

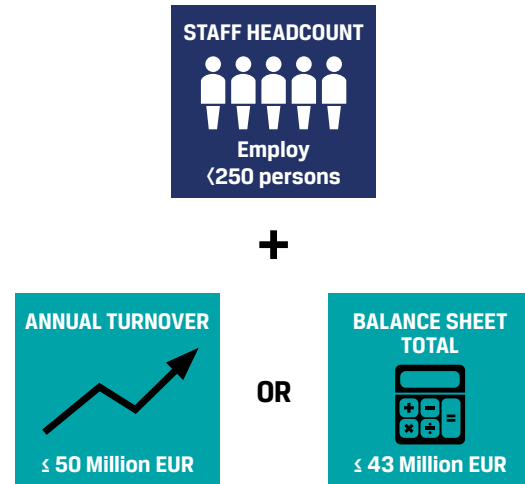
HANDBOOK
FOR
DEFENCE-
RELATED
SMEs

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THE MAIN FACTORS DETERMINING WHETHER AN ENTERPRISE IS SME*



* Commission Recommendation 2003/361
(Source: User guide to the SME definition – European Commission)

1. INTRODUCTION: WHY THIS HANDBOOK?

Small and Medium-sized Enterprises (SMEs) are the backbone of Europe's economy and are therefore of strategic importance. SMEs represent about 99% of Europe's businesses and create more than two thirds of employment in the private sector. Key figures show that SMEs are key enablers of innovation and growth: for each euro of added value, 58 cents can be attributed to SMEs.

SMEs have gradually increased their involvement in the European Defence Technological and Industrial Base (EDTIB), and nowadays play a central role in the complex defence supply chains in Europe. SME's ability to respond promptly to changing military needs, as well as their ability to conduct significant research, technology and innovation activities, are recognised by both Member States and Prime Contractors.

However, in a context of debt-crises and defence budget decreases, SMEs have had to navigate through hard times. They are indeed facing shrinking national demand, time consuming and costly rules and regulations, as well as difficulties in getting the necessary financing and/or getting involved in the defence market.

Heads of State and Government have made supporting these SMEs one of their top priorities. Similarly, the European Commission recognises the importance of defence-related SMEs and has launched specific actions to support them. More information can be found at: http://ec.europa.eu/growth/sectors/defence/industrial-policy/smes/index_en.htm.

EDA has also done intensive work to support defence-related SMEs across the entire supply chain since its establishment. Among others, the EDA's "SME Action Plan" (2013), "Supply Chain Action Plan" (2014) and the "Guidelines for facilitating SMEs access to the defence market" updated in 2015 have helped to define further measures in support of SMEs. More information is available on the EDA website at: [https://www.eda.europa.eu/what-we-do/activities/activities-search/small-and-medium-sized-enterprises-\(smes\)](https://www.eda.europa.eu/what-we-do/activities/activities-search/small-and-medium-sized-enterprises-(smes))

Against this backdrop, the objective of this handbook is to provide defence-related SMEs with simple, smart and short advice on how to get easier access to the defence market. The content covers four main areas:



2. SIMPLE, SMART AND SHORT GUIDE TO ACCESS DEFENCE MARKET



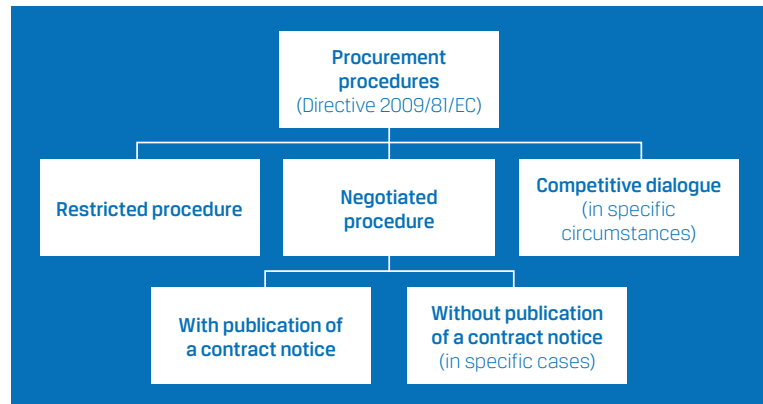
2.1. ACCESS TO DEFENCE PROCUREMENT

HOW DOES IT WORK?

The defence sector market distinguishes itself from the usual business market for several reasons: goods are often unique, defence activities are sensitive and subject to specific national rules for handling classified information and export control, security of information is absolutely essential and procurement is mainly carried out by tendering to Member States' Ministries of Defence as the single national clients in defence procurement.

National defence procurements are individually managed by Member States' contracting authorities on the basis of EU defence procurement provisions as set out in the national rules transposing the Directive No. 2009/81/EC (*Defence and Security Procurement Directive*). In specific cases, certain exclusions referenced in articles 12 and 13 of this directive can be applicable. A summary of national legislation transposing this directive can be found at: <http://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32009L0081>

This Directive presents a range of innovations tailored to the specific needs of procurements in defence and security markets:



USE OF THE NEGOTIATED
PROCEDURE WITH PRIOR
PUBLICATION
AS A STANDARD
PROCEDURE

SPECIFIC REQUIREMENTS
ENSURING SECURITY OF
INFORMATION
AND SECURITY OF SUPPLY

SPECIFIC RULES
ON RESEARCH AND
DEVELOPMENT
CONTRACTS

SPECIFIC RULES ON
SUBCONTRACTING

A SET OF SPECIFIC RULES
APPLICABLE TO NATIONAL
REVIEWS

Indicative elements that SMEs should know or do during some specific phases of the procurement procedures under the Directive No. 2009/81/EC are presented below:

A. PUBLICATION OF NOTICES

Specific information is included in the Prior Information Notice (if any) and the Contract Notice, and is drawn to reduce the number of candidates and eliminate those whose administration, financial management or performance (as described by their history through their references) are not compliant with defence requirements. SMEs should analyse the provisions, conditions and selection criteria to assess if they are able to become a candidate.



What should SMEs know?

- On detecting opportunities for defence procurement
 - Map all websites relevant to defence procurement (TED & MoD. national e-procurement portals).
 - Register yourself and create alerts on these websites (e.g. RSS feeds) to be fully aware of all contract opportunities.
 - Sign up for email alerts on contracts finder.
- On pre-qualification by the MoD
 - Analyse the requested selection criteria mentioned in the published notices (Balance Sheet/Income statement, previous experience, security clearances, defence exclusion particularly regarding terrorism, tax payments) and determine your capacity to comply with these criteria.
 - Give particular attention to requirements regarding security clearance. If needed, take action to contact the responsible authority to upgrade your security clearance level. This is a step that might take time.
 - Check the deadlines and the type of submission process for your proposal.
 - Note that most of MoD contracts are established with one unique contractor (except e.g. some cases of framework contracts). In such a case, check needs and possibilities for grouping (building a consortium, subcontracting) in order to meet the contract scope and specifications.
 - Identify the person responsible for the contract (technical and administrative contacts).
 - Check if there is an Infoday or specific event related to this specific procurement.

What should SMEs do?

- Don't hesitate to ask for clarifications if necessary. Check the conditions, provisions and exclusions, as well as the associated time-limits.
- Build the budget and have it checked by a financial expert if necessary.
- Prepare the application forms.
- Check all the requested administrative documents and check that all documents have been provided.

B. SELECTION OF THE ECONOMIC OPERATORS



The contracting authority will select the economic operators based on their compliance with selection criteria (e.g. personal situation, suitability to pursue the professional activity, economic and financial standing, technical and/or professional ability, quality management systems standards).

What should SMEs know?

- Be prepared to give a precise and prompt answer to any request for clarifications emanating from the contracting authority on your proposal.
- In case of successful selection:
 - Know your margins or room for manoeuvre in terms of budget, delivering capacity, quality level, time-limits and reporting to be ready to work on the tenders.
- In case of exclusion:
 - Know that you can ask for clarifications on the reasons why you were excluded, as well as, for detailed evaluation to prepare for a potential remedy. However, a detailed evaluation is subject to business confidentiality.

What should SMEs do?

- It is advised that you don't take any actions, including initiating contact, that could be considered as attempts to influence the contracting authorities.
- Stay on the lookout for possible updates and/or changes to the Contract Notice on the procurement portal (TED especially).
- If asked, reply promptly to clarification requests.
- In case of successful selection:
 - Prepare a dedicated team for tendering.
- In case of exclusion, you can either:
 - Accept the result of the evaluation, or
 - Contest the result of the evaluation and officially make a recourse as defined in the Contract Notice, if/when you have justified reasons.

C. TENDERING / NEGOTIATION



Selected candidates will be able to submit their tenders or to negotiate, or, in the case of a competitive dialogue, to take part in the dialogue.

What should SMEs know?

- Knowing that submitting an offer requires far more time and investment than for the preselection stage, determine your capacity to be compliant with the Contract Notice's technical specifications and financial criteria.
- Consult a legal expert if necessary to clarify legal matters related to the contract documentation.
- Check the time-limits and the submission process for your proposal.
- Identify the person responsible for tendering/negotiation procedure.
- Understand the process, meaning the number of stages that you have to go through before the final and best offer is chosen, and whether each stage is eliminatory (the process is specific to each country).
- Understand clearly the key provisions included in the contract documentation, which can have significant impact during the performance of the contract.
- Know your rights and obligations and determine your related risks.
- Know your margins or room for manoeuvre in terms of budget, delivering capacity, quality level, time-limits and reporting to be ready to negotiate specific "negotiable" provisions of the contract.

What should SMEs do?

- Don't hesitate to ask for clarifications if necessary. Check the procedures and associated time-limits.
- Determine if you need subcontractors and make sure they are suitable regarding security clearances and other requirements before involving them in the tender.
- Check all the requested administrative documents and check that all documents have been provided.
- Respond to all criteria and requirements contained in the contract documentation. Not responding to a requirement can lead to disqualification of your tender.
- Prepare a check list for the negotiation process.
- Follow a win-win approach during the negotiation in order to maintain a long-term partnership.
- If necessary, negotiate the negotiable terms of the contract.

D. CONTRACT AWARD



The criteria on which the contracting authorities shall base the award of contracts shall be either the most economically advantageous tender or the lowest price only.

What should SMEs know?

- Be prepared to give a precise and prompt answer to any request from the contracting authority for clarifications, specifications or fine-tunings at any time during the technical evaluation phase.
- Keep in mind the legal conditions such as contract termination or remedy clauses.
- In case of unsuccessful tender:
 - Know that you can ask for clarifications on the reasons why you were not accepted, as well as for detailed evaluation to prepare for a potential remedy. However, a detailed evaluation is subject to business confidentiality.
 - Be aware of the procedure to be followed for the clarification request.

What should SMEs do?

- It is advised that you don't take any actions, including initiating contact, that could be considered as attempts to influence the contracting authorities.
- Stay on the lookout for possible updates and/or changes to the Contract Notice on the procurement portal (TED especially).
- In case of an unsuccessful tender, you can either:
 - Accept the result of the evaluation, or
 - Contest the result of the evaluation and officially make a recourse as defined in the call for proposals, if/when you have justified reasons.
- If you feel you were unfairly judged, evaluate the risks and opportunities to make a remedy and take into consideration any legal costs.

WHERE TO FIND INFORMATION?

SMEs can find information on defence procurement opportunities, including the opportunities under the thresholds of the Defence and Security Procurement Directive, on EU Member States' procurement portals and also on the TED (Tenders Electronic Daily).



Find business opportunities from the European Union, the European Economic Area and beyond at <http://ted.europa.eu/TED/main/HomePage.do>

TED is the online version of the "Supplement to the Official Journal" of the EU, dedicated to European public procurement. TED centralises the ongoing tender opportunities at both European and national levels. Furthermore, on the TED platform, the original notice is published in the native language of the contracting authority together with a very short summary of the notice in other EU languages. It is important to know that calls are always published first on TED, ahead of publication on national portals.

It is possible to create an account on the TED platform, however this is not mandatory. You will be able to access documentation and download any document without being registered.

You can also search information related to procurement procedures under the Directive No. 2009/81/EC at: <http://ted.europa.eu/TED/search/search.do>

WHY SHOULD YOU REGISTER ON TED?

- To personalise RSS feeds for your web sites and RSS readers
- To personalise search profiles, according to your needs
- To get e-mail alerts based on your search profiles

The screenshot shows the TED website interface with a blue header, navigation tabs (SHMAP, eNotices, TED, eTendering), and a search bar. The main content area includes sections for 'What is TED?', 'How can I benefit from TED?', and 'Why should I register on TED?' with bullet points corresponding to the list above.

EDA opportunities and tools



Visiting the EDA website will help you in several ways:

- As EDA publishes its own public procurement on the Procurement Gateway (<https://www.eda.europa.eu/procurement-gateway>), you will find here plenty of information on current business opportunities. EDA mainly provides opportunities related to projects, studies, analysis, etc.
- The Procurement Gateway also acts as a central information hub on business opportunities, with links to national defence procurement portals, TED (filtered business opportunities by Defence and Security Procurement Directive) and other related EU portals (e.g. OCCAR, EASME, FRONTEX, EASA).
- The European Union Contractor Support to Operations (CSO) platform (<http://cso.eda.europa.eu/Pages/Home.aspx>), launched by EDA, provides a forum for interaction between experts from CSDP operations and potential or actual contractors, in order to support the identification of commercial solutions for operational demands. You can be registered on this platform.

HOW TO MAXIMISE YOUR CHANCE OF WINNING DEFENCE PROCUREMENT?

Outlined below is a non-exhaustive list of tips to successfully run a defence procurement project:

TIPS TO RUN SUCCESSFUL DEFENCE BUSINESS



- **Build a trustful and transparent interaction with contracting authorities**
 - Identify the point of contact in the Ministry of Defence (MoD) and inform him/her of your competences and capabilities.
 - Find out what the MoD current priorities and future plans are, in order to adapt your business accordingly. MoD budgets and plans can be a valuable information source.
 - Try to be registered in the MoD database of potential suppliers (if it exists). Participate in "infodays" to get information, meet market players, exchange best practices and find partners to reply to opportunities and enter the networks of market players who are already present in the defence market both at national, European and international levels.
 - Keep in mind that building a trustful relationship with MoD takes time and is of paramount importance.
- **Be familiar with defence procurement specificities**
 - Submitting an offer involves getting familiar with the defence procurement procedures and regulations. You can get help and expertise from your legal expert and from an external entity such as NDIAs and defence-related clusters.
 - The defence sector uses specific standards and requirements, meaning that defence-related SMEs have to adapt to them.



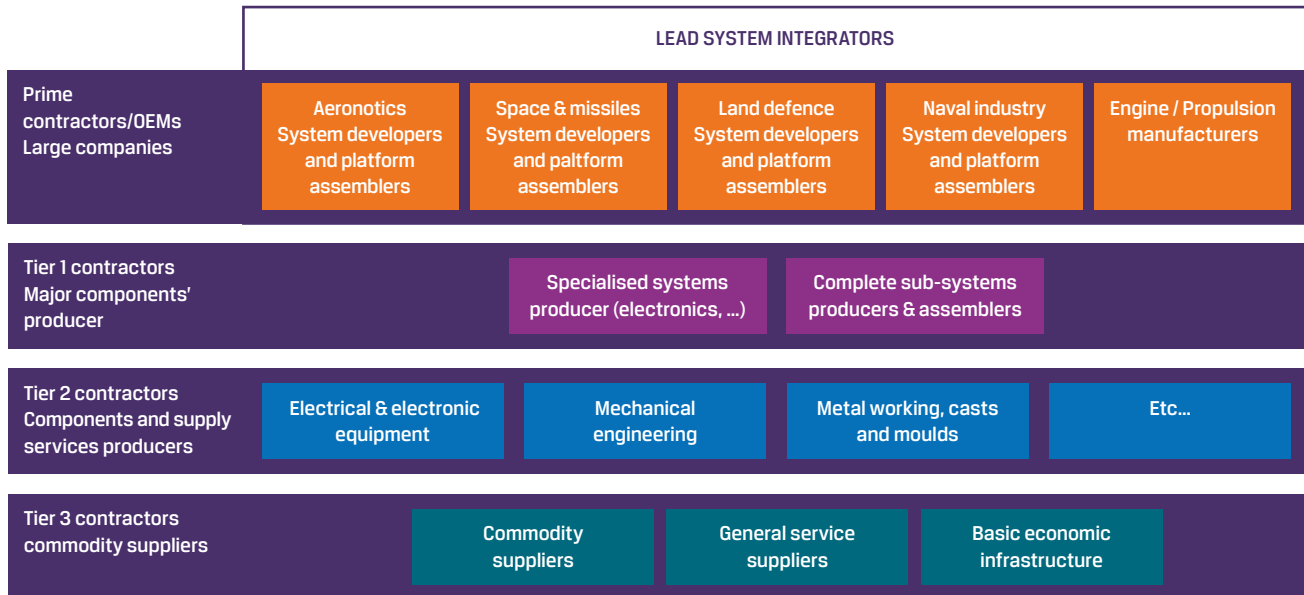
2.2. ACCESS TO DEFENCE SUPPLY CHAIN

SMEs that want to enter the international supply chain need the development of a supportive business environment and the build-up of their human, technical, and financial capacity. This part will help you understand the rules of supply chains and respond profitably to those requirements.

HOW DOES THE DEFENCE SUPPLY CHAIN WORK?

The European defence industry is organised in a multi-level structure as illustrated on the Figure below.

Defence supply chain structure



Source: BIPE

HOW TO CONTACT THE PRIME CONTRACTORS/ ORIGINALS EQUIPMENT MANUFACTURERS (OEMs)?

Most of the Prime Contractors/OEMs have put in place a supplier portal in order to facilitate their relationship with their suppliers. The objectives of these supplier portals are twofold:

- It enables you to gather information about the Prime Contractors. Through those portals, large companies publish information related to their current policies, priorities, purchasing organisation and selection process.
- It provides a dedicated tool to communicate easily with the Prime Contractors. Furthermore, you usually have the opportunity to get registered on these supplier portals and therefore get a private page devoted to your exchanges with the Prime Contractor, which should help you manage this business relationship.

In addition, some Prime Contractors organise information day(s) in order to communicate on their activities and needs, as well as meet suppliers and potential suppliers. Information on the organisation of these events is published on the suppliers' portals.

Outlined below is a non-exhaustive list of tips to run successful businesses in the defence supply chain.

TIPS TO RUN SUCCESSFUL BUSINESSES IN THE DEFENCE SUPPLY CHAIN



- **Get familiar with the procurement policies and processes of the larger companies**
 - Being registered on the Prime Contractor suppliers' portal is of paramount importance.
 - Spend time looking at large company websites - many companies document their procurement practices online.
 - Invest time in getting to know and to understand the procurement requirements and processes of large companies.
 - Build a small team of *tender specialists* to invest time in reading similar SMEs successful offers that are published online (focus especially on the risk management part which takes a major place in the award decision for Prime Contractors) and in getting more familiar with online procurement systems. Then, share results in a steering committee to make maximum use of the knowledge acquired, and implement tactics to respond with maximum efficiency.
 - As proposals drafting requires specific administrative competencies, NDIA's and defence-related clusters can provide you with valuable assistance.

- **Find out the Prime Contractor's needs**

- Contacting the Prime Contractor is crucial. The benefit is twofold:
 - › It will enable you to identify more precisely what their strategic positioning and needs are. Thus, you can easily adapt your offer to those needs and have a greater chance of success.
 - › It gives you the opportunity to promote the core activities of your SME. Take care of your marketing and highlight your uniqueness.
- Lobby for your company. This includes efforts to:
 - › Be part of a NDIA or a cluster.
 - › Maintain a strong and active network at all times.
 - › Contact the related procurement services of your future clients.
 - › Take part in trade shows/exhibitions. This will enable you to know other businesses and make you known by other potential partners.
- Prime Contractors and Tier-1 companies are always worried about their suppliers becoming unable to meet the production volume requested in the contract. It is crucial that a SME knows precisely what its production capacity is and how to ensure that the contractor can rely on it.

- **Communicate on your competencies and capacities**

- One of the SMEs main assets as seen by larger companies is their competence in a very specific domain. Be sure to invest in innovation to stay competitive in the supply chain.
- SMEs are also noted for their capacity to produce for a lower price than larger contractors. Prime Contractors usually rely on outsourcing. To confront this approach, highlight your price competitiveness.
- Emphasize the benefits of being an SME. You should focus on all the competitive factors a SME embodies, such as flexibility, swiftness to respond, lower overheads, and typically offering a much more personalized service.
- The participation of your SME in defence-related events (including tradeshow, brokerage days and theme days) will give you the chance to promote your activities and to expand your network.

- **Keep in mind that maintaining and developing a strong relationship with Prime Contractor/OEMs is a crucial long term investment.**

- **Make sure you protect your intellectual property rights and innovations at all times throughout the entire defence supply chain.**

HOW TO FOSTER YOUR BUSINESS OPPORTUNITIES?

1. COMPETITIVENESS

To remain competitive at all times, make sure you offer quality products at a reasonable price in comparison to your competitors.



2. PRODUCTION CAPACITY

You should align your production capacity with Prime Contractor needs in terms of volume and quality requirements.



3. INNOVATION

You should also constantly invest in innovation to stay at the cutting edge of technology and attract new clients. You also have to invest in innovation fields that correspond to Prime Contractor strategic needs in order to entice them into developing a specific relationship with your company.

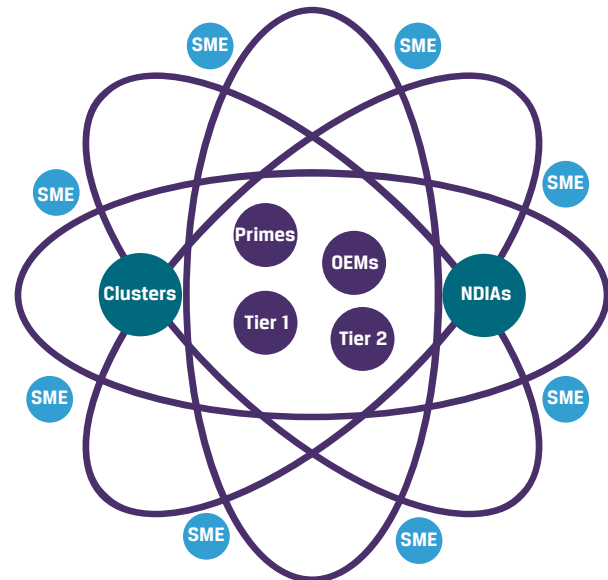


NDIAs AND DEFENCE-RELATED CLUSTERS: PROVIDERS OF ASSISTANCE TO DEFENCE-RELATED SMEs

Services provided by NDIAs and defence-related clusters

NDIAs and defence-related clusters can play an important role in the supply chain process. Among other works, they provide contacts to industry, privileged access to information on the defence supply chain system and facilitate the development of SMEs within a competitive supply chain. As mentioned above, they offer different services, both general and specific on defence procurement, defence supply chain, access to finance and support to innovation.

You can find the lists of the NDIAs and defence-related clusters and their related contact details on the EDA Procurement Gateway at the following link: <http://www.eda.europa.eu/procurement-gateway/information/industry-rto-directory>



MAIN SERVICES PROVIDED BY NDIAs AND DEFENCE-RELATED CLUSTERS

GENERAL SERVICES

- Networking
 - Providing an overview of relevant events (e.g. exhibitions, conferences...) and organising networking events
 - Promoting collaboration between members
- Regulation
 - Providing information on relevant national and EU laws, institutions, standards, policies and procedures
- Marketing and Promotion
 - Finding new opportunities (e.g. conferences) for companies to advertise on forums and events relevant to their business
 - Creating public and easy accessible websites and databases, folders and brochures on members, for national and foreign actors
 - Representation at trade fairs
 - Creating a database of members' capabilities
- SMEs Initiatives
 - Developing a SME strategy and specific actions directed for SMEs within associations

DEFENCE PROCUREMENT

- Providing information on current tenders and procurement processes
- Monitoring of call for tenders
- Supporting members in the preparation of the tendering documentation (e.g. template)
- Facilitating contacts with government and international institutions
- Providing information on import/export procurement opportunities and legal and administrative processes
- Organising "information days" or "country days" with information on future national opportunities and/or export processes and opportunities in other countries

SUPPORT TO INNOVATION

- Providing guidance and support for the partnership establishment
- Promoting scientific research in the defence industry through cooperation with academia, laboratories, RTOs, centres of excellence
- Providing information and advice on intellectual property and patents
- Providing contact information to relevant organisations (also to specialised legal support) regarding Intellectual Property Rights

DEFENCE SUPPLY CHAIN

- Providing information on current/on-going business opportunities
- Supporting members in the preparation of the offer's documentation (e.g. template)
- Facilitating contacts with other companies (national and foreign), particularly between prime contractors and suppliers/SMEs (match-making events)
- Helping normalisation of relationships between Primes and SMEs
- Providing information on import/export business opportunities and legal and administrative processes
- Providing a unique point of contact for Primes and other large companies searching for sub-contractors and/or collaborators

ACCESS TO FINANCE

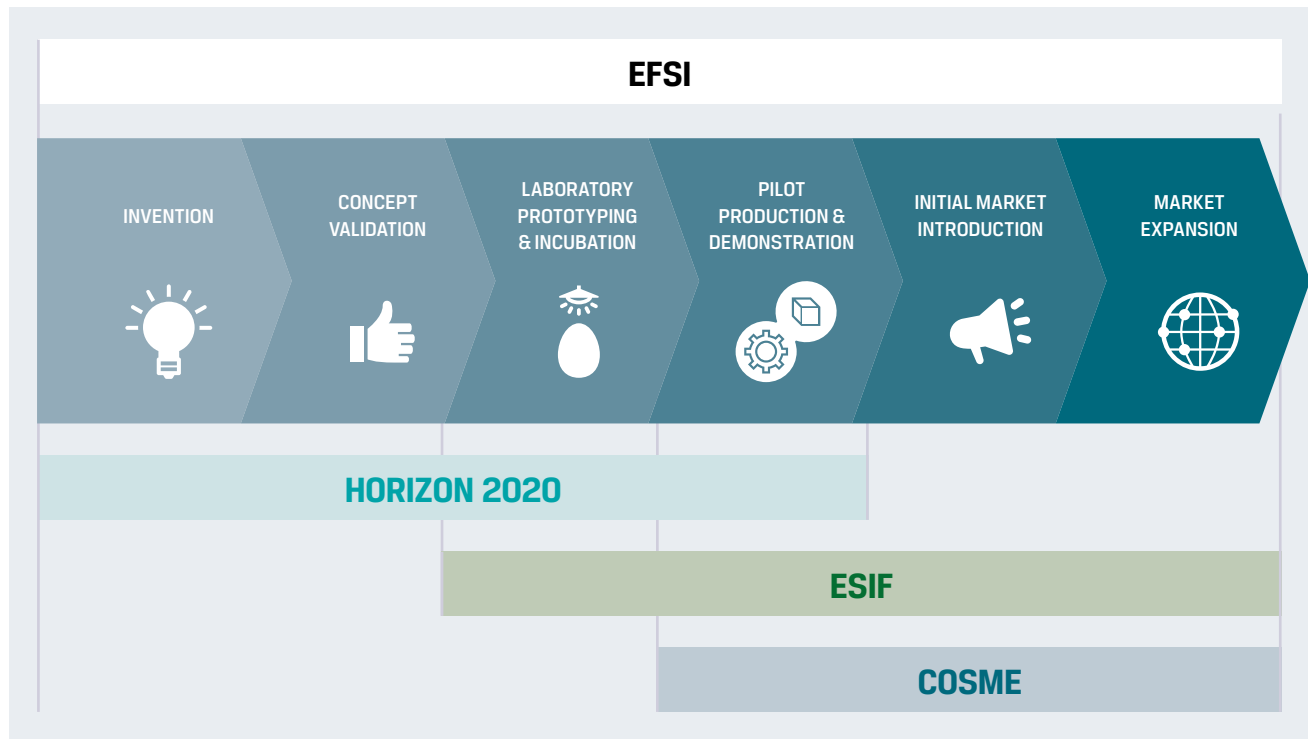
- Providing information on possible EU financial support (grants for investment, innovation, employment, export), including R&T funds
- Helping to identify the right type of financial intermediaries
- Helping to identify the more appropriate financial instrument according to SMEs needs
- Organising targeted events on access to EU funding



2.3. ACCESS TO FINANCE

Identifying which EU financial instrument is the most relevant for your specific case is not an easy task, since each EU financial instrument has indeed its own purpose and specificities. The EU can support you throughout your development phases with these instruments, as shown in the figure below.

EU funding instruments related for research and innovation chain



WHICH ARE THE EU FINANCIAL INSTRUMENTS RELEVANT TO YOUR NEEDS?

As underlined in the table provided on the EDA website at <https://www.eda.europa.eu/what-we-do/eda-priorities/eu-funding-opportunities>, the type of funding and EU financial instruments that may be appropriate for you will vary according to your needs.

Identification of EU relevant financial instruments

	EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF)			COSME		HORIZON 2020		
	European Regional Development Fund (ERDF)	European Territorial Cooperation (ETC)	European Social Fund (ESF)	Financial instruments	Access to markets (EEN)	Thematic areas	SME instrument	Financial instruments
OVERALL GOAL	Job creation and competitiveness	Cross-border / Transnational cooperation	Human capital training and skilling	Financing SMEs	SME/Clusters access to markets	Cross-border Research and Innovation (R&I)	Research and Innovation in SMEs	Access to Risk Finance for R&I
(for) WHAT	Projects on dual-use items	Dual-use projects	Dual-use skills development	Enterprise expansion and growth	Projects on partnership building / cluster internationalisation	Research and innovation activities with an exclusive focus on civil applications	Research and innovation activities with an exclusive focus on civil applications	Enterprise viability and growth
WHICH (funding tool)	Grants, loans, loan guarantees, equity	Grants, loans	Grants, loans	Loans, loan guarantees, equity	Grants	Grants, prizes, procurement, pre-commercial procurement, public procurement of innovative solutions	Grants	Loans, loan guarantees, equity
HOW MUCH (per capita)	Up to EUR 50 mn (but also above if EC approves)	Up to EUR 50 mn (but also above if EC approves)	Not defined (call related)	Loans: ≤ EUR 150.000 for all SMEs; above only for "non-innovative" SMEs	Not defined (call related)	Funding range: EUR 1-50 mn	Phase I: EUR 50.000 (lump sum) per project. Phase II: EUR 500.000-2,5 mn	Loans: between EUR 25.000 and EUR 7,5 mn
HOW	Project folder application	Project folder application	Project folder application	No need for projects or business plans	Project folder application	Online application (Horizon 2020 participant portal)	Online application (Horizon 2020 participant portal)	No need for projects or business plans

There are two additional EU financial instruments that can be relevant for defence-related SMEs:

EFSI (EUROPEAN FUND FOR STRATEGIC INVESTMENTS)

The programme includes support to infrastructure (transport, energy, digital, environment etc.), education, R&D, ICT, innovation, renewable energy and energy efficiency, support to SMEs and mid-cap companies.

Useful information about EFSI can be found on the EIB website (<http://www.eib.org/about/invest-eu/index.htm?lang=en>)
The EFSI Regulation (in particular Article 10-2 (a)) details the selection process at <http://www.eib.org/projects/cycle/index.htm?lang=en>

BUDGET

- € 315 bn over the next three years
- 30% of the budget will be dedicated for SMEs high risk investment and high potential



TYPE OF SUPPORT

- Loans
- Equities
- Guarantees



PURPOSE

- The EFSI aims to overcome the current investment gap in the European Union (EU) by mobilising private financing for strategic investments which the market cannot finance alone



CO-FINANCING RATE

- Average of 20%



MANAGING AUTHORITY

- EIB and the European Commission



CONNECTING EUROPE FACILITY (CEF)

The aim of the Connecting Europe Facility (CEF) is to finance projects related to energy, transport and digital matters that will foster the overall European network. Information related to calls for proposals and procedures to be followed are released on the Innovation and Networks Executive Agency (INEA) website (<https://ec.europa.eu/inea/en/connecting-europe-facility>).

BUDGET

- € 33 bn



PURPOSE

- The CEF finances projects which fill the missing links in Europe's energy, transport and digital backbone



MANAGING AUTHORITY

- INEA



TYPE OF SUPPORT

- Grants
- Contributions to innovative financial instruments (the Marguerite Fund, the Loan Guarantee for TEN Transport (LGTT) and the Project Bond Initiative)



CO-FINANCING RATE

- In the field of transport: 20 - 50%
- In the field of energy: 50 - 80%
- In the field of telecommunications: 50 - 100%



THE EIB GROUP

The EIB Group brings the European Investment Bank (EIB) and the European Investment Fund (EIF) together. The EIB Group cannot be your direct point of contact. It has a partner network which provides loans for SMEs. Indeed, the EIB Group shares its investment risk with partner institutions (such as banks, guarantee funds, mutual guarantee institutions or microcredit organisations) that act as financial intermediaries.

Functioning of the EIB Group's delivery of support to SMEs



The list of financial intermediaries and their related financial instruments is accessible through this link: http://www.eif.org/what_we_do/where/index.htm

However, it is important that you keep in mind that not all activity sectors are eligible to receive financial support from the EIB Group. The list of excluded activities can be found by following this link: http://www.eib.org/attachments/documents/excluded_activities_2013_en.pdf. The lending policy of EIB exclude the "ammunition and weapons, military/police equipment or infrastructure".

TIPS TO SUCCESSFULLY APPLY FOR EU FUNDING



- **Define your financial needs as an essential preliminary step to identify which EU financial instrument(s) could support you.**
 - **Familiarise yourself with the objectives behind each initiative.**
 - **Go through a self-evaluation process by reviewing your market potential, your business model and checking its coherence with the chosen financial instrument.**
 - **Identify the financing option best suited to the nature and maturity of your business.**
- How to choose between equity and debt (general guidelines):**
- Equity financing shifts risk bearing from the company to the investors and depends on your willingness to give up a portion of your company.
 - Debt financing puts a weight on the company and challenges its future ability to pay back the loan. However, debt financing does not give the lender control over your company. Furthermore, if you are in a low risk business with predictable cash flows, debt financing can be a good motivator for the management and could allow you to benefit from leverage effect.
 - In order to select the most suitable financial strategy for your business, consult with industry experts and financial advisors and watch the industry's financing trends.
- **Identify the right type of financial intermediaries according to your location of activity and to their investment strategies.**
 - **Highlight what contribution the received investments will bring to the growth and competitiveness of your business and provide a detailed plan for the use of this financial support.**
 - **Contact SMEs that have already been funded through this process in order to get practical operational information on the procedures and the consequences of receiving investment.**
 - **The identification of a Point of Contact (in the Managing Authority corresponding to the selected EU financial authority) can be considered as a necessary step for the application. This person can indeed provide you with useful information for your application.**
 - **Stick to the deadlines of the different calls related to each program.**



2.4. SUPPORT TO INNOVATION

Innovation is a key matter for numerous defence-related SMEs and has implications for all SMEs. At the EU level, initiatives related to innovation activities can be supported through different means.

FUNDING OPPORTUNITIES

Your innovation activities can be financially supported by EU financial instruments. Different kinds of financial instruments may correspond to your level of research and particular types of project.

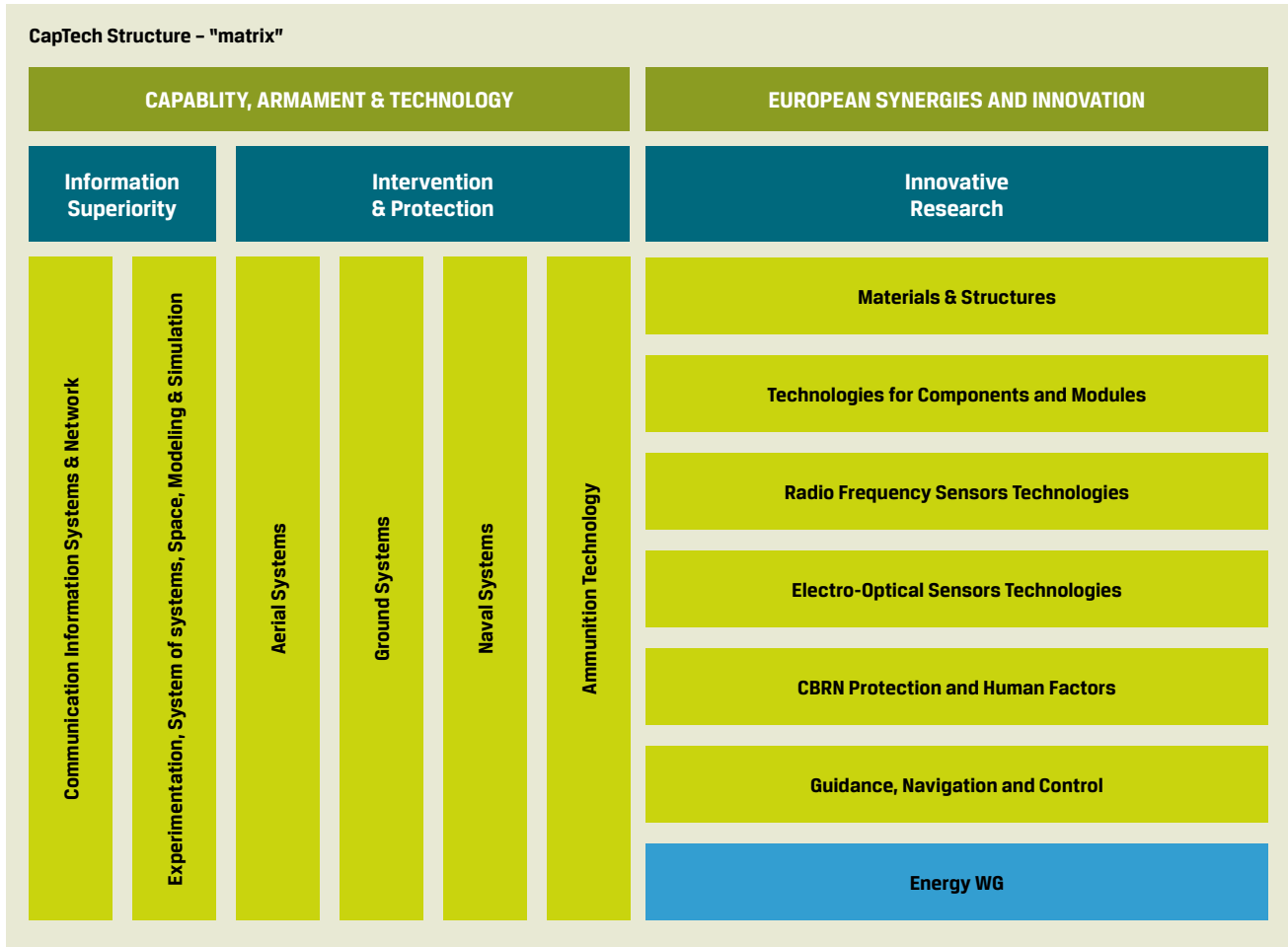
In addition, some financial instruments are implemented at national level to support SMEs. You may contact the MoD or other responsible authorities to check your eligibility regarding support for innovative activities.

PARTNERSHIP ESTABLISHMENT

Implementing research projects involves covering issues related to both funding and establishing partnerships. Partnerships can take the shape of a consortium with other SMEs, large companies, academia and research centres, which would allow you to share both resources (funds and competencies) and risk. In this initiative, several organisations at EU and national levels could provide valuable assistance.

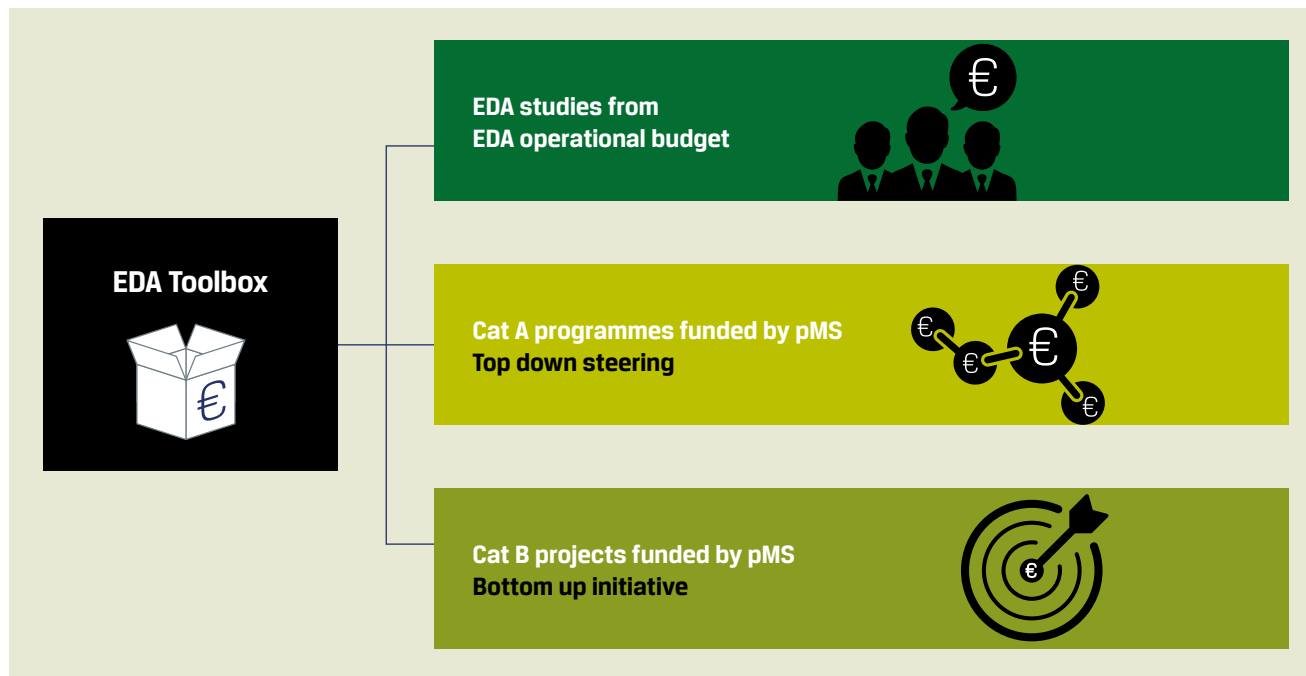
- Some European financial instruments will help you to establish partnerships, e.g. COSME and Horizon 2020 (see also the section on access to finance).
- **EEN (Enterprise Europe Network)** helps ambitious SMEs do business in Europe and beyond and innovate. With over 600 partner organisations in 54 countries, the network has the capacity to reach out to more than two million SMEs each year. For more information, it is encouraged to contact your nearest EEN partner. Further details are available on the EEN website (<http://een.ec.europa.eu/>). Furthermore, EEN partners regularly organise events such as B2B matchmaking events for SMEs. There are also 17 EEN sector groups that focus on partnership activities for SMEs in their own sector and across sectors. The most relevant EEN sector groups for defence-related SMEs are **"Aeronautics, Space and Dual Use Technologies"**, "Automotive, Transport and Logistics", "ICT Industry and Services" and "Nano- and Micro-technologies".
- **EDA CapTechs:** EDA promotes, facilitates and manages Research and Technology activities in 12 technology domains in order to develop knowledge and technologies needed for future defence capabilities. SMEs can register and participate in the EDA CapTechs

- technology domains & networks according to the CapTechs rules.

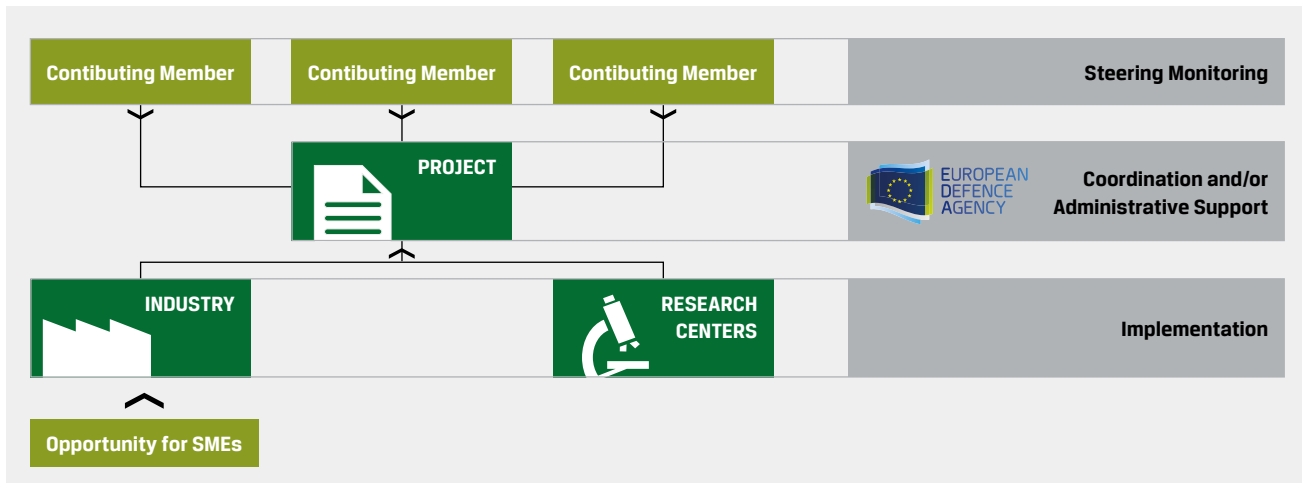


EDA CapTechs

- EDA funded studies: SMEs can participate directly, in consortium or as subcontractors in the EDA's tendering procedures, notably for technical case studies and (pre)-feasibility studies.
- Defence research Joint Investment Programme – JIP (Category A): Aiming at top-down initiated bigger programmes (such as Force Protection, 55M€; Innovative concepts and Emerging Technologies, 15 M€; CBRN protection, 12 M€), these programmes last normally for more than 3 years and are based on competition through calls for proposals. The participation of SMEs and academia can be promoted by the awarding criteria.
- Defence research targeted project (Category B): EDA can support a contributing Member States' collaborative project, regardless of the technology used or its characteristics, provided that the project is bottom-up initiated. Projects implemented so far have reached about 5-6M€ and have lasted for about 3 years. Industrial participation is defined by the contributing Member States.



EDA collaborative instruments "Category B" Projects



Further information on EDA work on R&T is available at: <http://www.eda.europa.eu/what-we-do/eda-priorities/research-technology>

TIPS TO SUCCESSFULLY MANAGE CROSS-BORDER PARTNERSHIP WITH COMPANIES



- If you plan to export your product, establishing a partnership with a company located in the targeted country can give you valuable assistance in overcoming obstacles related to national requirements and specificities.
- Valuable networking activities such as defence-related trade shows, brokerage events and theme days will help you build partnerships.
- In the framework of a partnership, signing a Non-Disclosure Agreement or, if appropriate, a consortium agreement is crucial to protect your interests. You can get help from a legal expert to deal with your Intellectual Property Right issues. NDIA's and defence-related clusters can also provide you with valuable assistance.

INTELLECTUAL PROPERTY ISSUES

One of the SMEs' strengths is their technological advancement in a specific domain. To highlight this advantage, SMEs should therefore focus on carrying out innovation activities.

How to apply for a patent

Protecting your inventions by applying for a patent is a necessity for innovative companies. In the defence sector, patent application is subject to national laws and the normal practice requires filling out a national application prior to submitting an application in another State or at the EU or international level. You are thus invited to apply first in your national Patent Office. A patent will give you the right to prohibit the making, using or selling of the invention without your consent.

After the publication of the patent, you can extend its geographical scope, notably with the help of the European Patent Office (EPO).

The European Intellectual Property Rights (IPR) Helpdesk (<https://www.iprhelpdesk.eu/>) can support you free of charge on Intellectual Property matters. To use these services, or to attend training events on Intellectual Property management, you will have to register on the helpdesk's website. There are three other IPR helpdesks worldwide: South East Asia IPR SME Helpdesk, China IPR SME Helpdesk and Latin America IPR SME Helpdesk.

Procedures related to patent applications are well described in the EPO website at <https://www.epo.org/learning-events/e-learning/modules.html?topic=0003>.

The deposit of a European patent application requires the payment of various taxes.

Expenses and fees mentioned in the figure below (originally from the EPO fee group "all fees") may not be exhaustive. A notice reporting the amount of taxes and terms of payment is published in each publication of the Official Bulletin of the European Patent Office (EPO). For more details, the complete list of the taxes (update) can be consulted at: <http://www.epo.org/applying/forms-fees/fees.html>.

Patent application fees

120 €	Filing fee - Online	DEPOSIT FEES
100 €	Registering of transfer, licences and other rights	
100 €	Cancellation of entry in respect of licences and other rights	
1195 €	Fee for an international-type search (first fillings)	RESEARCH FEES
1870 €	Fee for an international-type search (other cases)	
230 €	Fee for the late furnishing of sequence listing	
1930 €	Fees related to the application examination	EXAMINATION FEES

How to buy existing patents

For several reasons and purposes, you may need to use existing patent(s). European Patent Register (<https://www.epo.org/searching/free/register.html>) contains all publicly held information on European patent applications.

How to negotiate a license

In some cases, depending on the invention and its potential applications, as well as your goal (for instance, commercialisation of the invention), it could be appropriate to negotiate a licensing deal with the owner instead of buying his patent.

It means that if the owner licenses its patent to your SME, you can manufacture the patented product. However, in return, following the agreement reached, you will need to pay either a lump sum or continuing royalties to the owner. The EPO website provides information for licensing agreement negotiation purposes.

OTHER FORMS OF PROTECTING YOUR INNOVATION

Some innovative solutions cannot be patented because they do not meet the respective legal requirements. In such a case you may wish to protect those as trade secrets, by taking steps to ensure that such valuable information will not be disclosed to competitors without your authorisation. Trade secrets are not subject to registration, but they are protected by law against their misappropriation by third parties, for example through the use of dishonest means, or the breach of a confidentiality agreement.

Trade marks and designs are other forms of intellectual property that you should consider when designing your innovation strategy. For information on the above mentioned intellectual property rights please consult <https://oami.europa.eu/ohimportal/en/>

TIPS TO SUCCESSFULLY MANAGE INTELLECTUAL PROPERTY ISSUES



- **Definition of your innovation strategy**

- Defining a very detailed business plan is important as it allows you to have a clear strategy for your business and to be more comfortable in managing potential difficulties.
- Use patent information available in patent databases (in particular on the European Patent Office (EPO) website) to build your business strategies.

- **Protection of your innovation**

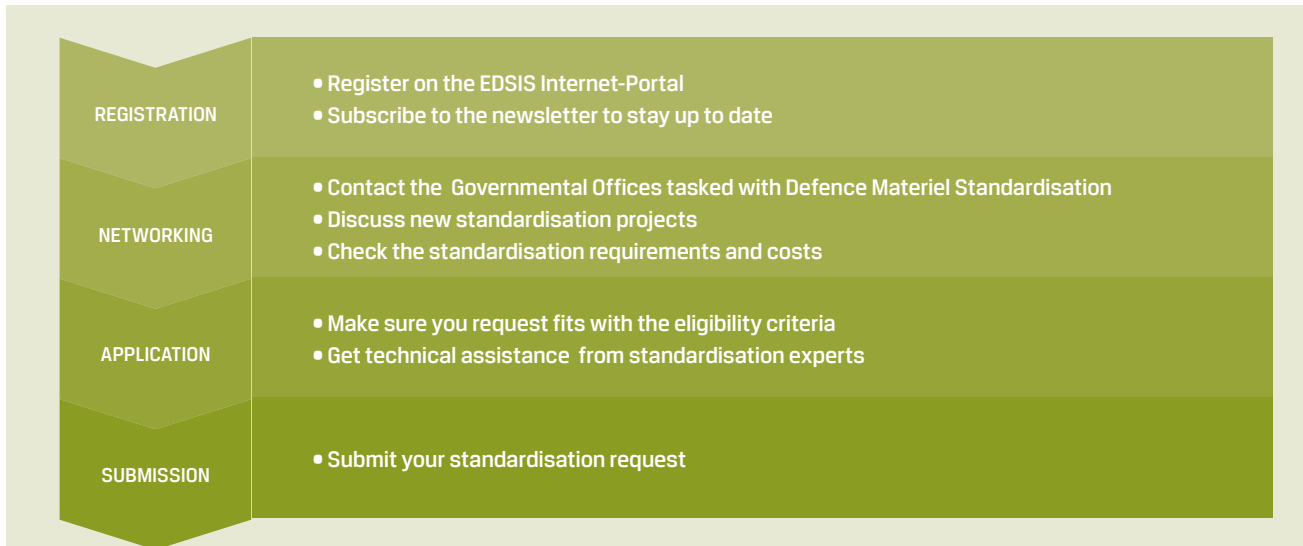
- Identify the patentable elements within your innovations and make sure they are patented early enough to avoid losing the invention to competitors.
- The protection of your innovation involves being clear about the contractual terms and IPR requires a precise analysis of the expected scope of the patent and its related costs. For export-oriented SMEs, make sure Intellectual Property is protected in all potential export markets. In the case of patents, it is important to bear in mind that a company generally has 12 months from the date of filing a national application to file the same patent in other countries.

THE EU STANDARDISATION

European standards are drawn to ensure that products are safe and reliable. Having a product certified by European standards is therefore important. The development of those standards is managed by the European Committee for Standardisation (CEN), except for the electro-technical and telecommunications sectors that are respectively managed by CENELEC and ETSI.

If you would like to have more information on which innovations exist concerning your product, it is possible to search the European standards through the <http://standards.cen.eu/dyn/www/f?p=CENWEB:105::RESET>. By clicking on any standard, the website provides a complete list of national level organisations to be contacted. Also, a list of the national standardisation bodies in Europe is presented on the Small Business Standards website (<http://sbs-sme.eu/standards/standardisation-bodies>).

The defence sector uses either civil, dual-use or specific standards. EDA established the two following tools to manage knowledge on EU standardisation:



EDSIS (European Defence Standards Information System) is the central portal for all European defence material standardisation services (<http://edsis.eda.europa.eu/>).

EDSTAR (European Defence Standards Reference System) is a web platform that contains guidance on the use of roughly 2,000 standards and "standard-like" specifications to optimise effectiveness, efficiency and interoperability of their application (<https://edstar.eda.europa.eu/>).

EDA in cooperation with the CEN-CENELEC-ETSI/DSCG (Defence Standardisation Coordination Group) developed a new procedure for developing hybrid standards. Hybrid standards in this procedure are standards that apply both to security and defence. Any SME can propose a Hybrid Standard by using the template Work Item Proposal (WIP). See EDSIS website for further details.

TIPS TO COMPLY WITH EU STANDARDS AND TO INTEGRATE THE PROCESS OF STANDARD CREATION



- **Be compliant with EU standards**

- Get support and advice from your national defence standardisation authority.
- Check that the cost impact of standardisation on your product is offset by your ability to sell it.
- Stay up to date on the evolving legislation related to standard requirements and how to take advantage of those.
- Become familiar with the standardisation projects that are being discussed and get your product ready for the new upcoming standards.

- **How to integrate the process of standard creation**

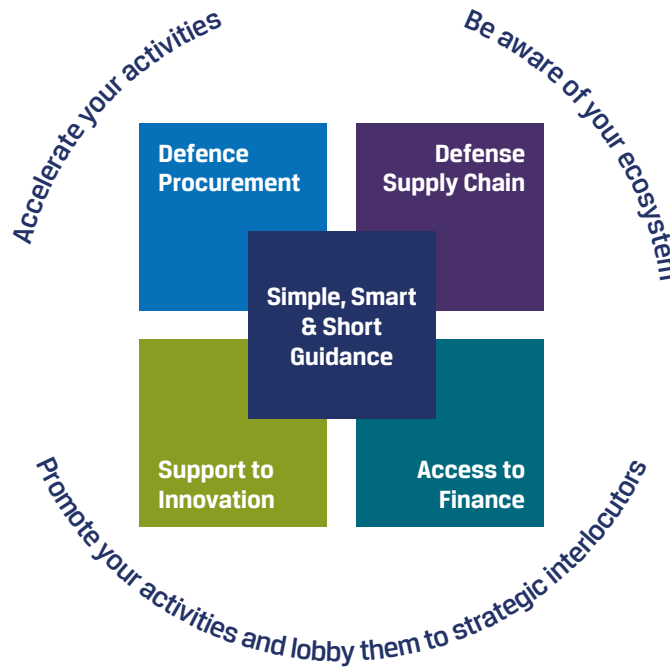
- If you are in an innovative industry that is not regulated, put in place the different motions that will allow your product to become the new standard.
- Build strong relationships with defence-related authorities.
- Build partnerships with influential companies in the targeted sector.
- Network with defence standardisation experts.
- Get technical assistance from standardisation experts to improve your competitiveness.
- Register on EDSIS in order to gain access to new standardisation projects and have the opportunity to discuss them.
- Follow the standardisation training manuals available on EDSIS.
- Use the WIP file for drafting your standardisation requirement.
- Build close ties with the Governmental Offices/Agencies of European Member States tasked with Defence Materiel Standardisation in order to submit your standardisation request.
- Check that your product abides by all the eligibility criteria for a defence standardisation project.

3. CONCLUSION

The defence market offers great opportunities for both civil and defence SMEs. This market is heavily regulated and supervised and is structured around large ordering customers (both public and private). In this context, it appears crucial for you to identify:

- Where you can find information.
- Who your privileged interlocutors are.
- What kind of support you can benefit from (e.g. funding, technical assistance).
- Which precautions you should take to comply with specific regulations.

The circle of success



The main recommendations and tips given out in the handbook:

BE AWARE OF YOUR ECOSYSTEM!

- Contact (and stay in contact with) Ministry of Defence relevant contacts and, if appropriate, main Prime Contractors, to stay informed on their strategic positioning and needs. It will enable you to provide them with an adequate offer.
- Familiarise yourself with the national and European defence procurement procedures and regulations related to your activities (including export and import regulations).
- Map all the websites - both public organisations (Ministry of Defence, EDA, NATO, etc.) and companies (Prime Contractors/OEMs, Tier 1, Tier 2 etc.) that may be relevant to your business.

PROMOTE YOUR ACTIVITIES AND LOBBY THEM TO STRATEGIC INTERLOCUTORS!

- Give special attention to your marketing, highlight your uniqueness and core activities.
- Promote your main competencies and capabilities to strategic interlocutors (Point of Contact in charge of your sector within the Ministry of Defence, manager of the supplier portal of Prime Contractor, etc.).

ACCELERATE YOUR ACTIVITIES!

- Adapt your quality management to the defence standards and requirements.
- Define a very detailed business plan to have a clear strategy for your business. It will help you deal with potential difficulties.
- Be aware that carrying out innovation activities involves dealing with Intellectual Property Rights issues (patent, signature of Non-Disclosure Agreement within a partnership, etc.).
- Stay in touch with NDIA's and defence-related clusters as they can provide valuable assistance.
- Don't hesitate to attain support to your business through EU opportunities.



TOP WEB-LINKS

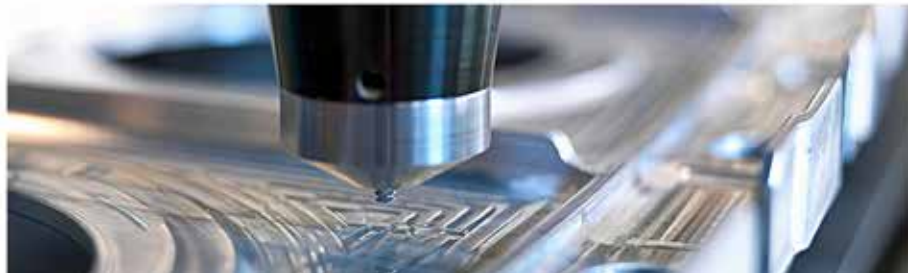
- Tenders Electronic Daily (TED): <http://ted.europa.eu/TED/main/HomePage.do>
- eTendering: <https://etendering.ted.europa.eu/>
- SIMAP: <http://simap.ted.europa.eu>
- EDA Procurement Gateway: <https://www.eda.europa.eu/procurement-gateway/opportunities>
- List of NDIA's: <https://www.eda.europa.eu/procurement-gateway/information/industry-rto-directory/asd-ndias-links>
- List of clusters: <https://www.eda.europa.eu/procurement-gateway/information/industry-rto-directory-regional-industrial-portals-clusters>
- EDA – SMEs: [http://www.eda.europa.eu/our-work/projects-search/small-and-medium-sized-enterprises-\(smes\)](http://www.eda.europa.eu/our-work/projects-search/small-and-medium-sized-enterprises-(smes))
- EDA – EU Funding opportunities: <https://www.eda.europa.eu/eu-funding-opportunities>
- EU Finance portal: <http://access2finance.eu/>
- EU funding website: http://ec.europa.eu/regional_policy/en/funding/
- EEN website: <http://een.ec.europa.eu/>


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Small and Medium Sized Enterprises (SMEs)

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