Topmost common mistakes to avoid when preparing a project application within the Start-Up Call Programmes

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1. Not sufficient understanding of state aid issues

The EEA and Norway Grants Programmes are state aid schemes governed by the provisions of European Commission Regulation no. 651/2014 (GBER). This means that the successful applicants will be awarded grants according to the state aid types and conditions which apply to the applicant's project. The applicants should pay attention to the relevant provisions included in the above-mentioned Regulation.

For example, in case the Applicant is interested to prepare an application under the Start-up call they need to be aware of the provision set forth under **Article 22,** para 2, para 3(c), para 4.

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A32014R0651&from=EN

2. The grant rate is too high

The grant rate must not be higher than the maximum mentioned in the **Call text which is 85%.** The Call text includes provisions regarding the maximum grant rate that could be requested by the Applicant. The Call text can be found on the website of the specific Programme.

One of the assessment criteria refers to this aspect: *'Grant maximum and minimum amounts and maximum possible grant rates are complied with'.* This is an eligibility criterion and therefore, if the maximum grant rate is exceeded, the project will be declared not eligible and therefore will not be further assessed.

3. The Applicant is not small or micro-enterprise

One of the mandatory eligibility criteria that are used for the assessment of project applications refers to the minimum period that should exist between the date which the Applicant was established as a legal entity and the deadline for project submission – 6 months and a maximum of 4 years.

'The Applicant has been established for at least the period set out in the Call for Proposals, section 1.1 Eligible applicants and partners'. The period should be counted in calendar days from the submission deadline, not in fiscal years.

4. Unrealistic financial forecasts

A frequent mistake is related to unrealistic financial forecasts during the project assessment process. Less rigorous financial estimations and calculation of financial indicators may lead to unrealistic financial forecasts and wrong conclusions related to the profitability of the project. In addition, the financial forecast is the basis for assessing the two mandatory indicators: the increase in turnover and the increase in net operational profit

The Applicant is expected to build his project on realistic financial estimations that have a high probability to be achieved. Useful information about the financial aspects of the project application is available in the mandatory attachment '*Guideline for Detailed Budget and Financial Forecast*' available from each website for the Call for Proposals.

5. The Applicant has not assessed their financial capacity vis-a-vis the size of the project

Sometimes the Applicants are too optimistic in setting the budget of their project pursuing the maximum possible grant amount and overestimating their liquidity to finance the project costs.

Although the projects that will be supported under the Start-up call will benefit from higher grant rate in comparison with other calls, still the necessary co-financing should not be underestimated and the Applicants should provide guarantees and present detailed plans how it will be ensured (in the form of equity finance, bank guarantees, loans, credit lines, etc). Liquidity should be planned also in terms of processing initial payments under the project, including the part that will be later reimbursed. Further specific questions on this subject could be asked during the evaluation process in case the application is shortlisted.

6. Overestimation of the number of hours and hourly rates

In most Research and Development projects, the applicant estimates a too high number of hours needed for implementing the project, and/or sets an hourly rate that does not correspond to actual costs or the company's existing remuneration policies. In many cases, the hourly rates included in the budget exceed the paid salary. According to the call text, section "*Eligible direct expenditures*" it states that *a) and b).*

Also, the number of hours included in the budget for carrying out research and development activities is often **overestimated.** For example, there have been cases where the staff hours needed for a development project were set to **10 man-years of work**. This must be avoided, as it is important that the budget is based on realistic assumptions and comply with the provisions set out in the Call text. This will lead to a more efficient assessment process, as the Project Promoter demonstrates that they have the correct understanding of the project costs.

7. The project budget is not considering market prices

In many cases, the budget does not have a proper justification when assessed according to offers previously obtained by equipment or services suppliers. According to “Project assessment methodology and criteria”, one of the technical and financial considerations when assessing the project is “Costs estimates and funding: - The extent to which the project has clear and well-documented cost estimates and a financing plan. The budget is correctly elaborated and correlated with project activities, allocated and estimated resources.” If the project does not take into account the market prices and the budget has been overestimated, there will be a lot of expenditures registered during the project implementation which might have been used to finance other projects. If the budget is underestimated, during the project implementation the Promoter will need to cover the additional costs from their sources, each amount exceeding the approved expenses is considered as non-eligible.

8. The project implementation plan and planning of the project activities

All the project activities and the associated with them costs should be planned to be completed till the final date of the eligibility of the costs for the respective call – see article 1.5.1. Activities planned to be performed after the costs eligibility date will lead to the rejection of the application.