



Joint Cluster Initiatives (Euroclusters) call Info Day

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Cascade funding: key principles and lessons learnt

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Content

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- **Main features** of cascade funding / financial support to third parties (FSTP)
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- **Other important points** to keep in mind
- **Lessons learnt** from previous projects

Cascade funding in JCI call

- **Specificity of JCI call:** at least 75% of the grant must be directed to SMEs to finance services in support of their greater resilience and green and digital transformation
- **Example of services:** The support to third parties could be channeled through a combination of tools such as: high added-value support services (e.g. IPR, financial engineering); innovation vouchers; lump sums; prizes; boot camps; customized trainings; coaching; mentoring; investor pitching events; matchmaking; hackathons; innovation clubs; peer-to-peer evaluation by entrepreneurs; crowdfunding; dedicated business mentors with public and private capital expertise; organising online training courses, webinars, virtual matchmaking platforms and marketplaces; living labs; technology showcase; internationalisation; trade fairs; meet-the-buyer fairs; entrepreneurial/customer awareness campaigns; market replication; soft landing schemes; other customized support for specific challenges; proof of concept; validation; prototyping; first client search; placement of post-graduate students; in-service training support; innovation management support.
- **Some of these services to be financed through direct financial support / cascade funding**



Main features of cascade funding

- Direct funding of intermediaries
- Organisation of sub-calls for third parties (SMEs)
- Less competition than direct funding
- Less formalities / administrative burden
 - *Faster access to financial support*
- Max EUR 60K per SME



Rules for providing FSTP in the form of grants / vouchers

Legal Basis (Grant Agreement)

General Model Grant Agreement (MGA) - Single Market Programme

https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/smp/agr-contr/general-mga_smp_en.pdf

-> **Art.6.2.D.1 & Art 9.4 refer to financial support to third parties**

ARTICLE 6 — ELIGIBLE AND INELIGIBLE COSTS AND CONTRIBUTIONS < 6.2 Specific eligibility conditions for each budget category < D. Other cost categories **<D.1 Financial support to third parties**

ARTICLE 9 — OTHER PARTICIPANTS INVOLVED IN THE ACTION **<9.4 Recipients of financial support to third parties**

Also Euroclusters call: sections 2.5 and 6

Rules for providing FSTP in the form of grants / vouchers (1)

The proposal must clearly detail the objectives and the results to be obtained and include at least the following elements:

- ✓ a fixed and exhaustive *list of the different types of activities* for which a third party may receive financial support,
- ✓ the *definition of the persons or categories of persons* which may receive financial support,
- ✓ the *criteria for awarding financial support*,
- ✓ the *criteria for calculating the exact amount* of the financial support,
- ✓ the *maximum amount to be granted* to each third party (max EUR 60,000 unless it is necessary to achieve the objectives of the action) and the criteria for determining it.

Rules for providing FSTP in the form of grants / vouchers (2)

- ❑ *a fixed and exhaustive list of the different types of activities for which a third party may receive financial support*

- ❑ **Examples of activities mentioned in the call:**

Innovation vouchers; lump sums; proof of concept; validation; prototyping; internationalisation; other customized support for specific challenges; etc.

Rules for providing FSTP in the form of grants / vouchers (3)

- ❑ *the definition of the persons or categories of persons which may receive financial support*
 - ❑ SMEs
 - ❑ The calls must have a clear EU dimension
 - ❑ Min 10% of the supported SMEs from EU regions different from the countries of individual Euroclusters' partners.
 - ❑ Specific attention to EU-13 countries / EU regions with which the Euroclusters' partners had no previous cooperation / actors from regions with different levels of economic development.

Rules for providing FSTP in the form of grants / vouchers (4)

- the criteria for awarding financial support*

To be explained in the proposal / call:

- For each evaluation criterion (eg Excellence, Impact, Implementation)
 - Sub criteria description,
 - Weighting,
 - Scores (eg between 0 and 5, with or without half points)
- In case of ex-aequo, the procedure you will apply
- Technical and financial capacity check
- Possibility or not for an SME to apply for several vouchers

Rules for providing FSTP in the form of grants / vouchers (5)

- ❑ *the criteria for calculating the exact amount of the financial support*
 - ❑ **Lumps sums**
 - ❑ Payments against deliverables, no financial report
 - ❑ “what the third parties are doing” (output) prevails over the “how the third parties are doing”.
 - ❑ **or Reimbursement of actual costs**
 - ❑ Payments upon fulfilment of eligibility conditions described in their own grant agreements with the third parties
 - ❑ the beneficiary must ensure that the third party has fulfilled the eligibility conditions for the costs being reimbursed (checking invoices, requesting technical and financial reports)

Rules for providing FSTP in the form of grants / vouchers (6)

- ❑ *the maximum amount to be granted to each third party (max EUR 60,000 unless it is necessary to achieve the objectives of the action) and the criteria for determining it*
 - ❑ limit per recipient;
 - ❑ One recipient could receive eg 3 different vouchers, one of EUR 10,000, one of EUR 20,000 and one of EUR 30,000
 - ❑ If a consortium of 2 SMEs apply for FSTP (ex for prototyping activities), each SME can receive EUR 60,000, meaning that the project itself can have a value of EUR 120,000
 - ❑ Very important to monitor the amount received by each third party to ensure none exceeds the limit.



Rules for providing FSTP in the form of prizes (Art.6.2.D.1)

- FSTP awarded following a contest organised by the beneficiary.
- The proposal must clearly detail:
 - ✓ the conditions for participation (eligibility);
 - ✓ the award criteria;
 - ✓ the amount of the prize;
 - ✓ the payment arrangements.



Other important points

FSTP / publication of calls

- Euroclusters must publish widely their open calls :
 - European Cluster Collaboration Platform
 - Enterprise Europe Network
 - Funding and Tenders Portal
 - Euroclusters' own website
 - Euroclusters' social media channels, tagging EISMEA, DG GROW and ECCP

- The calls must remain open for at least two months.

Art 9.4 Recipients of financial support to third parties (MGA)

- If the action includes providing FSTP (e.g. grants, prizes or similar forms of support), the **beneficiaries must ensure that their contractual obligations under Articles 12** (conflict of interest), **13** (confidentiality and security), **14** (ethics), 17.2 (visibility), **18** (specific rules for carrying out action), **19** (information) and **20** (record-keeping) **also apply to the third parties** receiving the support (recipients)
- The beneficiaries must also ensure that **the bodies mentioned in Article 25** (e.g. granting authority, OLAF, Court of Auditors (ECA), etc.) **can exercise their rights also towards the recipients.**



Third parties receiving financial support vs other third parties

- The FSTP recipients are not party to the Grant Agreement and therefore do NOT need to be listed there nor to be identified in the proposal.
- Third parties receiving financial support should not be confused with other third parties such as contractors, subcontractors, linked third parties, who should be identified in the GA and in the proposal.
- **Different rules and articles apply.**



Lessons learnt from INNOSUP-1 projects

Open calls management (1)

- Open calls **very time demanding to manage** (preparation, evaluation, contracting and monitoring): enough resources to be planned.
- When drafting the call, be extremely clear with the 5 mandatory elements.
- **Call documents** (eg Guide for Applicants) as light and lean as possible: clear but simple to understand by SMEs to avoid spending time in questions
- **simplify administrative procedures** to optimize the time of the contractualisation and the administrative follow-up of the projects.
- Involve your **legal and financial departments**.

Open calls management (2)

- **Most proposals will arrive at the last minute.** Make sure your platform can handle it during the last hour.
- **Platforms** for call management do already exist: no need to reinvent the wheel.
- **prioritize the quality of projects over quantity:** fewer projects but vouchers with higher amounts
- Avoid submission **deadlines** in summer / Christmas period.
- **Lump sums** easier to manage than actual costs.
- **Number of payments** to be made in accordance with amount to be granted.

Open calls management (3)

- Ensure **common understanding** within the consortium of call expectations
- Evaluation:
 - External experts ensure neutrality
 - Organise clear and concrete training for experts
- (Excel) table to monitor the 60,000 € limit.
- Pay attention to **data protection and IPR issues**.
- Keep **good communication** with the **awarded SMEs** and accompany them throughout project implementation

Financial support - prizes

- When drafting the contest, be extremely clear with the requirements of the related article in the GA.
- **You cannot request anything from an SME in return of a prize:** it is a "gift", the SME is free to use it how it wishes
- Prizes not to be mixed with grants/vouchers.
- Prizes are not included in the EUR 60,000 limit.



Thank you for your attention

Send your questions on the Call to:

EISMEA-SMP-COSME-ENQUIRIES@ec.europa.eu