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Executive Agency for Small and Medium-sized Enterprises (EASME)

CALL FOR PROPOSALS
Co-Financing of Consortia for Public
Procurement of Innovation

COS-PPI-2018-2-01

COSME Work Programme 2018

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1. INTRODUCTION AND BACKGROUND

1.1. Introduction

Small and medium-sized enterprises (SME) play a crucial role in reaching the objectives of the Europe 2020 Strategy¹. Whereas they are considered as crucial engines for growth and job creation, their competitiveness is affected by a limited exploitation of international opportunities and innovation prospects in the Single Market and beyond.

In this context, the Programme for the competitiveness of enterprises and small and medium-sized enterprises (2014-2020)², hereinafter referred to as “COSME”, aims to promote growth and to strengthen the competitiveness and sustainability of enterprises in the European Union.

The Executive Agency for Small and Medium-sized Enterprises³ (hereinafter referred to as “EASME” or the “Agency”) is entrusted by the European Commission with the implementation, *inter alia*, of parts of the COSME programme.

In this respect, this call for proposals, managed by EASME, implements parts of the COSME Work Programme 2018, as adopted by the Commission Implementing Decision C(2017) 7293⁴.

1.2. Policy Context

Public Procurement represents approximately 14% of the EU GDP. However, less than half of this budget is purchased from SMEs.

Public procurement of innovation (PPI) broadly refers to any public procurement that has one or both of the following aspects:

- buying the process of innovation;
- buying the outcomes of innovation.

Public procurement of innovation may commence with research and development of products, services or processes that do not yet exist. Public buyers state their need with little to no concrete idea of the solution and support innovative businesses and researchers in finding the perfectly suited product, service or process. In this way, the public buyer effectively becomes part of the innovation lifecycle from the very beginning of product or service development.

¹ COM (2010)2020 final of 3 March 2010 “Europe 2020. A strategy for smart, sustainable and inclusive growth”.

² Regulation (EU) No 1287/2013 of 11 December 2013 (Official Journal of the European Union L 347/33 of 20.12.2013).

³ EASME was set up by Commission Implementing Decision 2013/771/EU of 17 December 2013 establishing the Executive Agency for Small and Medium-sized Enterprises and repealing Decisions 2004/20/EC and 2007/372/EC (Official Journal of the European Union L 341/73 of 18.12.2013).

⁴ Commission Implementing Decision C(2017) 7293 of 6.11.2017 on the adoption of the work programme for 2018 and the financing of the Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME).

Furthermore, public buyers may choose innovative products, services or processes that are new in the market instead of renewing or replicating existing procurement contracts.

PPI is currently facing a number of issues, which can be summarised in the following way:

- **Lack of knowledge and expertise** in contracting authorities on the use of practices that favour innovation, on risk management in procurement, and on market and technological developments.
- **Lack of (or wrong) incentives** for contracting authorities, which give priority to short term costs and provide no incentives for the additional risks (and initial costs) of purchasing innovative solutions, even if in the long and medium term cost savings and efficiency gains can be obtained.
- **Lack of perception of public procurement as a useful tool for achieving general policy objectives**, with procurement focusing on legal and procedural aspects instead of how it can contribute to public policy objectives.
- **Lack of innovative capability in public organisations**, with little or no dedicated resources (financial or personnel) to identify, experiment, develop or evaluate innovations; nor even to identify if innovative solutions could better help overcome problems in the public services than standardised solutions.
- **Fragmentation of demand / lack of critical mass** due to the fragmentation of procurement actions across borders and administrative boundaries, which leads to individual procurements being too small for companies to make the effort of coming forward with innovative solutions. There are clear economies of scale by pulling together procurement processes. They stem from, for instance, the joint use of human resources to manage the processes and the sharing of risks between several buyers.
- **Difficulties for innovative SMEs to be involved in public procurement** as direct beneficiary/ client of a purchasing authority. This hampers the access of public authorities to the innovative potential of SMEs, in particular high-tech SMEs who play a key role in creating innovative solutions.

Experience in co-financing public procurement of innovation under previous co-financing programmes shows that SMEs are much more likely to be involved as suppliers of innovation than as suppliers of conventional products and services. In the first innovation procurement actions launched under the 7th R&D Framework Programme, SMEs won 2.5 times more contracts than in standard exercises (73% versus 29%)⁵. Recently, in its Communication “Europe’s next leaders: the start-up and scale-up initiative”⁶, procurement was mentioned as a key instrument for supporting the scaling-up of activities.

The action also follows up on the commitment of the Commission contained in the “Accelerating Clean Energy Innovation” Communication⁷ to boost market uptake of innovative clean energy

⁵ FP7 dedicated website: https://ec.europa.eu/research/fp7/index_en.cfm.

⁶ COM(2016) 733 final of 22 November 2016 “Europe's next leaders: the Start-up and Scale-up Initiative”.

⁷ COM(2016) 763 final of 30 November 2016 “Accelerating Clean Energy Innovation”.

solutions through public procurement. However, the scope of the action is not limited to clean energy, as it intends to boost demand for all types of innovative solutions.

2. OBJECTIVE(S) – THEME(S) – ACTIVITIES – OUTPUTS

2.1. General policy objective

Given the significance of public procurement in the EU economy, the use of more innovation-oriented procurement can be a major contributor to the wider ambition of smart, sustainable and inclusive growth as well as potentially boosting the overall development of innovative companies in Europe.

2.2. Objectives in relation to SMEs and the COSME programme

This call for proposals is intended to contribute to the general objective of “strengthening the competitiveness and sustainability of the Union's enterprises, particularly SMEs” contained in EU Regulation 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (the COSME Regulation).

The specific objective of this call in relation to SMEs is to improve their access to markets inside the Union. Access to public procurement remains difficult for SMEs, who are only awarded 45% of the value of public contracts above EU public procurement thresholds⁸. This share is clearly below their weight in the economy.

The public sector can play a large role in helping companies, and in particular SMEs, overcome a classic market failure: finding a first group of customers for their innovative products and services. Innovation is constrained by a 'chicken or egg problem,' whereby suppliers will often wait until there is a demonstrated demand before they develop new solutions, while at the same time the potential buyers are waiting to see a new product or service enjoying some success in the market before they will risk buying it themselves (Cate et al, 1998)⁹.

This call for proposals is expected to contribute to a significant increase in the proportion of SMEs that have access to the public procurement market. It will also increase the visibility and awareness of the advantages of procuring innovation for a constantly increasing greater number of public buyers.

2.3. Objectives of the call

This call for proposals has three main objectives.

1. The first objective is to encourage cooperation between public buyers to promote the use of public procurement to contribute to the development of innovation.

⁸ COM(2017) 572 final of 3 October 2017 “Making public procurement work in and for Europe”.

⁹ Ten Cate, A., Harris, J., Shugars, J. and Westling, H. (1998): Technology Procurement as a Market Transformation Tool. <http://www1.eere.energy.gov/femp/pdfs/techproc.pdf>.

2. The second objective is to use public procurement as a mechanism to pilot innovation in areas of strong public interest such as, for instance, clean energy (contributing to Paris targets for fighting climate change) or healthcare. This will in turn encourage innovative EU companies, in particular SMEs, to develop new solutions to address societal challenges.
3. The third objective is to link and establish synergies with research and innovation projects funded by the EU (via Horizon 2020, COSME or EU funding programmes) whenever possible.

2.4. Organisation and activities

This call for proposals aims at setting up consortia of public buyers from at least two eligible countries. The consortia must design and implement a public procurement for innovation (PPI) action. The public buyers in the consortia will procure the identified innovative solution(s), possibly in a joint manner, in full compliance with EU and national public procurement rules.

Applicant consortia must demonstrate that the envisaged procurement solution(s) will be new to the public buyer, that the solutions are not yet available on a large-scale commercial basis and that the solution(s) can be of interest to public buyers in other EU Member States.

All of the following activities must be carried out in the context of this call for proposals:

1. Assessment of the public buyers' needs. It is essential that proposals define a preparatory phase to clearly identify, prioritise and develop the client's need. Projects must engage in early discussions with immediate users (and possibly end-users) and others that may be affected by the proposed investment. Through this assessment, the public buyers shall also determine the state-of-the-art of potentially available solutions by developing thorough "market consultations" involving the supply chain, accompanied by an announcement published at least in English via a Prior Information Notice in the Official Journal of the European Union. In addition, public buyers shall develop common specifications for the procurement of innovative solutions. Specifications should not prescribe any technological or non-technological solution and it shall use functional/performance based requirements instead of solution prescriptive specifications.

2. Open market consultation supporting dialogue with potential contractors to assess the state-of-the-art and technological limitations for potential innovative solutions and carrying out wide-ranging market research to come to a better view on the state-of-the-art and identify the companies working in the field. This activity typically involves desk research with targeted expert discussions and events bringing together public buyers with leading suppliers with the aim of better understanding the public buyers' needs and the state of the art.

3. Engaging the market jointly, giving to the market signals concerning the size of the procurement in order to trigger the interest of providers (for instance, information regarding the action: when the procurement is expected to take place, description of the identified need and what solution is expected to be procured).

4. Capacity Building and coordination between public buyers including trainings, exchanges, secondment of personnel and other similar practices.

5. Developing the specifications for the call for tenders to be launched: assisting public buyers to articulate their needs in a way that ensures the best response from potential contractors.

6. Preparation and implementation of the call for tenders, covering the following steps:

- a) Design of the tender bearing in mind the specificity of cross-border procurement, if applicable. Legal expertise (internal or external) is important at this stage.
- b) Definition of award criteria.
- c) Publication of the call for tenders for innovative solutions in the Official Journal of the European Union at least in English and on the dedicated project website. Publication on other media is encouraged since it will help increase the visibility of the call for tenders.
- d) Evaluation of the received offers on the basis of the award criteria and completion of the award procedure.
- e) Purchase, as launch customers, of the innovative solution on offer.
- f) Co-ordinate the procurement process at least among the participating public procurement bodies. The procurement process must be carried out in full compliance with applicable European and national law and must take measures to ensure fair competition to independent small and medium-sized enterprises (SMEs). These measures should be outlined in the proposal.

7. Communication on the achievements of the projects: This includes informing the public about the procurement action, about its results and about the level of EU co-financing:

- Wide dissemination to a public audience of relevant organisations and individuals (in particular public buyers).
- Co-operation and exchange of information with other European projects that support public procurement of innovation, at least those supported under this call and potentially others who receive EU funding through Horizon 2020 and other funding programmes.
- Raise awareness among other public buyers, potential suppliers of innovative solutions and policy-makers by providing first-hand information about the contribution of public procurement of innovation to a better business environment and, ultimately, to smart, sustainable and inclusive growth. For that, proposals must:
 - Design a communication strategy.
 - Create and maintain a project website, including updated information, for the duration of the project. The website shall remain accessible for at least two years after the end of the project.

2.5. General expected results: outputs and deliverables

The proposal shall include a detailed work plan covering all activities of the proposal, as well as coordination activities with EASME and the European Commission.

This plan must include at least the following milestones:

- Kick off meeting planned within 30 days from the signature of the agreement in EASME's premises, followed by an inception report.

- Progress meeting(s) in EASME's premises, on the spot and/or by remote means of communication to monitor the progress made by the projects.
- Progress report(s) to be submitted for EASME's approval as outlined in section 13.
- Interim and final technical implementation reports and financial statements to be submitted for EASME's approval as outlined in section 13.

Additional opportunities for interactions (in written or via meetings – direct or at distance) with EASME and the European Commission can be considered in order to facilitate an effective desk monitoring by EASME. Applicant consortia are free to propose further more specific deliverables and/or results relevant to the objectives of this call for proposals.

2.6. General indicators

Applicant consortia must ensure that the project's outcomes and impacts are presented against all the following indicators:

- Number of companies involved in the joint market consultation(s) carried out;
- Number of public buyers involved in a joint commitment to purchase;
- Number of joint specifications developed;
- Number of suppliers involved in the procurement (at consultation stage, at award stage, etc.) and out of which proportion of SMEs;
- Number of countries of suppliers involved in the procurement at the different stages;
- Direct procurement amount;
- Indirect procurement amount (after the end of the action, but still linked to the action);
- Relevant sustainability indicator(s), depending on the nature of the innovation;
- Expected impact on employment (e.g. number of jobs created);
- Contribution of procured solutions to the public policy objectives, to be measured by indicators proposed by the applicant and validated by EASME and the Commission.

Moreover, depending on the concrete results foreseen, applicants should propose further outcome and impact-related indicators in their proposals.

2.7. General requirements

Requirements for the preparation of the proposals

A proposal must:

- Be clear. In order to ensure good structuring and clarity of the procurement action, applicants are requested to divide the actions into work packages, having clear objectives, a clear description of the work, deliverables, milestones, and expected results measured by performance indicators. To do so, partners must fill in the template "Description of Action", (Annex 1) provided together with this call for proposals.
- Be coherent. The proposal must clearly elaborate, among others, on the following aspects:

- Shortcomings and specific needs to be addressed;
 - Complementarity of the project with other actions being taken (if any) by the applicants.
- Be supported by a short but robust action plan. The proposal must briefly elaborate, among others, on the following aspects:
 - Identification of needs the buyers want to address;
 - Analysis of a based-line scenario without innovation compared to the expecting benefits of innovative solutions and;
 - Estimation of costs and revenues, and financial effectiveness.
 - Provide for effective management. The proposal must identify the management structure and explain how this will enable the procurement action to meet its goals. It should also identify the staff to be involved and the distribution of tasks between partners and staff members.
 - The expected results of the pilot must be clearly outlined (both short-term and medium-long-terms results) and they must be quantifiable and measurable. The proposal must indicate how the results can be measured (i.e. which indicators and sources can be used to measure the results, also after the end of the pilot).

The work packages must also contain a final evaluation of results clearly demonstrating whether and how the relevant results (as well as other results specific to the proposal) have been achieved.

The ‘Description of Action’ (Annex 1) must not exceed 25 A4 pages (using font size 10 Arial). Any pages exceeding this limit will be disregarded.

3. TIMETABLE

Stages	Dates
a) Deadline for submitting applications	11/12/2018 17:00 h Brussels time
b) Evaluation period*	12/2018
c) Information to applicants*	04/2019
d) Signature of grant agreements*	07/2019
e) Starting date of the action*	08/2019

* indicative

4. BUDGET AVAILABLE AND FUNDING OF PROJECTS

The total budget earmarked for the co-financing of projects is EUR 4 000 000.

EASME expects to grant projects co-financing between EUR 800 000 and EUR 1.5 million. Nonetheless, this does not preclude submission and selection of proposals requesting other amounts.

EASME expects to fund 3 to 4 proposals.

The grant is limited to:

- A maximum reimbursement rate of 90% of **eligible costs as defined in section 12.2 (cost categories A, B, D, E) of this call** (linked to the collaboration, procurement preparation and follow-up of the public tender); and
- A maximum reimbursement rate of 25% of the eligible costs **as defined in section 12.2 (cost category C) of this call**, for the actual purchase of the innovative solution(s).

The estimated EU contribution allocated to the purchase of the innovative solution(s) may not exceed 60% of the maximum EU contribution requested.

The cost of the purchase of the innovative solution(s) is excluded from the calculation of the indirect costs.

EASME reserves the right not to distribute all the funds available.

5. ADMISSIBILITY REQUIREMENTS

The following requirements must be complied with:

- Applications must be submitted no later than the deadline for submitting applications referred to in section 3;
- Applications must be submitted in writing, using the electronic system specified in section 16;
- Applications must be drafted in one of the EU official languages.

Failure to comply with those requirements will lead to the rejection of the application.

Incomplete applications may be considered inadmissible. This refers to the requested administrative data, the proposal description and requested grant amount, and any supporting documents specified in this call for proposals.

6. ELIGIBILITY CRITERIA

6.1. Eligible applicants

Applicants must be legal entities forming a consortium. A non-exhaustive list of types of entities that can participate in the consortium includes:

- non-profit organisations (private or public);
- public authorities (national, regional, local);
- universities or educational institutions;
- research centres;
- profit making entities;

Natural persons are not eligible.

Linked third parties, i.e. legal entities having a legal or capital link with applicants, which is neither limited to the action nor established for the sole purpose of its implementation, may take part in the action **as applicants** in order to declare eligible costs.

In order to assess the applicant's eligibility, EASME shall request supporting documents in due time.

Only applications from legal entities established in the following countries are eligible:

- EU Member States;
- Countries participating in the COSME programme pursuant to Article 6 of the COSME Regulation¹⁰.

Important notice for British applicants: Please be aware that eligibility criteria must be complied with for the entire duration of the grant. If the United Kingdom withdraws from the EU during the grant period without concluding an agreement with the EU ensuring in particular that British applicants continue to be eligible, you will cease to receive EU funding (while continuing, where possible, to participate) or be required to leave the project on the basis of Article 'Change of the legal situation of the beneficiary' of the grant agreement.

¹⁰ The following groups of countries are eligible for participation in COSME according to Article 6 COSME Regulation:

- a. European Free Trade Association (EFTA) countries which are members of the European Economic Area (EEA), in accordance with the conditions laid down in the EEA Agreement, and other European countries when agreements and procedures so allow;
- b. Acceding countries, candidate countries and potential candidates in accordance with the general principles and general terms and conditions for the participation of those countries in the Union's programmes established in the respective Framework Agreements and Association Council Decisions, or similar arrangements;
- c. Countries falling within the scope of the European neighbourhood policies, when agreements and procedures so allow and in accordance with the general principles and general terms and conditions for the participation of those countries in the Union's programmes established in the respective Framework Agreements, Protocols to Association Agreements and Association Council Decisions.

The updated list of eligible third countries is available on the following webpage: http://ec.europa.eu/growth/smes/cosme/index_en.htm. Proposals from applicants in Article 6 countries may be selected provided that, on the date of award, agreements have been signed setting out the arrangements for the participation of those countries in the programme.

6.2. Eligible consortia

The consortium has to be composed of a minimum of two public buyers from two different eligible countries (as defined in section 6.1.).

Consortia are encouraged to include a limited number of public buyers (i.e. no more than six or seven), since more extensive and complex partnerships have in the past tended to produce lower levels of engagement of individual partners and narrower areas of mutual interest.

Other organisations who are not public buyers and meet the eligibility criteria may join a consortium as the partners see fit.

6.3. Implementation period

The project's duration must be between 36 months and 48 months. In exceptional cases, and if necessary for the completion of the project, the duration of the project may be extended for 6 months. This extension may be requested by the project coordinator during the course of the project and is subject to compliance with the Grant Agreement and EASME approval.

7. EXCLUSION CRITERIA

7.1. Exclusion

The authorising officer shall exclude an applicant from participating in call for proposals procedures where:

- (a) the applicant is bankrupt, subject to insolvency or winding-up procedures, where its assets are being administered by a liquidator or by a court, where it is in an arrangement with creditors, where its business activities are suspended, or where it is in any analogous situation arising from a similar procedure provided for under national laws or regulations;
- (b) it has been established by a final judgment or a final administrative decision that the applicant is in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the law of the country in which it is established, with those of the country in which the authorising officer is located or those of the country of the performance of the contract;
- (c) it has been established by a final judgment or a final administrative decision that the applicant is guilty of grave professional misconduct by having violated applicable laws or regulations or ethical standards of the profession to which the applicant belongs, or by having engaged in any wrongful conduct which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence, including, in particular, any of the following:
 - (i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of selection criteria or in the performance of a contract, a grant agreement or a grant decision;
 - (ii) entering into agreement with other applicants with the aim of distorting competition;
 - (iii) violating intellectual property rights;
 - (iv) attempting to influence the decision-making process of the Agency during the award procedure;

- (v) attempting to obtain confidential information that may confer upon it undue advantages in the award procedure;
- (d) it has been established by a final judgment that the applicant is guilty of any of the following:
- (i) fraud, within the meaning of Article 1 of the Convention on the protection of the European Communities' financial interests, drawn up by the Council Act of 26 July 1995;
 - (ii) corruption, as defined in Article 3 of the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union, drawn up by the Council Act of 26 May 1997, and in Article 2(1) of Council Framework Decision 2003/568/JHA, as well as corruption as defined in the law of the country where the contracting authority is located, the country in which the applicant is established or the country of the performance of the contract;
 - (iii) participation in a criminal organisation, as defined in Article 2 of Council Framework Decision 2008/841/JHA;
 - (iv) money laundering or terrorist financing, as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council;
 - (v) terrorist-related offences or offences linked to terrorist activities, as defined in Articles 1 and 3 of Council Framework Decision 2002/475/JHA, respectively, or inciting, aiding, abetting or attempting to commit such offences, as referred to in Article 4 of that Decision;
 - (vi) child labour or other forms of trafficking in human beings as defined in Article 2 of Directive 2011/36/EU of the European Parliament and of the Council;
- (e) the applicant has shown significant deficiencies in complying with main obligations in the performance of a contract, a grant agreement or a grant decision financed by the Union's budget, which has led to its early termination or to the application of liquidated damages or other contractual penalties, or which has been discovered following checks, audits or investigations by an authorising officer, OLAF or the Court of Auditors;
- (f) it has been established by a final judgment or final administrative decision that the applicant has committed an irregularity within the meaning of Article 1(2) of Council Regulation (EC, Euratom) No 2988/95.
- (g) for the situations of grave professional misconduct, fraud, corruption, other criminal offences, significant deficiencies in the performance of the contract or irregularity, the applicant is subject to:
- (i) facts established in the context of audits or investigations carried out by the Court of Auditors, OLAF or internal audit, or any other check, audit or control performed under the responsibility of an authorising officer of an EU institution, of a European office or of an EU agency or body;
 - (ii) non-final administrative decisions which may include disciplinary measures taken by the competent supervisory body responsible for the verification of the application of standards of professional ethics;
 - (iii) decisions of the ECB, the EIB, the European Investment Fund or international organisations;
 - (iv) decisions of the Commission relating to the infringement of the Union's competition rules or of a national competent authority relating to the infringement of Union or national competition law.
 - (v) decisions of exclusion by an authorising officer of an EU institution, of a European office or of an EU agency or body.

7.2. Remedial measures

If an applicant declares one of the situations of exclusion listed above (see section 7.4), it should indicate the measures it has taken to remedy the exclusion situation, thus demonstrating its reliability. This may include e.g. technical, organisational and personnel measures to prevent further occurrence, compensation of damage or payment of fines. The relevant documentary evidence which illustrates the remedial measures taken must be provided in annex to the declaration. This does not apply for situations referred in point (d) of section 7.1.

7.3. Rejection from the call for proposals

The authorising officer shall not award a grant to an applicant who:

- a. is in an exclusion situation established in accordance with section 7.1;
- b. has misrepresented the information required as a condition for participating in the procedure or has failed to supply that information;
- c. was previously involved in the preparation of calls for proposal documents where this entails a distortion of competition that cannot be remedied otherwise.

The same exclusion criteria apply to linked third parties.

Administrative and financial penalties may be imposed on applicants or linked third parties, where applicable, who are guilty of misrepresentation.

7.4. Supporting documents

Applicants must provide a **declaration on their honour** certifying that they are not in one of the situations referred to in Articles 106(1) and 107 FR, by filling in the relevant form attached to the application form accompanying this call for proposals.

8. SELECTION CRITERIA

8.1. Financial capacity

Applicants must have stable and sufficient sources of funding to maintain their activity throughout the period during which the action is being carried out or the year for which the grant is awarded and to participate in its funding. The applicants' financial capacity will be assessed on the basis of the following supporting documents:

- a) Low value grants (\leq EUR 60 000):

- a declaration on their honour.

- b) Grants \geq EUR 60 000:

- a declaration on their honour and,

EITHER

- the profit and loss account, the balance sheet for the last financial year for which the accounts were closed;

- for newly created entities, the business plan might replace the above documents.

OR

- the table provided for in the application form, filled in with the relevant statutory accounting figures, in order to calculate the ratios as detailed in the form.

c) Grants for an action \geq EUR 750 000, in addition:

- an **audit report** produced by an approved external auditor certifying the accounts for the last financial year available.

In the event of an application grouping several applicants (consortium), the above thresholds apply to each applicant.

The above-listed documents will have to be provided at later stage, via the electronic submission tool and only upon request of EASME.

On the basis of the documents submitted, if the authorising officer considers that financial capacity is not satisfactory, he may:

- request further information;
- propose a grant agreement without pre-financing;
- propose a grant agreement with a pre-financing paid in instalments;
- propose a grant agreement with a pre-financing covered by a bank guarantee (see section 12.4 below);
- where applicable, require the joint and several financial liability of all the co-beneficiaries;
- reject the application.

8.2. Operational capacity

Applicants must have the professional competencies as well as appropriate qualifications necessary to complete the proposed action.

In this respect, applicants have to submit the following supporting documents:

- A summary table indicating the persons that will make up the core team responsible for the project with their qualifications and competences. A template is included in the application forms.
- A list of previous projects and activities performed and connected to the policy field of the call for proposals or to the actions to be carried out. An example is included as annex 5.

9. AWARD CRITERIA

Eligible applications will be assessed on the basis of the following criteria:

<i>Criteria</i>	<i>Max. score</i>
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<p>Relevance of the actions in view of the objectives of the call (<i>meeting objectives of the call; appropriate results; appropriate partnership: competences and European dimension</i>)</p> <p><i>To what extent are the actions proposed by the applicant strategically chosen to meet the objectives of this call?</i></p> <p><i>How relevant is the project proposed in view of the objectives of the call?</i></p> <p><i>How well does the project fit with the expectations/needs of the identified target group?</i></p> <p><i>How strategically chosen are the project partners (relevance of the partners to the project)?</i></p> <p><i>To what extent do the proposed activities, composition of the partnership and the selected target group(s) demonstrate a European added value?</i></p> <p><i>Is there any complementarity between the proposed project and other actions being taken at European level?</i></p>	30
<p>Quality of the proposed actions (<i>clear and feasible description of actions; appropriate allocation of resources, including management</i>)</p> <p><i>How clear, coherent and ambitious is the work plan?</i></p> <p><i>How appropriate, practical and innovative are the activities proposed (including the internal plan of action/work packages)?</i></p> <p><i>Is there a logical link between identified needs, specific objectives, proposed actions and expected results? Is this link well described and justified?</i></p> <p><i>How suitable and realistic is the contribution of each partner to the activities proposed?</i></p> <p><i>To what extent can the methodology and management set up be effective and ensure the high quality of the action proposed?</i></p>	30
<p>Impact on target audience (<i>appropriate impact indicators; dissemination; project continuation</i>)</p> <p><i>Is the proposal suggesting clear, realistic and practical impact indicators? To what extent does the project contribute to creating a real, measurable impact on the sectors concerned?</i></p> <p><i>To what extent is the project likely to have a tangible impact on the target groups?</i></p> <p><i>How effective, innovative and convincing are the promotional and communication activities? Does the proposal contain a comprehensive communication strategy?</i></p> <p><i>Are concrete measures planned in order to ensure that the project can be replicated after the termination of EU funding?</i></p> <p><i>Are the expected multiplying effects reasonable? To what extent does the proposal identify elements of follow-up and transferability (including lessons learnt and good practices) at EU level?</i></p>	30

<p>Cost-effectiveness (<i>coherence, detail and clarity between actions proposed and budgeted resources</i>)</p> <p><i>To what extent the detailed budget is coherent with the work plan of the proposal?</i></p> <p><i>To what extent is the proposed expenditure necessary for the implementation of the project?</i></p> <p><i>Do the expected results stand in a reasonable relationship to the amount of the grant? Does the budget seem justified when compared to the expected impact?</i></p>	10
TOTAL	100

In order to be considered for funding, proposals will need to have passed an overall threshold of 70% in terms of total score. In addition, thresholds of 50% will be applied to each individual award criterion described above in order to ensure a consistent minimum quality for all award criteria. Proposals will be ranked according to their total score.

10. LEGAL COMMITMENTS

In the event of a grant awarded by EASME, a grant agreement drawn up in euro and detailing the conditions and level of funding, will be sent to the applicant, as well as the information on the procedure to formalise the agreement of the parties.

Please note that the award of a grant does not establish an entitlement for subsequent years.

The authorising officer may draw a reserve list of proposals that have passed the above thresholds. In the event that the original budget of the action is increased or that selected proposal(s) fail to conclude the grant agreement, a grant may be awarded to proposals from the reserve list, following their order on the ranking list in accordance with the scores obtained.

11. ADMINISTRATIVE REVIEW PROCEDURES

Unsuccessful applicants may request the review of the admissibility and eligibility procedure and the evaluation procedure with regard to their proposal as specified in section V of the Guide for applicants (Annex 3).

12. FINANCIAL PROVISIONS

12.1. General principles

a) Non-cumulative award

An action may only receive one grant from the EU budget.

In no circumstances shall the same costs be financed twice by the Union budget. To ensure this, applicants shall indicate the sources and amounts of Union funding received or applied for the same action or part of the action or for its functioning during the same financial year as well as any other funding received or applied for the same action.¹¹

b) Non-retroactivity

No grant may be awarded retrospectively for actions already completed.

A grant may be awarded for an action which has already begun only where the applicant can demonstrate the need to start the action before the grant agreement is signed.

In such cases, costs eligible for financing may not have been incurred prior to the date of submission of the grant application.

c) Co-financing

Co-financing means that the resources which are necessary to carry out the action may not be entirely provided by the EU grant. It may take the form of:

- the beneficiary's own resources;
- income generated by the action;
- financial contributions from third parties.

d) Balanced budget

The estimated budget of the action is to be attached to the application form. It must have revenue and expenditure in balance.

The budget must be drawn up in euros.

Applicants which foresee that costs will not be incurred in euros, are invited to use the exchange rate published on the Info-euro website available at: http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm.

e) Implementation contracts/subcontracting

Where the implementation of the action requires the award of procurement contracts (implementation contracts), the beneficiary must award the contract to the bid offering best value for money avoiding conflicts of interests and retain the documentation for the event of an audit.

In the event of procurement exceeding EUR 60 000, the beneficiary must abide by special rules as referred in the grant agreement annexed to the call. Moreover the beneficiary is expected to clearly document the tendering procedure and retain the documentation for the event of an audit.

¹¹ Directive 2014/24/EU of the European Parliament and the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (Official Journal of the European Union L 94, 28.3.2014, p. 65).

Entities acting in their capacity of contracting authorities in the meaning of Directive 2014/24/EU¹² or contracting entities in the meaning of Directive 2014/25/EU¹³) shall abide by the applicable national public procurement rules. The beneficiary is expected to clearly document the tendering procedure and retain the documentation for the event of an audit.

Sub-contracting, i.e. the externalisation of specific tasks or activities which form part of the action as described in the proposal must satisfy the conditions applicable to any implementation contract (as specified above) and in addition to them the following conditions:

- it must be justified having regard to the nature of the action and what is necessary for its implementation;
- it must be clearly stated in the proposal.

f) Financial support to third parties.

Applications may not envisage provision of financial support to third parties.

12.2. Funding forms

Grants are calculated on the basis of a detailed estimated budget indicating clearly the costs that are eligible for EU funding. The grant amount may neither exceed the eligible costs nor the amount requested. Amounts are indicated in euros.

➤ Maximum EU contribution requested

The EU contribution is limited to a maximum reimbursement rate of eligible costs indicated in section 4. Consequently, part of the total eligible expenses entered in the estimative budget must be financed from sources other than the EU grant (see section 12.1c).

➤ Eligible costs

'Eligible costs' shall meet all the following criteria:

- ✓ they are incurred by the beneficiary;
- ✓ they are incurred during the duration of the action, with the exception of costs relating to final reports and audit certificates;

The period of eligibility of costs will start as specified in the grant agreement. If a beneficiary can demonstrate the need to start the action before the agreement is signed, expenditure may be authorised before the grant is awarded. Under no circumstances can the eligibility period start before the date of submission of the grant application (see section 12.1 b).

¹² Directive 2014/24/EU of the European Parliament and the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (Official Journal of the European Union L 94, 28.3.2014, p. 65).

¹³ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (Official Journal of the European Union L 94, 28.3.2014, p. 243).

- ✓ they are indicated in the estimated budget of the action;
- ✓ they are necessary for the implementation of the action which is the subject of the grant;
- ✓ they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary;
- ✓ they comply with the requirements of applicable tax and social legislation;
- ✓ they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action/project with the corresponding accounting statements and supporting documents.

In addition for **unit costs**:

- ✓ the number of actual units must comply with the following conditions:
 - the units must be actually used or produced during the duration of the action;
 - the units must be necessary for implementing the action or produced by it, and
 - the number of units must be identifiable and verifiable, in particular supported by records and documentation.

Further details are included in the model grant agreement.

Eligible direct costs

The eligible direct costs for the action are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to the performance of the action and which can therefore be booked to it directly, such as :

A. Direct personnel costs

Types of eligible personnel costs

A.1 Personnel costs are eligible if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the action ('**costs for employees (or equivalent)**'). They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the **remuneration**, if they arise from national law or the employment contract (or equivalent appointing act).

They may also include **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.

A.2 The **costs for natural persons working under a direct contract** with the beneficiary other than an employment contract or **seconded by a third party against payment** are eligible personnel costs, if:

- (a) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- (b) the result of the work carried out belongs to the beneficiary, and
- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

The costs of the personnel of **national administrations** are eligible to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the project concerned were not undertaken;

A.3 Costs of owners of beneficiaries that are small and medium-sized enterprises (**'SME owners'**), who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2a of the model grant agreement multiplied by the number of actual hours worked on the action.

Further details of the calculation of personal costs included in the model grant agreement.

B. Direct costs of subcontracting (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries) are eligible if the conditions set out in the grant agreement are met.

C. Cost of the actual purchase of the innovative solution(s) understood as the actual price indicated in the offer, excluding any cost related to the preparation and implementation of the tendering procedure.

D. Other direct costs

D.1 Travel costs and related subsistence allowances (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are eligible if they are in line with the beneficiary's usual practices on travel.

D.2 The **depreciation costs of equipment, infrastructure or other assets** (new or second-hand) as recorded in the beneficiary's accounts are eligible, if they were purchased in accordance with the conditions set out in the grant agreement and written off in accordance with international accounting standards and the beneficiary's usual accounting practices.

D.3 The **costs of renting or leasing** equipment, infrastructure or other assets (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public authority) are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.

D.4 Costs of other goods and services (including related duties, taxes and charges, such as non-deductible value added tax (VAT) paid by beneficiaries that are not public bodies acting as public

authority) are eligible, if they are purchased specifically for the action and in accordance with the conditions set out in the grant agreement.

Such goods and services include, for instance, consumables and supplies, dissemination, protection of results, certificates on the financial statements (if they are required by the Agreement), translations and publications.

E. Eligible indirect costs (overheads)

Indirect costs are costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it.

Indirect costs are eligible if they are declared on the basis of the flat-rate of 7% of the eligible direct costs. Indirect cost are calculated on the following direct costs: A. Direct personnel costs and D. Other direct costs.

Indirect costs may not include costs entered under another budget heading.

Applicants' attention is drawn to the fact that in the case of beneficiaries receiving an operating grant¹⁴ financed by the EU or Euratom budget, they cannot declare indirect costs for the period covered by the operating grant unless they can demonstrate that the operating grant does not cover any costs of the action.

➤ **Ineligible costs**

- (a) costs related to return on capital;
- (b) debt and debt service charges;
- (c) provisions for future losses or debts ;
- (d) interest owed;
- (e) doubtful debts;
- (f) currency exchange losses;
- (g) bank costs charged by the beneficiary's bank for transfers from the Agency;
- (h) excessive or reckless expenditure;
- (i) deductible VAT;
- (j) costs incurred during suspension of the implementation of the action;
- (k) in-kind contributions provided by third parties;
- (l) costs declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the Agency for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action.
- (m) costs for staff of a national (or local) administration, for activities that are part of the administration's normal activities (i.e. not undertaken only because of the grant);
- (n) costs (especially travel and subsistence costs) for staff or representatives of EU institutions, bodies or agencies.

¹⁴ For the definition, see Article 121(1)(b) of Regulation 2015/1929 of the European Parliament and of the Council amending Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 218, 26.10.2012, p.1): '**operating grant**' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

Further details are included in the model grant agreement.

➤ **Calculation of the final grant amount**

The final amount of the grant to be awarded to the beneficiary is established after completion of the action, upon approval of the request for payment containing the following documents:

- A final report providing details of the implementation and results of the action;
- The final financial statement must detail all eligible costs (actual costs, unit costs and flat-rate costs);
- A certificate on the financial statements of the action for each beneficiary or linked third party, if:
 - It requests an EU contribution of EUR 325 000 or more as reimbursement of actual costs and
 - The maximum EU contribution indicated, for that beneficiary or linked third party in the estimated budget (see Annex 2) as reimbursement of actual costs is EUR 750 000 or more.

In the event of non-execution or clearly inadequate execution of an activity planned in the work programme annexed to the grant agreement, the final grant will be reduced accordingly.

EU grants may not have the purpose or effect of producing a profit within the framework of the action. **Profit shall be defined as a surplus of the receipts over the eligible costs incurred by the beneficiary**, when the request is made for payment of the balance. In this respect, where a profit is made, EASME shall be entitled to recover the percentage of the profit corresponding to the Union contribution to the eligible costs actually incurred by the beneficiary to carry out the action.

12.3. Payment arrangements

Pre-financing payment

A pre-financing payment corresponding to 50% of the grant amount will be transferred to the beneficiary within 30 days of the date when the last of the two parties signs the agreement, provided all requested guarantees have been received.

One interim payment shall be paid to the beneficiary and shall clear 40% of the grant amount. The interim payment is intended to cover the beneficiary's expenditure on the basis of a request for payment when the action has been partly carried out.

The total amount of pre-financing and interim payments shall not exceed 90% of the maximum grant amount.

Final payment

EASME will establish the amount of the final payment to be made to the beneficiary on the basis of the calculation of the final grant amount (see section 12.2 above). If the total of earlier payments is higher than the final grant amount, the beneficiary will be required to reimburse the amount paid in excess by EASME through a recovery order.

12.4. Pre-financing guarantee

In the event that the applicant's financial capacity is not satisfactory, a pre-financing guarantee for up to the same amount as the pre-financing may be requested in order to limit the financial risks linked to the pre-financing payment.

The financial guarantee, in euro, shall be provided by an approved bank or financial institution established in one of the Member State of the European Union. When the beneficiary is established in a third country, the authorising officer may agree that a bank or financial institution established in that third country may provide the guarantee if he considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in a Member State. Amounts blocked in bank accounts shall not be accepted as financial guarantees.

The guarantee may be replaced by a joint and several guarantee by a third party or by a joint guarantee of the beneficiaries of an action who are parties to the same grant agreement

The guarantee shall be released as the pre-financing is gradually cleared against interim payments or payments of balances to the beneficiary, in accordance with the conditions laid down in the grant agreement.

13. REPORTING REQUIREMENTS:

Beneficiaries will be requested to submit the following reports:

- An inception report no later than 30 days after the kick off meeting, not linked to a payment request. This initial report, which shall describe in detail the proposed approach, may be based on the minutes of the kick-off meeting. Applicants should foresee it as part of the project's deliverables.
- A technical progress report not linked to a payment request, outlining the progress achieved and the problems encountered, after the first 13 months of the project, covering the first 12 months. Applicants should foresee it as part of the project's deliverables.
- For projects of a duration between 37 months and 48 months, a second technical progress report not linked to a payment request shall be foreseen as a project deliverable in the first month of the second half of the second reporting period (from month 19 until the end of the project)¹⁵.
- A technical and financial interim report at month 19 covering the first 18 months, linked to a request for interim payment as defined in section 12.3 of this call.

¹⁵ For example, in a project of 40 months, the second reporting period starts in month 19 and lasts for 22 months. The second progress technical report would therefore be due in month 31.

- A final technical and financial report, linked to the request for the payment of the balance. The final report shall include the results of the performance of all the activities requested in section 2 of this call.

14. PUBLICITY

14.1. By the beneficiaries

Beneficiaries must clearly acknowledge the European Union's contribution in all publications or in conjunction with activities for which the grant is used.

In this respect, beneficiaries are required to give prominence to the name and emblem of the European Commission on all their publications, posters, programmes and other products realised under the co-financed project.

To do this they must use the text, the emblem and the disclaimer in accordance with the details provided in the grant agreement.

If this requirement is not fully complied with, the beneficiary's grant may be reduced in accordance with the provisions of the grant agreement.

In addition to the text and logo relevant to the EU programme, the authorising officer will provide beneficiaries with a disclaimer stating that the EU is not responsible for the views displayed in the publications and/or in conjunction with the activities for which the grant is used.

14.2. By EASME

With the exception of scholarships paid to natural persons and other direct support paid to natural persons in most need, all information relating to grants awarded in the course of a financial year shall be published on an internet site of the European Union institutions no later than the 30 June of the year following the financial year in which the grants were awarded.

EASME will publish the following information:

- name of the beneficiary;
- address of the beneficiary when the latter is a legal person, region when the beneficiary is a natural person, as defined on NUTS 2 level¹⁶ if he/she is domiciled within EU or equivalent if domiciled outside EU;
- subject of the grant;
- amount awarded.

¹⁶ Commission Regulation (EC) No 105/2007 of 1 February 2007 amending the annexes to Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) (Official Journal of the European Union L 39 of 10.02.2007).

Upon a reasoned and duly substantiated request by the beneficiary, the publication shall be waived if such disclosure risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union or harm the commercial interests of the beneficiaries.

15. DATA PROTECTION

The reply to any call for proposals involves the recording and processing of personal data (such as name, address and CV). Such data will be processed pursuant to Regulation (EC) No 45/2001¹⁷ on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data. Unless indicated otherwise, the questions and any personal data requested are required to evaluate the application in accordance with the specifications of the call for proposals will be processed solely for that purpose by the Head of Unit A.1 of EASME. Details concerning the processing of personal data are available on the privacy statement at: http://ec.europa.eu/research/participants/data/support/legal_notice/h2020-ssps-grants_en.pdf.

Personal data may be registered in the Early Detection and Exclusion System (EDES) should the beneficiary be in one of the situations mentioned in Article 106(1) and 107 of the Financial Regulation 966/2012¹⁸ (for more information see the Privacy Statement on: http://ec.europa.eu/budget/library/explained/management/protecting/privacy_statement_edes_en.pdf).

16. PROCEDURE FOR THE SUBMISSION OF PROPOSALS

Proposals must be submitted in accordance with the requirements of section 5 and by the deadline specified under section 3.

➤ Electronic submission

Applicants are requested to go to <https://ec.europa.eu/easme/en/cosme> and follow the procedure for submitting an application.

No modification to the application is allowed once the deadline for submission has elapsed. However, if there is a need to clarify certain aspects or for the correction of clerical mistakes, EASME may contact the applicant for this purpose during the evaluation process.

Applicants will be informed in writing about the results of the selection process.

➤ Contacts

EASME is available to answer questions relating to the content of the present call for proposals. All questions must be sent by e-mail to EASME-COSME-PPI@ec.europa.eu;

Answers will be published at the Research Participant Portal

¹⁷ Official Journal of the European Union L 8/1 of 12.01.2001.

¹⁸ <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32012R0966>.

17. ANNEXES

Annex 1: Description of Action (DoA) template

Annex 2: Detailed budget template

Annex 3: COSME Guide for applicants

Annex 4: EASME Model Grant Agreement (MGA)

Annex 5: List of previous related projects and activities template

NB: The EASME model grant agreement (annex 4) adapted to the specificities of this call for proposals will be provided at a later stage.