Overview of European Grants in 2016–2017
Research and Development and Investment Incentives
Introduction

Many businesses are aware and make use of various types of tax incentives. An example is tax relief for research and development (R&D) activities, offered by most European countries. This relief takes the form of a super-deduction or credit, calculated based on the company’s expenses on R&D. The deduction or credit can be offset against the company’s corporation tax liability and in some cases even be paid out as a cash sum.

In addition to these measures, which can be considered an indirect form of financing as they typically reduce the taxable income, there are also various types of grants available. Unlike tax relief, a grant is a cash payment that is unrelated to the taxable income of a company. Grants are typically highly thematic, which means that they are provided for a particular purpose. Common funding areas are:

- Research and development, technology demonstration, and innovation;
- Environmental improvements;
- Health, safety, and security improvements;
- Business expansion; and
- Protection of natural resources.

Both the European Commission (EC) and individual member states offer grants through a wide range of funding programmes to support enterprises of various sizes and sectors. The amount of grant schemes is vast and so is the budget. The funding landscape is ever changing and evolving; consequently it is impossible to provide an exhaustive overview that wouldn’t be outdated from the moment of publishing.

For instance, each year the 28 European Union (EU) countries invest around € 58 billion of public money into business-led research. The incentives are provided both as cash grants and as tax relief. This paper aims to provide more insight into about half of that budget, made available by the European Commission through various funding programmes. A brief overview is given of the main funding programmes for research and development and investment (R&D&I), followed by the funding priorities and an introduction on how to access funding.
European Funding Programmes 2016–2017

The EU has several funding programmes in place that can be of interest with funding, ranging from € 50 k to € 20 M. The main programmes are listed below.

**Horizon 2020**
Horizon is the European Commission’s main funding instrument for research and innovation (R&I). With nearly € 80 billion available over seven years (2014 to 2020), it is Europe’s largest R&I funding programme. Projects at various development stages can receive financing, and the programme covers fundamental research up to full-scale demonstration projects that run close to market.

**Interreg**
Interreg is a financing instrument of European regional development. The overarching objective is to lessen the influence of national borders to promote a harmonious economic, social, and cultural development of the Union as a whole. Interreg covers all 28 EU member states, three participating European Free Trade Association (EFTA) countries (Liechtenstein, Norway, Switzerland), six accession countries, and 18 neighbouring countries. The total allocation for 2014–2020 is € 10.1 billion.

**Structural and Investment Funds**
The European Structural and Investment Funds (consisting of the European Regional Development Fund, the European Social Fund, and the Cohesion Fund) work together to support economic development across all EU countries by addressing inequalities and boosting sustainable initiatives. A total budget of € 330 billion is allocated. An important focus point is research and innovation.

**LIFE**
LIFE is the EU’s financial instrument supporting environmental, nature conservation, and climate action projects throughout the EU. The total budget for the period 2014–2020 is € 3.5 billion, and this budget is meant to support projects that contribute to EU environmental priorities.
## Funding Priorities and Timetable

While a wide range of projects can be funded through the European programmes, there is a number of recurring priorities that are "hot spots" for funding.

The priorities and their timelines are listed below:

<table>
<thead>
<tr>
<th>Priority</th>
<th>Example Topics</th>
<th>Example Industries</th>
<th>Relevant/Major Deadlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Automated road transport</td>
<td>· Vehicles and transport</td>
<td>· All throughout the year</td>
</tr>
<tr>
<td></td>
<td>Biotechnologies</td>
<td>· Pharmaceutical</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nanotechnologies and advanced materials</td>
<td>· ICT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Addressing safety and security in the EU</td>
<td>· Bio-based manufacturing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tackling health issues (ageing, chronic diseases)</td>
<td>· Food</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information and Communication Technology (ICT) innovation (e.g., Internet of things)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>· All of the below</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-Carbon Economy</td>
<td>Energy-efficient manufacturing</td>
<td>· Energy-intensive manufacturing</td>
<td>· All throughout the year</td>
</tr>
<tr>
<td></td>
<td>· Energy-efficient construction and buildings</td>
<td>· Architectural/construction</td>
<td>· September 2016</td>
</tr>
<tr>
<td></td>
<td>· Low-carbon transport (electric/hybrid vehicles)</td>
<td>· Oil, energy, and renewables</td>
<td>· November 2016</td>
</tr>
<tr>
<td></td>
<td>· Alternative and renewable fuels</td>
<td></td>
<td>· 2017 to be determined</td>
</tr>
<tr>
<td>Resource Efficiency</td>
<td>Circular economy: recycling, reuse, and eco-design</td>
<td>· Manufacturing</td>
<td>· All throughout the year</td>
</tr>
<tr>
<td></td>
<td>· Reducing the use of critical raw materials</td>
<td>· Waste and recycling</td>
<td>· September 2016</td>
</tr>
<tr>
<td></td>
<td>· Reducing water and air pollution</td>
<td>· Food</td>
<td>· November 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>· 2017 to be determined</td>
</tr>
<tr>
<td>Supporting subject matter experts (SMEs)</td>
<td>Providing growth funds for innovative SMEs by supporting innovation in all of the above areas, as well as disruptive business models</td>
<td>· All</td>
<td>· All throughout the year</td>
</tr>
</tbody>
</table>

Of course, there are also local funding opportunities as well as R&D tax relief in most European countries. So even if an activity doesn’t fall within the above categories, there may still be funds available.
How to Get Funded

Like with anything, the first step to success is planning—and for that an understanding of the funding process is crucial, as it allows you to define a solid strategy. The general process is schematically outlined below:

**Identification of Funding Options**

The first step consists of identifying the available funding options. There are three approaches to this:

1. **Best fit** – First identify the exact activities that you would like to get funding for, and do a specific and targeted search for the funding options that fit these activities best. Study the scope, requirements, and timing carefully and decide which grants you want to apply for. Good calls can require some patience, so it is crucial to plan ahead.

2. **Design to grant** – If you are flexible about the scope of your projects, you can first study the available funding options in the general areas that are of interest to you, and then match a project to the available funds. This provides faster access to funding, but you can end up doing a lot of project work that doesn’t match the core scope for your company.

3. **Participate as a partner** – Many funding projects focus on collaborative projects. Each project can only have one leader, so instead of acting as the leader (or “coordinator”), it may be possible to join as a partner. This saves some administrative burden but also reduces the control you have over the process and typically the amount of grant you will receive.
The advantages and disadvantages of each approach are summarized in the table below.

<table>
<thead>
<tr>
<th>Approach</th>
<th>Design to Grant</th>
<th>Identify Best Fit for Project</th>
<th>Participate as a Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>· Define/modify a project based on upcoming funding opportunities</td>
<td>· First define project and then wait for a suitable opportunity</td>
<td>· Enter a consortium to acquire funding</td>
</tr>
<tr>
<td>Advantages</td>
<td>· Fast access to funding</td>
<td>· Excellent return on investment and full control over the budget</td>
<td>· Fast access to funding</td>
</tr>
<tr>
<td></td>
<td>· Creates an “open innovation” culture</td>
<td>· Project remains core competence</td>
<td>· Good way to become acquainted with grants</td>
</tr>
<tr>
<td></td>
<td>· Excellent return on investment and full control over the budget</td>
<td>· Often possible to use existing partners</td>
<td></td>
</tr>
<tr>
<td>Disadvantages</td>
<td>· Requires “add-ons”; certain tasks and/or partners for the project’s sake</td>
<td>· Longer waiting time</td>
<td>· Low control over the scope and budget</td>
</tr>
<tr>
<td></td>
<td>· Core project budget can be limited</td>
<td>· Limited choice of calls</td>
<td>· IP control can be an issue</td>
</tr>
</tbody>
</table>

The scope of funding programmes can either be open (“environmentally friendly technologies”) or closed (“improved battery systems for electric vehicles”). In any case, understanding of what is being funded is crucial.

Other typical requirements are expected project budget and duration, amount of partners, and geographic location. Calls are published up to two years before the submission deadline, making planning easier.
Applying for Funding

Once a list of interesting calls has been identified, it is time to apply. This process is outlined below. In case one single company applies, the first two steps are simplified to only defining the scope.

1. Form a consortium
2. Agree on roles and scope
3. Prepare application
4. Negotiate the proposal

Forming a consortium

The first step is usually to identify appropriate project partners. Ideally, these are companies or entities that you’ve worked with before and you trust. Each should contribute to the project in a meaningful way, and the partners should complement each other, rather than overlap.

Defining the roles and scope

Before starting to complete the application, the consortium should agree on the exact scope of the project and who takes responsibility for which part. This is very important for a good flow of the project and for a logical distribution of the budget. Double check that the scope is in line with the funding programme’s requirements.

Preparing the application

Practically all funding programmes have predefined proposal outlines or templates. You need to complete the template as best you can.

All proposals undergo a point-based evaluation, after which the best proposals are selected for funding to match the available budget. Typically, for each funding call between 6 and 20% of proposals get funded. However, up to two-thirds of proposals are rejected directly after the point-based evaluation because they do not meet the scoring threshold. This can be due to a mismatch to the programme or due to the fact that the project evaluator did not find all the answers necessary to sufficiently grade the proposal. It is important to realise that evaluators have limited time to study each proposal (a few hours), and they can only take into account what you actually wrote, not what they think might be the case. Therefore, your proposal must be clear, concise, and to the point.

Only when your project obtains a pass grade are you really in the run for funding. For instance, in Horizon 2020, only around one-third of proposals with a pass grade get funded. So you need a proposal that meets all format requirements and is better than at least two-thirds of other proposals that meet all requirements.

Negotiate the proposal

When an initial application is successful, the authorities will often request further clarifications of certain elements and may try to ask for justification of the budget. This phase is concluded with the signature of legal documentation that outlines your obligations and the conditions under which you will receive funding for your project.
Characteristics of a good proposal

There are four main characteristics that your proposal should have in order to be funded, as shown below.

1. **Specific**: The proposal must address all questions and relate well to the programme priorities and European framework. It should have clear and to-the-point objectives and a logical and step-wise work plan. It should also contain meaningful indicators that are aligned with the project scope and that will allow a tracking of the project progress. Do not make the evaluator search or guess why you fit in the programme and how you will carry out your project.

2. **Coherent**: The objectives, work plan, and business case should be logically related and coherent. All proposals contain several elements (motivation, objectives, work plan, and budget) that should interlink. If they don’t, the evaluator will get confused, and the proposal will be downgraded.

3. **Credible**: The project should be ambitious yet achievable. The European Commission funds projects that are innovative and therefore contain a significant element of risk. As a consequence, some projects may fail, and the EC accepts this. However, the EC wants each project that is funded to have a maximum chance of success. A logical work plan with a well thought out contingency plan and a solid consortium with the right profile and experience shows that the project is in good hands.

4. **Good value**: The European Commission is like any other investor and wants to see a return on its investment in terms of helping reach the EC’s own objectives as outlined in European policies. The budget and requested grant should be based on a reasonable effort to reach clearly defined and relevant project objectives that are aligned to the EC’s objectives.

As previously discussed, it only makes sense to submit a proposal if your project fits the call. If it doesn’t fit, it may still work within another programme.
Managing the Project

Once the “grant agreement” is in place, the project can start. Along the way, some reporting is required to assure the funding authorities that the project is progressing well and within the intended scope and budget. The reporting will usually have to cover the following points:

Technical progress: A description of how the project is progressing towards the goals, what problems have been encountered, and how they are being addressed is needed. It is important to note that most funding programmes have an obligation of effort, not result. This means that you should undertake all actions you reasonably can to reach the project objectives, but not reaching them doesn’t disqualify you from the grant.

Milestones and deliverables: Each project needs to define an adequate amount of milestones and deliverables, which are respectively check-points in time and tangible items produced during the projects. By these, the output of the project can be measured.

Financial procedures and progress: As the final grant will be based on the actual cost of the project (but capped at the maximum agreed grant), a detailed and thorough cost tracking is necessary. More often than not, a company’s internal cost tracking methodology requires some adjustment to ensure full compliance with the rules of the funding scheme. Failure to take these specific rules into account could lead to a reduction of the final payment received. The general advice is to set up the cost tracking right from the start and proactively request written confirmation of eligibility from the funding authorities in case of doubt.

In addition, because in effect public money is being spent on the project, some specific financial procedures apply. This relates mostly to procurement of goods and services and travel costs.

Claiming the Grant

The grant is paid in several instalments. The first is usually paid upon signing of the “grant agreement.” Then, one or more tranches are paid out as the project progresses and certain expenditure thresholds are reached.

Nonetheless, the most important payment is the balancing payment at the end of the project. When the project is finished, either because it has been completed or because it has been terminated prematurely, a full financial report needs to be filed, accompanied by a certificate issued by an independent auditor. Based on the final amount of eligible project cost, the final grant is calculated by applying the agreed funding rate. The final grant is always capped by the maximum funding amount.

Even after the final payment is made, there is a period during which an additional audit, led by the funding authorities, can take place. For EU projects, this period is five years. If significant financial discrepancies are found, there can still be a clawback of the grant. This section should make clear that an accurate and compliant financial tracking during the project is crucial to be able to fully benefit from the available grant.
How to Get Started

If you are interested in finding out what grants are available for you, a good starting point is to do a search on the funding programmes previously discussed. You can also contact Ryan for a complementary review of your projects, in which we can map the available funding opportunities.

Ryan also provides a full grant funding service, in which we can define a funding strategy and assist you throughout the funding process, from identifying the grant, to preparing the application and managing all administrative and financial aspects during the project.

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