2020 lump sum pilot – assessment

Limited lump sum usage:

- SME Instrument 1 projects + 2 pilot calls for multi-beneficiary projects
- Conclusions: reduce admin burden, encourage a greater participation by all types of beneficiaries (incl. SMEs); suitable for all types of R&I projects, incl. large multi-beneficiary projects.



Source: [ECA special report, 2018](#)

Horizon 2020 lump sum pilot – EC's assessment

- Positive feedback from stakeholders (ca 70% of responders - SMEs)
- Lump sum funding is fit for all types of organization and types of grant
- Effort and feasibility – positive feedback from SMEs
- Lump sum proposals are of the same technical and scientific quality as standard proposals
- Lump sum proposals provide sufficient detail for a sound evaluation of the financial details (bottleneck – finding suitably qualified experts)
- Adequate link between payments and completion of work packages
- Financial reporting is much easier, admin effort at reporting stage is low
- More flexible approach in project management (concerns for the amendment process)

Source: [EC Assessment of the lump sum pilot 2018 – 2020, Oct 2021.](#)

SCOs for SMEs from mainstream programmes – plans for 2021-2027

What's happening?



Examples of SCOs specifically targeted at SMEs

| MS | SCO | Details |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Belgium - Wallonia | Unit cost per type of consultancy services provided to SME | Costs covered: staff costs and possibly indirect costs |
| Bulgaria | Lump sum for marketing strategies and software development costs under selection | |
| | Flat rate for project management costs as % of direct costs | Costs covered: 1. Personnel costs of the team / staff responsible for project management; 2. Travel costs and related subsistence allowances for project management; 3. Other management costs - consumables, overheads, communication costs; 4. Costs for dissemination and visualization of the project; 5. Financial costs - costs for financial audit. |
| Cyprus | Lump sum per milestone achieved | Covers all eligible expenditure of the project |
| Germany | Lump sum for materials, personnel, external services, project-related investments and other operating costs, covering all eligible costs of the operation | Support is intended to encourage SMEs to bring new or advanced products or services and new or improved processes to the market and to establish them on the market |

| | | |
|-----------|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| France | Unit cost for number of companies supported | Support for business creation (ex-ante and post creation) including innovative companies. All costs covered - direct costs, staff costs, preparation costs, educational/training costs, etc. |
| | Lump sum for number of companies supported | |
| | Unit cost for number of positive outputs | |
| Italy | Unit cost of participation in an exhibition | Costs covered - direct and indirect (doesn't cover all eligible costs of the operation). |
| Lithuania | Unit cost of company participation in the exhibition | The average cost of renting the exhibition space, registration fee and exhibition stand installation was calculated per project beneficiary. Wages and travel and subsistence costs were calculated per person. |
| Malta | Unit cost/ lump sum for equipment | Draft budget method |
| | Lump sum for private sector: SMEs investing in eCommerce | All costs covered - The design, development, implementation and delivery of a new ecommerce website and/or mobile application or the upgrading of an existing website and/or mobile application into an e-commerce environment |
| | Unit costs for staff costs | |
| | Flat rate - Percentage based on the amount of direct eligible staff costs | |
| | Lump sum per consultancy service report approved, consultancy costs | All costs covered |

EU level SCOs in 2021-2027

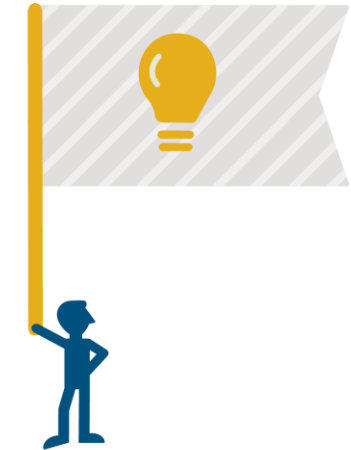
Focus on SMEs



EU level SCOs

Article 94(4) CPR: adoption of SCOs at EU level by delegated acts:

- reduced administrative burden for programme authorities;
- legal certainty for MS: SCOs in delegated acts – no errors



DG Regio study on EU level SCOs (2021-2023) – 1st study

- Duration: 18 month
- Scope: Develop of EU level SCOs for each Member State in energy efficiency & renewable energy, R&I activities, SME Growth & Competitiveness
- Roadmap: data collection tool (March 2022), SCOs defined (June/October 2022), feasibility result on FNLC (February 2023). -> [Delegated act: Q4 2023](#)

EU level SCOs

A 2nd study for the setting up of EU level SCOs in the policy areas of **Health, Environment and Information & Communication Technologies** is in the pipeline.

| Policy area | Types of actions/interventions | Types of costs |
|--------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Health | E –Health applications (e-Care, home care telemedicine) | <ul style="list-style-type: none"> • project preparation/supervision, hardware/ software & digital data, licenses • e-health equipment • staff costs • medical equipment/ambulance purchase |
| | Digitalisation of health care | |
| | Health infrastructure construction & refurbishment /research facilities | |
| | Health equipment, health mobile assets | |
| Environment | Construction of water supply/drainage system | <ul style="list-style-type: none"> • feasibility studies, project management, consultancy • site preparation • (re) construction of pipelines • pumping stations and pipelines • water monitoring system • climate protection measures natural disasters • civil protection equipment |
| | Construction of waste-water treatment plans | |
| | Adaptation to climate change & risk prevention measures | |
| | Water management measures | |
| ICT | ICT business solutions, digital marketing | <ul style="list-style-type: none"> • create / improve business websites • applications & solutions for e-commerce • domain, server, cloud services • strategic consultancy, patents • purchase computer equipment • software license, interactive boards & media equipment |
| | Digital transformation, organisational innovation and the development of new business models | |
| | ICT for schools | |
| | Digitalisation of SMEs -administration and digital inclusion (e-citizen, e-administration) | |



Questions/ Comments

Wrap up and Closure

What's coming?



Feedback questionnaire



Please fill in our evaluation survey –
link in chat!

Thank you in advance for taking the
time!

Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)

