

**Modelling of searching, selection and  
submission of application processes for  
support tools provided by European Union  
towards Small and Medium-sized Enterprises**

**Diploma Thesis**

**Supervisor of the thesis:**

**Ing. Jan Turčínek, Ph.D.**

**Bc. Lujza Ondrušková**

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### **Statutory declaration**

Herewith I declare that I have elaborated the Diploma thesis “Modelling of searching, selection and submission of application processes for support tools provided by European Union towards Small and Medium-sized Enterprises” by myself and I have listed all the sources and data in the list of references. I agree that my work will be published in accordance with Section 47b of Act. No. 111/1998 Coll. on Higher Education as amended thereafter and in accordance with the *Guidelines on the Publishing of University Student Theses*.

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In Brno, 20<sup>th</sup> of May 2015

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## **Abstract**

Ondrušková, L. Diploma thesis. Brno: Mendel University, 2015.

This diploma thesis deals with support programmes given by European Union towards European Small and Medium- sized Enterprises in order to help them grow and develop. Thesis analyses the supply of support tools for selected type of businesses. The aim of the thesis is to introduce basic and summary methodology for European SMEs to be able to search, select and submit application for support programmes, dedicated to their specific needs and requirements. The methodology will be given in graphical form (UML diagrams) and the form of verbal manuals, which will describe searching, selection and submission of application processes .

## **Keywords**

Small and Medium-sized Enterprises (SMEs), support programmes from European Union, selection process, application process, diagrams, UML

## **Abstrakt**

Ondrušková, L. Diplomová práce. Brno: Mendelova univerzita v Brně, 2015.

Tato diplomová práce se zabývá podpůrnými programy poskytovanými Evropskou Unií malým a středním podnikům, jejichž cílem je pomoci jim růst a vyvíjet se.

Práce analyzuje nabídku podpůrných programů pro vybraný typ podniků.

Cílem této práce je pak představit přehlednou metodiku pro vyhledávání, výběr a následné podání žádosti pro pomoc z podpůrných programů, určených výhradně specifickým potřebám a požadavkům MSP. Tato metodika bude podána formou grafickou (UML) a formou slovních návodů, které budou popisovat procesy vyhledání, výběru a přihlášení.

## **Klíčová slova**

Malé a střední podniky (MSP), podpůrné programy Evropské Unie, proces výběru, proces přihlášení, diagramy, UML

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# 1 Introduction

## 1.1 Introduction

*“Micro, small and medium-sized enterprises (SMEs) are the engine of the European economy. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment”* (Günter Verheugen, European Commissioner for Enterprise and Industry).

Small and Medium-sized Enterprises are important part of every economy. Like Günter Verheugen has pointed out they are an essential source of employment, innovations and competitiveness. They are engines or sometimes even called the backbone of whole European economy.

The European Commission realizes the irreplaceable position of SMEs in European economy. That is the reason why it offers them support programs which are tailored to their needs and requirements. Of course, European SMEs can ask for support through programmes managed at the national or regional level, such as European Structural Funds. But mainly the administrative burden, bureaucracy and preference of big enterprises decrease the intention of SMEs to benefit from these funds. That is why the European Commission in cooperation with other European institutions has created the supply of different programs and initiatives from several areas to support solely SMEs. Support tools in different forms such as grants, loans or guarantees are from financial, educational and cultural areas and are targeted to cover particular needs of European Small and Medium-sized Enterprises.

It is necessary for all European SMEs to know that the European Commission together with other European institutions is trying to create good conditions and environment for establishing, growing and developing of SMEs in Europe. At the same time it is trying to facilitate the difficult situation in which SMEs in many European countries found themselves after the crisis. European SMEs should know that programs intended only to them are available and it is only up to them whether or not they accept ‘helping hand’ from the EU.

The problem is that for different reasons European SMEs still hesitate to accept help in the form of support tools. Not just the unwillingness and ignorance of SMEs towards support tools, but also the complicated process of searching, selecting and applying for programmes often leads to aversion to use the given help. For managers of SMEs, usually not well skilled in strategic and business management, it is too demanding to orientate in the supply of support programs. Also time consuming searching for significant information on web pages or printed documents from the European Commission may cause reluctance to benefit from European support tools.

In view of the problems and complications mentioned in the previous paragraph, the author has decided to find a way to help SMEs, which are ready and want to use help from the European Commission, but are not able or do not know

how to do it. The author will do so by elaborating a methodology in the form of summary and easy-to-understand diagrams. This methodology will simplify the whole process of searching, selecting and following application process for selected support tools for all European SMEs. Under this methodology every SME which wants to participate in some support programme will be able to do so. Managers will not just learn how to find the best support tool meeting their needs and requirements but also how to apply in order to benefit from the selected programme. The use of this methodology in the future may result in a possible increase not just in awareness but also in demand for support programmes.

This diploma thesis is focused on a suitable support program satisfying exactly the needs and requirements of SMEs, the program, where they often have to fulfill demanding conditions, but on the other hand their participation in this program will help them grow and develop faster.

## **1.2 Objective**

The objective of my diploma thesis is to model searching, selection and submission of application processes which occur to European SMEs at the time of searching, selecting and applying for support tools given by the European Union. On the basis of analysis of the actual supply of European support programs for SMEs and conditions for their participation, the author will be able to model processes using diagrams of UML language.

The outcome of this diploma thesis will be a summary methodology in graphical and verbal form. This methodology will be working as a manual for managers of SMEs how to find, select and apply for a support program suitable to their specific needs and requirements. This sort of simplification of searching, selection and application processes will save managers of European SMEs not just time and energy, but also money. Following the actions in diagrams or steps in verbal instructions he/she will be able to do all processes alone, without any help from paid services of consulting firms.

## 2 Literature review

In this part of diploma thesis, the theoretical background related to topic of the thesis will be introduced. To be more specific, there will be provided the definition of Small and Medium-sized Enterprises and their important position in EU economy. Later, author will focus on the actual supply of support tools, which are provided by EU and are determined solely to Small and Medium-sized Enterprises. More specifically author will orient herself towards the conditions of participation in support programs. Introduction of support portals and agencies, which help SMEs to find suitable form of support, will be also part of this chapter. And last but not least, there will be introduced a tool, which will be used to model processes, concretely UML language and its diagrams.

### 2.1 Small and Medium-sized Enterprises

Small and Medium-sized enterprises are important market sector of every economy. They are driving force of the business community, economic growth, innovations and competition. SMEs play significant role not just in creating employment and GDP, but they have also important social-economical and political role. It is not just because of their abundance in EU economy, but also because they create significant part of working places, social stability and dynamics of innovative development (Záboj, Vajčnerová and Peprný, 2011).

#### 2.1.1 Definition of Small and Medium-sized Enterprises

The most common definition of SMEs is according to Commission recommendation 2003/361/EC (©2003). In this recommendation there can be found the main criteria, which determine under which conditions an enterprise may be considered as a Small and Medium-sized. The criteria are following:

- **Number of employees** (Article 5) – expressed in the number of annual work units (AWU), i.e. *“the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration.”* (Commission recommendation 2003/361/EC, ©2003, p.40). The work of persons who have not worked the full year, part-time workers and seasonal workers are counted as fractions of AWU. The staff consists of employees; persons working for the enterprise being subordinated to it and deemed to be employees under national law; owner-managers and partners engaging in a regular activity in the enterprise and benefiting from financial advantages of the company. Apprentices or students engaged in vocational training with apprenticeship or vocational training contracts, maternity or parental leave are not included in the headcount.
- **Annual turnover and/or annual balance sheet** (Article 4) – the annual turnover is determined by calculating the income that enterprise received during the year in question from its sales and services after any rebates have

been paid out. Value added tax (VAT) or other indirect taxes are not included into annual turnover. The annual balance sheet total refers to the value of the company's main assets.

According to these criteria, Small and Medium-sized Enterprises can be divided into three categories, see the Tab.1.

Tab. 1 Division of enterprises

Category of the enterprise	Number of employees	Annual turnover or Annual balance sheet	
<b>Medium</b>	< 250	≤ 50 mil. EUR	≤ 43 mil. EUR
<b>Small</b>	< 50	≤ 10 mil. EUR	≤ 10 mil. EUR
<b>Micro</b>	< 10	≤ 2 mil. EUR	≤ 2 mil. EUR

Source: European Commission recommendation 2003/361/EC published at 6.5.2003

Limits set in the table above are valid just for autonomous enterprises. In the case of partner enterprises, there is need to include also number of employees, annual turnover of annual balance sheet of the whole group. For better understanding the differences between enterprises CzechInvest (©1994–2014) provides following distribution:

- **Autonomous enterprise** – every enterprise which owns less than 25% of capital or voting rights of another enterprise.
- **Partner enterprise** – an enterprise which holds, either solely or jointly with one or more linked enterprises 25% or more of the capital or voting rights of another enterprise (downstream enterprise).
- **Linked enterprises** – owns more than 50% of voting rights or has the right to exercise a dominant influence over another enterprise.

Eurostat, the statistical office of the European Union, is another source of definition of SMEs. According to Eurostat (©2010), the main criteria for division into the categories of the enterprises is just the number of persons employed. The division is then following:

- **Medium-sized enterprises:** employed 50–249 persons;
- **Small enterprises:** with 10-49 persons employed;
- **Micro enterprises:** with less than 10 persons employed.

### 2.1.2 Strengths and weaknesses of SMEs

As any other enterprises also SMEs have their advantages and disadvantages. Advantages, also called strengths, are strengthening their position in national economies and are the reasons for establishing these enterprises. On the other hand disadvantages, called also weaknesses, discourage small entrepreneurs to start doing business and are limits to further development of SMEs.

According to Vojík (2009) the advantages of SME are following:

- **Flexibility** – SMEs react more quickly and sensitively to the needs of the markets and changes of economic conditions; they do not have so called economic and production inertia.
- **Source of innovations** – in the 20. century more than 60% of innovations were introduced by independent inventors or small firms.
- **Source of employment** – SMEs are phenomenon in employment which employs in average around 30–70% economic active population. They are considered as a biggest creator of employment. SMEs are also important employers for people with skills for which there is less demand on the market and also they are significant source of employment for youth (they help young people with their coaching and training).
- **Assistance in regional and local growth.**
- SME participate significantly on **GDP creation** of the national economies.
- They **use the limited resources and energies more effectively** than large dominant enterprises.
- SMEs contribute to **increase of competition on the markets.**
- **Presence on expanding new markets** – where their activities face less international competition (mostly in the area of innovative technologies or services).
- With their openness they **eliminate social tension** and contribute to maintenance of social reconciliation.

Next to the important advantages of SMEs there exist also significant disadvantages and limitations. According to Rydvalová (2011) the weaknesses are following:

- **Scarce of financial resources** – SMEs have difficulties to get capital so they often need support from national resources or EU.
- **Low budget** – that is why SMEs require tremendous marketing, the planning and implementation of properly chosen strategies.
- **Limited human resource capital** – SMEs have higher demand on manager's knowledge and general skills but they have difficulties to hire good managers, scientists, businessmen, etc.

Veber (2008) adds previous list of disadvantages with following weaknesses of SMEs:

- **Nepotism** – means favoritism shown on the basis of family relationship; it is more common in SMEs than in any other enterprises.
- **Weaker position in competition for public procurements.**
- Although SMEs are important source of innovations, usually these innovations are considered to be **innovations with lower order.**
- SMEs are **excluded from businesses, which need big investments.**
- They can be **threatened by behavior of large companies**, often supranational and chain stores, which set the dumping prices.

## 2.2 Performance of SMEs in EU economy

According to the Annual report on European SMEs 2013/2014 (©2014) there are three main indicators of success and key role of SMEs in EU economy. These factors are:

- **The number of SMEs** – in the year 2013 there were 21.6 million Small and Medium Enterprises in EU28, which is 99.8% of all active enterprises in EU28 in non-financial business sector. So we can see that almost all enterprises in EU28 are considered as small, medium or micro enterprises. We can observe, in the table below, that the biggest part of all SMEs consists of micro enterprises (this percentage varies from 82% in Germany to 96% in Greece, Slovakia and Czech Republic). There is small decline, less than 1%, comparing with the previous development. The decline was visible mostly in micro enterprises, but still it was less than 1%.
- **The value added they generate** - during the year 2013 SMEs generated €3,666 trillion in value added in the non-financial business sector, which is 28% of whole EU28 GDP. SME value added in 2013 was just 1% above 2008 levels in the EU28, which was slight slowdown comparing to previous years. The reason can be in positive, but weak economic growth and inflation decline.
- **The number of persons they employed** - in the year 2013 SMEs employed 88.8 million people, which is 66.8% of total employment in EU28. SME employment fell down by 0.5% in the year 2013, but still we observe that SMEs are important employer in EU. As it is visible from the Tab.2 below, the biggest employers among SME are micro enterprises.

Tab. 2 Division of indicators among micro, small, medium and large enterprises

	SMEs	Micro	Small	Medium	Large	Total
<b>Number of enterprises</b>						
<b>Number</b>	21,571,360	19,969,338	1,378,374	223,648	43,517	21,614,908
<b>%</b>	99.8%	92.4%	6.4%	1.0%	0.2%	100%
<b>Value added at factor costs</b>						
<b>Million EUR</b>	3,666,779	1,362,336	1,147,885	1,156,558	2,643,795	6,310,557
<b>%</b>	58.1%	21.6%	18.2%	18.3%	41.9%	100%
<b>Employment</b>						
<b>Number</b>	88,843,464	38,629,012	27,353,660	22,860,792	44,053,576	132,879,040
<b>%</b>	66.9%	29.1%	20.6%	17.2%	33.1%;	100%

Source: Annual report on European SMEs 2013/2014, ©2014

There are five key economic sectors, which account for approximately 78% of all SMEs in the EU28. The sectors are following:

- Manufacturing;
- Construction;
- Professional, scientific and technical activities;
- Accommodation and food;
- Wholesale and retail trade, repair of motor vehicles and motorcycles.

Among these sectors “Accommodation and food” is the largest and the most dominant in almost every member state of EU (Annual report on European SME, ©2014).

To sum up SMEs are dominated part of EU businesses. They take more than 99% of all enterprises in EU. The biggest part from SMEs takes micro-enterprises: nine out of ten SMEs are micro enterprises, with less than ten employees. SMEs are key employers on EU market, they provide two out of three private sector jobs and contribute to more than half on the total value-added created by businesses in the EU (European Commission, ©2013).

According to the recent surveys the situation for SMEs is even going better. They already are, but there is strong opinion that they will also stay engines of EU economy. According to UEAPME<sup>1</sup> (©2014) Business Climate Index (BCI) in the first semester of the year 2014 increased up to 71.7 (from 67.9 in the last semester), which is the best result on four years. Also the confidence gap between SMEs in the South, North, and Periphery and Centre of Europe decreased to the lowest level in four years. Not just that the economic performance was the best in the few years, but SMEs all around Europe expect even improvements is the next semester. Increase of BCI means that growth and stabilization is realized and there is high percentage of possibility that these positives will continue in the future if the political risk (Islamic State, Russia-Ukraine conflict) will not occur.

### 2.3 Support programmes for SMEs provided by EU

In this chapter author will provide information about support programmes for European SMEs given by EU, concretely European Commission. Mostly it will be international programmes determined to SMEs with aim to increase internationalization and innovations and financial support tools provided by EC in cooperation with European Investment Fund.

The aim of **international programmes** is to financially support projects with international character, which increase European cooperation in research and development, doing business, transport, energetics, health, environment, freedom, safety, education, culture and social policies. The examples of international programmes are: Horizon 2020, Erasmus+, LIFE+, COSME, JTI (Joint Technology Initiatives), EUROSTARS, Creative Europe, etc. Common feature of all these programmes is that candidates must join the association of at least three members

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<sup>1</sup> Union Européenne de l'Artisanat et des Petites et Moyennes Entreprise (The European Association of Craft, Small and Medium-sized Enterprises)

from different EU Member States before asking for subsidy. The best projects that succeed in international comparison will be then supported by EC. 50-100% eligible costs may be financed from these programmes (eNovation, ©2007-2015).

Unlike structural funds international programmes are financed directly from EU budget and EC handle all administration itself. There is just contact point in Member State, which helps EC with sharing information about latest development and assists with methodical help (eNovation, ©2007-2015).

In the following table we can see the main differences between international programmes and structural funds:

Tab. 3 Differences between international programmes and structural funds

	<b>International programmes</b>	<b>Structural funds</b>
<b>The objective of support tool</b>	Projects with all-European significance	Locally significant projects
<b>The intermediary of support</b>	European Commission	National authorities
<b>Typical applicant</b>	International team composed of subjects from different states	Just one subject
<b>The place of evaluation</b>	Brussel	Member State
<b>Administrative demandingness</b>	Easy process, mainly electronical	Complicated process

Source: eNovation, ©2007-2015

Support programmes described in following subchapters are mainly focused on three areas in which SMEs should be supported: innovations, internationalization and financial support.

**Innovation** as a concept was firstly introduced by Joseph Alois Shumpeter in his book *The Theory of Economic Development* published in 1912. According to Shumpeter (1983) innovation is every change in organism of the firm, which leads to new situation. But there exist many other definitions of innovation: according to Peleschak and Sabisch (1996, p.1) innovation can be determined as “*an enforcement of new technical, economical, organizational and social problematic solutions in firms*”. Innovation is focused on new way fulfilling of enterprise’s objectives.

Innovation can be also stated as a change, which leads to gaining economic profit for an individual, for an enterprise or for the whole society (Tabas, Beranová & Polák, 2010).

There are many factors, both objective and subjective, which limit or even eliminate innovation activities of SMEs. These factors are known as barriers of innovations. To the biggest innovation barriers belong: high costs of innovation, significant risk, uncertainty connected with innovations and lack of internal

financial resources (connected with the difficult availability of external resources) (Tabas, Beranová and Vavřina, 2011).

European Commission is trying to reduce these barriers of innovation by implementing programmes, which main aim is to enhance innovation activities of SMEs.

**Internationalization** according to European Commission (©2010) means not just exports of foreign direct investments, but also all activities that put SMEs into meaningful business relationship with a foreign partner. It refers to exports, imports, foreign direct investments, international subcontracting and technical co-operation.

In the past 50 years we have experienced a very rapid and intensive internationalisation of EU economies. EU members have reached a high level of integration of their economies, which has broad impact on economic development and mutual cooperation among EU Member States (Pálankai and Nagy, 2011).

According to Kubíčková (2014) key motives for internationalization are: the foreign demand for products, the lack of demand in the domestic market, the increase in sales, the customer portfolio enlargement and the competitive pressure in the domestic market.

Although being international brings many advantages the involvement in internationalization process cannot be understood only as an opportunity to achieve greater competitive advantage and so greater profits. SMEs face many serious risks during this process. As Kubíčková and Toullová (2013) have stressed entry into foreign market is usually accompanied with specific risks associated with the geographic location of foreign market, such as different economic environment and differences in legislation. Solilová (2012) adds the list of internationalization risks with tax obstacles in the form of different tax systems, which generate excessive compliance costs of taxation.

To eliminate all these risks European Commission provides support programmes determined to SMEs internationalization and its increasing in the future.

The last area support programmes provided by EU towards SMEs are focused on is **finances available for SMEs**. According to Šebestová (2007) neither the lack of interest nor preparedness of entrepreneurial sphere but lack of financial resources is the biggest barrier for further development of SMEs.

Finance related issues are the number one cause of SMEs failure. There are three specific sub-problems contributing to small businesses failure: undercapitalization, excessive debt and cash flow problems. Also excessive spending leads often to financial problems, especially during the periods of high inflation (Tomski, 2013).

That is why EU supports SMEs also in financial area. EC together with EIF usually do not provide direct financial help, but they encourage financial intermediaries, mostly national banks, to supply loans and guarantees for SMEs.

### 2.3.1 COSME

COSME is a support program, providing help to overcome market failures and connected problems, which usually hit especially Small and Medium-sized Enterprises. Its aim is to support entrepreneurs, increase access of SMEs to financial resources, increase internationalization of SMEs and generally improve the conditions of entrepreneurial environment.

COSME has started in 2014 and replaced program CIP (Competitiveness and Innovation Framework Programme). It will last until 2020 with budget constraint 2.3 billion EUR. With this budget COSME can help around 40,000 firms per year (CEBRE and CZELO, 2014).

According to European Commission (©2015a) COSME supports SMEs in following areas:

- Access to markets;
- Supporting entrepreneurs;
- Better access to finance for Small and Medium-sized Enterprises;
- More favorable conditions for business creation and growth.

#### ➤ Access to markets

European Commission provides support for SMEs to increase access to new markets through Enterprise Europe Network (EEN). EEN helps SMEs to find local partner in their region or abroad. There are registered more than 2 million SMEs out of 54 countries. More than 600 EEN member organizations supply free-of-charge services to increase business opportunities for SMEs not just in EU but also beyond (European Commission, ©2014a).

According to European Commission (©2014a) provided services Under COSME – Access to markets programme include:

- Assistance to find a business partner in EU or worldwide;
- Providing information about EU legislation and conditions of participation in EU programmes;
- Helping with access to EU finance;
- Giving support for technology and innovation transfer.

In order to benefit from this support tool Enterprise Europe Network (©2015) advises to SMEs to undertake following steps:

- Entrepreneur has to contact his/her local Enterprise Europe Network branch. For each EU country there are many contact points. Entrepreneur can find his/her local point even in the city where he/she lives or do business; there are also contact points for non-EU countries (concretely 23 countries such as USA, Russia, Turkey, Japan, South Korea, etc.). The list of EEN local contact points can be found at web pages of EEN ([www.een.ec.europa.eu](http://www.een.ec.europa.eu)).
- Local EEN enters entrepreneur's cooperation offer or request into the database.
- Entrepreneur will then receive updates on companies interested in the same kind of cross-border business cooperation.

- After finding the right match, entrepreneur can contact the potential business partner with or without assistance of local EEN.
- There is also another option how to get in touch in future business partner – through matchmaking events across Europe. They often take place at international fairs. Local EEN informs entrepreneur about the upcoming events, schedule the meetings and help entrepreneur to prepare for them.

#### ➤ **Supporting entrepreneurs**

According to European Commission (©2014b) entrepreneurs and mainly SMEs play important role in European growth, competitiveness and employment. Promoting entrepreneurship and entrepreneurial culture is therefore very important and is one of the main objectives of COSME. Entrepreneurship 2020 Action Plan is a blueprint for increasing Europe's entrepreneurial potential, removing existing obstacles and promoting entrepreneurial career as an attractive and rewarding option. This plan is built on three pillars:

- Entrepreneurial education and training – means that COSME will support exchanges among European trainers and educators.
- Improving the business environment – means creating environment where entrepreneurs can grow and flourish; improving legal and fiscal environment, recommendations on the best support for every stage of lifecycle of businesses developed by experts; specific support for web entrepreneurs, etc.
- Developing role models and outreach to specific groups – by specific groups we can see groups of entrepreneurs, whose potential has not been used to its full extent or who are not reached by traditional outreach for business support. Under these specific groups we can imagine young, women or senior entrepreneurs.

Member States have to implement Entrepreneurship 2020 Action Plan via pointing SME envoy, whose responsibility will be to drive this implementation. European Commission is of course ready to help Member States with this implementation by providing know-how and supporting exchange of good practices with other Member States. (European Commission, ©2014b)

As good examples of actions supported by European Commission under the goal "Supporting entrepreneurs" of COSME was European Network of Mentors for Women Entrepreneurs (it was working until 2013) or Erasmus for young entrepreneurs (see the next chapter).

#### ➤ **Better access to finance for Small and Medium-sized Enterprises**

According to European Investment Fund (©2013) there are two financial instruments available from 2014 to improve access to finance for SMEs. The instruments are offered under COSME by European Investment Fund and are following:

- **The Loan Guarantee Facility (LGF)** - Through LGF European Investment Fund *"offers guarantees and counter-guarantees, including securitisation of SME debt finance portfolios, to selected financial intermediaries (e.g. guarantee*

*institutions, banks, leasing companies, etc.) to help them to provide more loans and leases to SMEs which they would otherwise not support” (European Investment Fund, ©2015a). It simply means that COSME guarantees allow financial intermediaries widen the types of transactions financed for SMEs. EIF also enable financial intermediaries to generate new SME debt finance portfolios by offering guarantees for the securitization of SME debt finance portfolios (European Investment Fund, ©2013).*

- **Equity Facility for Growth (EFG)** - through EFG *“EIF invests in selected funds – acting as EIF’s financial intermediaries – that provide venture capital and mezzanine finance to expansion and growth stage SMEs, in particular those operating across border” (European Investment Fund, ©2015b). The fund managers are required to operate on independently, on a commercial basis and should invest into SMEs with the greatest growth potential (European Investment Fund, ©2013).*

If European SME is looking for debt finance, it has to visit web pages of EIF ([www.eif.org](http://www.eif.org), section “What do we do”). There is interactive map with the given countries and its financial intermediaries currently cooperate with EIF. Entrepreneur can select his/her country of interest and find suitable intermediary with suitable financial support tool. Then it can simply apply for product directly to financial intermediary (European Investment Fund, ©2013).

➤ **More favorable conditions for business creation and growth**

According to European Commission (2014c) following actions belong under the last target of COSME – More favourable conditions for business creation and growth:

- Reduction of administrative and regulatory burden –done by “Action Programme for Reducing Administrative Burdens in the EU”, which focuses on removing unnecessary and tedious reporting and information requirements affecting SMEs.
- Identification and exchange of best practices among national administrators – for example “European Enterprise Award” to remunerate promotion of entrepreneurship or SMEs on regional and local level; or “Database of good practices” which contains good and successful activities provided by Member States. The aim of these actions is to learn from each other, see the good examples and maybe taking up the same steps which proved to be successful in other MS.
- Analytical tools for better policy – for better and easier comparison of performances of policies in Member States or for facilitating the preparation of new legislation at EU or national level new analytical tools will be supported. The best example is “Global Competitiveness Report”. This report provides competitiveness background of 144 economies, identifying drivers of their productivity and prosperity (World Economic Forum, ©2014).

### 2.3.2 Erasmus for young entrepreneurs

Erasmus for young entrepreneurs is an exchange programme, which provides skills to Europeans, who want to start and/or successfully run a Small and Medium- sized Enterprise in Europe. Young entrepreneurs can win knowledge and business ideas from experienced and more skilled entrepreneurs from different country as their country of origin. The duration of the stay varies from 1 to 6 months and it is partly financed by European Commission (CZEBRE and CZELO, 2014).

#### Possible participants

There are two groups of possible participants in Erasmus for young entrepreneurs:

- **New entrepreneur** – according to web pages of Erasmus for young entrepreneurs (©2009-2015a) someone can apply as a new entrepreneur when he/she has started their own business within the last 3 years or is planning to start a business based on viable business plan. There are also other conditions that need to be fulfilled:
  - ✓ New entrepreneurs must have permanent residency in one of the Participating countries<sup>2</sup>;
  - ✓ NE must have a concrete business idea or project reflected in a business plan;
  - ✓ He/she must be ready to complement the programme funds from own resources to cover the costs of his/her stay;
  - ✓ Entrepreneur should be motivated and prepared to collaborate and contribute to host entrepreneur's business and should provide his/her skills and competences available.
- **Host entrepreneur** – must fulfill following conditions:
  - ✓ He/she is a permanent resident of one of the Participating countries;
  - ✓ He/she is a owner-manager of small or medium enterprise or is involved directly in entrepreneurship at SME board level;
  - ✓ He/she is running a company for more than 3 years;
  - ✓ This entrepreneur must be willing to act as a mentor and share knowledge and experiences with a new entrepreneur (Erasmus for young entrepreneurs, ©2009- 2015b).

#### Benefits of participation for both parties

Benefits for new entrepreneurs are clear. By using the opportunity given by this programme, new entrepreneurs can collaborate with entrepreneurs from the same field of business activity but abroad – in another Participating Country. They can win important insights, not just into different organizational and cultural settings of the selected company, but also to whole business environment of another country. By this international cooperation entrepreneurs can also build cross-

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<sup>2</sup> 28 European Member States, Liechtenstein, Norway, the Former Yugoslav Republic of Macedonia, Iceland, Montenegro, Turkey, Albania, Israel and Serbia

border business relationships, which might be useful in the future. Last but not least new entrepreneurs can build their self-confidence, can get new skills, not just language one but also managerial or technical (Erasmus for young entrepreneurs, ©2009- 2015c).

But more interesting is the question what are the motivation factors of joining programme as an experienced host entrepreneur. Some of the benefits are the same as for new entrepreneurs. Host entrepreneurs can also win from this cooperation cross-border relationships, which may last long time and might be useful for example by expanding on new markets. Learning about foreign markets and improving language skills are also factors, which can motivate host entrepreneurs to join the programme. Host entrepreneur is acting as a mentor for new entrepreneur, so one of the benefits for him/her is also that he/she can improve coaching skills. But what is more attractive by having young new entrepreneur for a while in run-in company is, that he/she can bring new fresh ideas, new insights, innovative ideas and knowledge, which may help to refresh and improve the activities the business (Erasmus for young entrepreneurs, ©2009- 2015d).

### **Financial support**

One of the most important criteria by making decision about taking part in this programme is the question of financial support. As it was mentioned before European Commission finances partly the stay of entrepreneurs through so called grants. These grants contribute to travel and subsistence costs and are paid by the local contact points. New entrepreneurs needs to choose local contact point and sign an agreement, which mainly determines the funding granted during the stay and also sets conditions how the grant will be paid in practice (new entrepreneur can choose if he/she wants partial payment at the beginning, monthly payment, etc.). The amount of the grant depends on the selected country and so varies from 530 EUR per month (in Albania) to 1100 EUR per month (in Norway, Liechtenstein or Denmark) (Erasmus for young entrepreneurs, ©2009- 2015e).

### **Duties and responsibilities of new entrepreneur**

Erasmus for Young Entrepreneurs Support Office (© 2009- 2015a) stated that new entrepreneur is obliged to:

- Meet eligibility criteria and minimum quality standards:
  - ✓ Eligibility criteria: entrepreneurs fulfill the definition of New entrepreneur.
  - ✓ Minimum quality standards - include that New entrepreneur can clearly describe expectations and motivations of the stay (in order to find him/her the most suitable host entrepreneur); New entrepreneur can provide in CV educational and vocational background, competencies, skills and work experiences; that there is ability to work in foreign language (no problems in understanding, writing and speaking) and last but not least NE needs to have a well formulated business idea. At this point we need to stop by and

explain it more in detail. New entrepreneur is asked to submit a full business plan and summary of it. Business plan is a confidential document that is why it is read just by Intermediary Organization (chosen by new entrepreneur), Support Office and European Commission. It can be submitted in any official language of the EU. It is useful to sign a non-disclosure agreement between Intermediary Organization and New entrepreneur. Summary of business plan is available to all accepted users of the online catalogue. It can be also submitted in any EU official language, but English is strongly suggested. There is no template provided by EU, but it should contain at least description of product or service provided by a company, market analysis and definition of target market, competitor analysis, break-even analysis and estimated expenses and income in next 2 years.

- Register through online application form, available at web pages of the programme ([www.erasmus-entrepreneurs.eu](http://www.erasmus-entrepreneurs.eu) in section Apply now) – there are many questions, regarding to personal data, motivation for staying abroad, professional work experiences as an entrepreneur, language skills, business sector, geographical preferences of country, where he/she wants to stay and duration and period of the stay. New entrepreneur has to insert into the application form also Curriculum Vitae (preferably in English but can be any language Intermediary organization understands, CV can be in any form – DOC, PDF but at maximum size 200 kB) and summary of his/her business plan (in maximum 2000 characters, preferably in English, without confidential information). Very important part of registration is a selection of Intermediary Organization (IO). There are more than 150 active IOs. The selected IO should be active in country of permanent residence of new entrepreneur. If there is not active IO in the country of residency, New entrepreneur can choose another one, close to his/her home country.
- Submit the application form. New entrepreneur will automatically receive status 'Applied' after submitting application form. Within max. 2 weeks IO has to perform initial check and change the application status. There are four possible statuses:
  - ✓ Accepted – application fulfils all programme requirements.
  - ✓ Refused – application is inappropriate or irrelevant.
  - ✓ On hold – important information is missing in application or application is unclear; NE should provide missing information within 6 weeks after notification that application had received this status.
  - ✓ Back to Applicant – this status reflects problems with IO, IO is either not in a position to accept entrepreneurs or IO is terminating its contract.
- After successful registration (NE has received status accepted) New entrepreneur is obliged to find the right business partner. There are two ways how to do it:

- ✓ New entrepreneur looks for a best host entrepreneur in online catalogue with the help of local contact point;
- ✓ New entrepreneur suggest to local point host entrepreneur with whom he/she is already in contact.
- Sign “Commitment to Quality” and Agreement with local point
  - ✓ "Commitment to Quality" – this document ensures the smooth working relationship between New entrepreneur and experienced Host entrepreneur. It mainly sets out the objectives of the stay and a proposed plan of activities during the stay (e.g. conducting market research and developing new business opportunities, participating in projects of entrepreneurship development, innovation and research, understanding business finance or discovering sales, branding or marketing strategies, etc.).
  - ✓ Agreement with local point to set the conditions of payment of the grant for the stay. Tasks, responsibilities, financial conditions, agreed timetable and legal implications need to be specified in this agreement.
- Enjoy the stay abroad.
- Submit a feedback questionnaire after the stay where work performed and benefits, knowledge and skills won by the stay will be described.

### **Duties and responsibilities of host entrepreneur**

Erasmus for Young Entrepreneurs Support Office (©2009-2015b) provides following steps which Host entrepreneur is obliged to fulfill in order to participate in this programme:

- Meet eligible criteria – he/she fulfills the definition of host entrepreneur and the definition of SME according to EC. He/she must have also permanent residency in EU Member State or in any of the other Participating country.
- Have minimum quality standards – his/her motivation and expectations should be clearly stated; he/she should be able to communicate in oral and writing form in foreign language (English or any other language different from mother tongue). He/she should be also able to submit his/her Curriculum Vitae (can be in any language but English is strictly recommended, Europass CV format is preferable).
- Fulfill application form – HE can find it in online form on web pages of the programme ([www.erasmus-entrepreneurs.eu](http://www.erasmus-entrepreneurs.eu) in the section Apply now). Application form has many sections such as personal profile, motivation for exchange, business sector host entrepreneurs is operating in, languages he/she speaks, geographical preferences he/she has on new entrepreneur and duration of time he/she can host new entrepreneur. The important part of application is a selection of Intermediary Organization (IO), which will establish contact between host and new entrepreneur and will help him/her with exchange. Host entrepreneur can find active IO in the country of his/her

- permanent residency or if he/she lives in country without active IO he/she can choose another one from close to his/her country.
- After submitting the application form Host entrepreneur will automatically receive status 'Applied'. Within max. 2 weeks of receipt of application IO has to perform initial check and change the application status. There are four possible statuses:
    - ✓ Accepted – application fulfils all programme requirements.
    - ✓ Refused – application is inappropriate or irrelevant.
    - ✓ On hold – important information is missing in application or application is unclear; HE should provide missing information within 6 weeks after notification that application had received this status.
    - ✓ Back to Applicant – this status reflects problems with IO, IO is either not in a position to accept entrepreneurs or IO is terminating its contract.
  - After successful registration HE is obliged to build a relationship with New entrepreneur. There are two options how to do it:
    - ✓ HE searches for New entrepreneur in online catalogue with the help of local contact point; or
    - ✓ HE suggests to local contact point New entrepreneur with whom he/she is already in contact.
  - Sign a "Commitment to Quality" document, which sets out the objectives of the stay and a proposed plan of activities for new entrepreneur during the stay
  - Enjoy the presence of new entrepreneur in the company.
  - Fill the feedback form after the exchange.

### 2.3.3 EUROSTARS 2

Eurostars 2 is a European support programme for Small and Medium-sized Enterprises, which focuses their activities on research and development (CEBRE and CZELO, 2014). Target group of this program are SMEs, which conduct research and development of new product, technologies or services. Eurostars 2 supports such innovative enterprises by providing funding for transnational innovation projects, where there partners from two or more Eurostars countries take part. Eurostars 2 is publicly financed, with the budget for the programming period 2014-2020 at amount of 1.14 billion EUR, and currently supported by 34 EUREKA<sup>3</sup> countries and EU (EUREKA Secretariat, ©2013a).

#### **Application process**

Like EUREKA Secretariat (©2013a) emphasis on its web pages, every project application must pass through a highly competitive selection and review of a panel of business and research experts. Participation in this programme opens the doors for Small and Medium-sized Businesses into new global markets. Eurostars 2 helps

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<sup>3</sup> European Research Coordination Agency

SMEs to grow and enables them to reach further innovation and attract new private investors. That is why the selection and evaluation process are so strict.

EUREKA Secretariat (©2014a) provides overview of steps of successful application process:

1. Entrepreneur must be sure that he/she and his/her project fulfills eligibility criteria available at web pages of the programme ([www.eurostars-eureka.eu](http://www.eurostars-eureka.eu)). Eureka Secretariat (©2014b) provides 13 eligibility criteria:
  - ✓ The project leader is an R&D-performing SME;
  - ✓ The project leader is from Eurostars country, means from Eurostars Participating State<sup>4</sup> or Eurostars Partner country<sup>5</sup>;
  - ✓ The project contains at least two legal entities that are independent on each another;
  - ✓ The consortium is a partnership hosted by at least two different Eurostars countries;
  - ✓ The budget (excluding subcontracting) of the R&D-performing SME(s) located in Eurostars Participating state(s) or Partner Country(-ies) is equal to at least 50.00% of the total project budget;
  - ✓ No single entity is responsible for more than 75.00% of the project budget;
  - ✓ The participant(s) from a given country may not be responsible for more than 75.00% of the total project budget;
  - ✓ The project duration is 36 months or fewer;
  - ✓ Market introduction is within 24 months of the project's completion;
  - ✓ The project meets the EUREKA criteria and must have a civilian purpose;
  - ✓ Each of the participating organizations in the consortium is a legal entity in the host country;
  - ✓ None of the participating organizations have convictions for fraudulent behavior, other financial irregularities or illegal business practices;
  - ✓ None of the participating organizations have been declared bankrupt or are in the process of being declared bankrupt.
2. Entrepreneurs should register on web pages of the programme ([www.eurostars-eureka.eu](http://www.eurostars-eureka.eu)). Here they can find useful information, above all information and contact on National Project Coordination (NPC) and online application form.

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<sup>4</sup> Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Turkey and United Kingdom

<sup>5</sup> Switzerland and South Korea

3. Entrepreneur should contact his/her NPC to find out more information about possibilities which programme Eurostars offers. NPC should give the entrepreneur advice about the process, explain the rules, inform about maximum grant and eligible costs provided, what documents are needed, etc.
  4. After these two important steps eligible and well-informed entrepreneur can start fulfilling application form. He/she can find it online, on the Eurostars 2 website. The application form is quite long with many sections. Every box must be completed and there are also character limits. English is the only accepted language.
  5. Every applicant need to prove that he/she has the capacity to undertake his/her part of the project, and that the levels of risk to public funds are acceptable in order to be given any support. That is why entrepreneurs willing to take part in this program are obliged to submit two financial reports:
    - 5.1. Annual financial report corresponding to last full accounting year (even if it has not yet been submitted to the national authorities);
    - 5.2. Annual financial report corresponding to the financial year prior to the one mentioned above.
- These documents should be submitted in national language. There are few exemptions from this duty. Organizations fully publically financed (e.g. public universities, hospitals, 100% publically financed research centers) do not have to submit these documents. If financial reports cannot be submitted, for example when it is Start-up company, a business plan is required.
6. After submitting application and following acceptance, each organization will receive unique Eurostars commitment and Signature form. Entrepreneur has to complete, sign and return these documents within 7 days of receiving it.
  7. Together with Signature form and Commitment every applicant has to declare him-/herself as a SME by completing EC's SME declaration (available at [eur/lex.europa.eu](http://eur/lex.europa.eu)). This document has to be send together with previous ones.

### **Evaluation process**

After sending all documents and application form the evaluation process can start. As there was already mentioned before, the entire process is very complicated and strict and take approximately 20 weeks. According to EUREKA Secretariat (©2013b) evaluation process consists of following steps:

- The completeness check – performed by EUREKA Secretariat. The aim of this step is to check whether application is complete; if not whole application will be rejected.
- The eligibility check – EUREKA Secretariat checks whether application meets eligibility criteria. The failure of any single criteria will result in rejection of whole application.

- The remote evaluation – three independent experts evaluate three specific criteria: basic assessment, market and commercialization, innovation and R&D to reflect the quality of application. For each criterion experts provide score out of six. To forward the application to next step at least two major criteria must get score equal or greater to 4.3 points.
- Panel evaluation – provided by Independent Evaluation Panel (IEP) in an IEP Meetings in Brussel. Panellists evaluate strenghts and weaknesses of each application against set criteria and against other applications. For each criterion 200p. are available, there are three criteria, so it means that each application can win 600 points in total. If an application scores less than 120 on any of the evaluation criteria or less than 402 points overall, whole application will be rejected. The rest of the applicantiions are ranked in descending order and relevant funding bodies are informed.

Results are communicated through NPC, EUREKA Secretariat is responsible just for running the evaluation process. Funding is provided by National funding body (NFB) of each country. The budget is allocated to projects according the order in ranking list and the funding rules of the selected country (EUREKA Secretariat, ©2013b).

#### **2.3.4 European Progress Microfinance Facility**

European Progress Microfinance Facility (EPMF) is a joint initiative of European Commission and European Investment Bank, which targets all Member States. Its aim is to provide loans below 25,000 EUR, so called microloans, for setting up or developing micro-enterprises. It increases the possibility to access finance for entrepreneurs, who have lost or are at risk of losing job, have problems with entering or re-entering labor market. It focuses also on disadvantaged individuals (people at risk or in social exclusion) or for entrepreneurs who are providing jobs for unemployed or disadvantaged. We can say that EPMF has particular focus on enterprises with limited access to conventional credit markets (e.g. female or young entrepreneurs, sole traders or entrepreneurs belonging to minority, etc.) (European Investment Fund, ©2015c).

##### **Products offered under European Progress Microfinance Facility**

No direct support is provided to enterprises or individuals. Products of EPMF initiative are available for micro-enterprises through eligible intermediaries. Eligible intermediaries are any public or private institutions that provide microfinance loans and/or guarantees to micro-enterprises or individuals from Member States. It includes financial, microfinance, guarantee or development institutions such as private or public banks, non-bank microfinance institutions and not-for-profit microcredit providers (European Investment Fund, ©2015c).

Eligible enterprises offer under the initiative Progress Microfinance two kind of products:

- **Micro-credit guarantees** – including both direct or counter-guarantees. Direct guarantees are covering portfolio of micro-loans to micro enterprises, including self-employed people; counter-guarantees are covering guarantees on micro-loans, micro-enterprises, including self-employed people (European Investment Fund, ©2015d).
- **Funded instruments (equity and loans investments)** – according to European Investment Fund (©2015e) there are four types of funded instruments offered under EPMF:
  - ✓ Senior loans – long-term financing in the range of 5-7 years;
  - ✓ Subordinated loans – financing subordinated to senior creditors (to enhance capital structure of intermediaries);
  - ✓ Risk-sharing loans – senior loans combined with risk participation in micro-credits;
  - ✓ Equity participations – investment through ordinary or preferred shares, in the range of 6-8 years.

### **Conditions of participation in Progress Microfinance Facility**

The entrepreneur can become participant of EPMF if he/she fulfills some of these conditions (European Commission, ©2015b):

- He/she is self-employed;
- He/she has just set up or wants to develop micro-enterprise (see the definition of micro-enterprise in chapter 2.1.1), especially social enterprise;
- He/she is unemployed and has been for some time out of labor market;
- He/she has difficulty to get conventional credit (because the entrepreneur is a woman, he/she is considered to be too old or too young, he/she has a disability, etc.).

The important step for participant is to find his/her microfinance provider in his/her country. The list of providers can be found on web pages of EC ([www.ec.europa.eu](http://www.ec.europa.eu)). Providers are obliged to inform entrepreneurs about specific application requirements and procedures. Then the entrepreneur can simply contact them and send the application for a microloan directly to selected financial intermediary (European Commission, ©2015b).

### **2.3.5 InnovFin SME Guarantee Facility**

InnovFin SME Guarantee Facility is a part of initiative launched by EC and EIB Group in the framework Horizon 2020 InnovFin – EU Finance for Innovators. InnovFin SME Guarantee Facility is *“a guarantee or counter-guarantee on debt financing that the European Investment Fund (EIF) provides to financial intermediaries in order to improve access to finance for innovative Small and Medium-sized Enterprises (SMEs) and Small Mid-caps (enterprises with up to 499 employees)”* (EIB, ©2014, p.2).

Financial intermediaries such as credit or financial institutions, lending institutions, banks, loan (debt) funds or guarantee institutions can thanks to

InnovFin SME Guarantee Facility provide debt financing on favorable terms to innovative SMEs and Small Mid-caps established and operating in EU Member State or Horizon 2020 Associated Countries (European Investment Fund, ©2015).

InnovFin SME Guarantee Facility provides products with following characteristics (EIB, ©2014):

- Eligible products are loans, bonds and lease;
- Both term and revolving facilities are suitable;
- The amount of loans, bonds or lease can vary from at least EUR 25,000 up to EUR 7.5 million;
- Maturity of the product vary from at least 1 year up to max 10 years;
- The purpose of financing can be investment, working capital or business transfer;
- Currency may be EUR or national currency.

EIF provides through InnovFin SME Guarantee EU supported guarantees or counter-guarantees to financial intermediaries with the aim to cover potential losses on a portfolio of SME loans. The guarantee covers up to 50% of the loss on each new eligible bond, lease or loan originated during two-years period. These guarantees reduce credit risk and capital consumption which may lead to encouraging financial intermediaries to increase the offer of debt financing to innovative enterprises (EIB, ©2014).

According to European Investment Bank (©2014) following SMEs are appropriate applicants for products under InnovFin SME Guarantee Facility:

- SMEs which invest in the production or development of innovative products, processes or services that present a risk of technological or industrial failure;
- SMEs and Small Mid-caps that are considered as “fast growing”, means that their turnover or workforce has increased by at least 20% p.a. over the last 3 years;
- SMEs and Small Mid-caps that have a significant innovation potential or are Risk & Insurance-intensive enterprises.

### 2.3.6 SME Instrument

SME Instrument is part of European program Horizon 2020 with aim to help high-innovative SMEs with big potential to grow and internationalize. With the budget around € 3 billion over period 2014-2020 SME Instrument will give phase, progressive and complementary support to SMEs to be able to develop groundbreaking innovative ideas for product, services or processes (European Union, ©2013).

According to European Commission (©2014d) SME Instrument consists of three phases which will cover the whole innovation cycle. The phases are following:

- **Phase 1: Concept and feasibility assessment** – in this phase EU will carry out a feasibility study to verify the viability of proposed innovation or concept. Under Phase 1 following activities may be done: analysis of financial or

technical risks, searching for business partners, design concept of project, dealing with questions about intellectual property, etc. Projects should take 6 months and the funding is available at amount of €50,000. The outcome is initial business proposal (around 10 pages).

- **Phase 2: Innovation Activities** – under these phase following activities are supported: development, demonstration, piloting, testing, prototyping of innovative processes, services or products, design of products, miniaturization of products, market replication, scale-up studies, etc. Projects take 1-2 years and the funding is in amount of € 1-2.5 million.
- **Phase 3: Commercialization** – in this phase EEN will provide extensive support, mentorship, training and help with accessing to risk finance to SMEs and their project to become marketable product. No direct funding from EU is available in this phase.

### **Application process**

Only innovative single for-profit SME or a consortium of innovative for-profit SMEs can apply for funding under SME Instrument. All applicants must be established in EU Member State or country associated to Horizon 2020 (European Commission, ©2014d).

To be able to benefit from SME Instrument, SMEs need to undertake following steps:

- Register as a SME in Beneficiary Register of Participant Portal – it is an online questionnaire where SMEs are asked to self-assessment of their SME status. After the successful registration SME will obtain 9-digit Participation Identification Code (PIC) (European Commission, ©2014d).
- Choose a specific topic of SME Instrument – there are many different topics available on Participation Portal and SMEs have to decide, where the gravity of their proposal lies and match it with available topic. SMEs can turn to EEN or National Contact Point in this phase; both provide free-of-charge info and guidance (European Commission, ©2014d).
- Send proposal to Phase 1 or Phase 2 of selected SME Instrument call topic – applicants may use specific templates available on Participation Portal. SMEs can directly apply for Phase 2 although it is recommended to apply first to Phase 1 then to Phase 2. Participation in Phase 1 ensures well-substantiated proposal for Phase 2. SMEs cannot benefit from Phase 3 directly, only SMEs which have been participating in previous phases can apply for Phase 3. There can be send just one project/proposal per business at a time (European Commission, ©2014d).

### **Evaluation process**

The project/proposal will be evaluated directly after submission by independent external experts. There are three award criteria against which will be the proposal evaluated: impact, excellence and quality and efficiency of implementation. For every criterion the project will score from 0 to 5. Applicant will receive feedback

on the evaluation within short time after submission the proposal. Whether the project will be funded or not will be know just after the cut-off date when Agency will rank all projects according to evaluation results. The award of the given grant bases on ranking of the project and available budget (European Union, ©2014).

## **2.4 Support networks provided by EU**

European Commission provides several support networks for SMEs which are seeking for help. There are also national associations and organizations European SMEs can turn to, but it is not the aim of this diploma thesis to introduce them. Many networks provided in this chapter have branches in every EU Member State and SMEs can easily communicate and cooperate with them.

### **2.4.1 The Enterprise Europe Network**

The aim of Enterprise Europe Network (EEN) is to help SMEs to make business opportunities in EU and beyond. EEN opens the doors for European SMEs that want to grow and become international. It consists of about 600 member organizations in more than 50 countries (Enterprise Europe Network, ©2015).

As it is described on European Commission's web pages (European Commission, ©2015c), EEN provides free of charge services from different areas with aim to:

- Increase SME's awareness on access to finance;
- Help to find international business partners in EU, COSME or non-EU countries;
- Increase competitiveness of SMEs through innovation and internationalisation support services;
- Encourage SMEs to participate in SME Instrument, Horizon 2020 and corresponding calls for proposals;
- Involve SMEs in policy-making process thanks to two-way communication channel between EC and SME community where SME can transmit feedback to EC about policies;
- Help SMEs to orientate in EU laws and regulations which may affect their business in other country.

Web pages: [www.een.ec.europa.eu](http://www.een.ec.europa.eu)

### **2.4.2 Your Europe Business Portal**

Your Europe Business Portal is designed for SMEs, which want to expand their activities beyond national borders and want to do business in another EU or EEA country. This portal provides important practical information about business rules in EU and EEA countries. It contains links to national authorities, rules, helpdesks and support services (European Commission, ©2015c).

Web pages: [www.europa.eu/youreurope](http://www.europa.eu/youreurope)

### **2.4.3 The European Small Business Portal**

The Small Business Portal collects all the material provided by EU about and for SMEs. Information about policy related to SMEs, access to markets or access to finance can be found at the portal. This portal is managed by DG Internal Market, Industry, Entrepreneurship and SMEs and provides all necessary information and links to other national or European organizations focused on SMEs (European Small Business Portal, ©2015).

Web pages: [www.ec.europa.eu/small-business](http://www.ec.europa.eu/small-business)

### **2.4.4 The SME Internationalisation portal**

The SME Internationalisation portal helps EU-based SMEs with extending their business to markets outside the EU. Entrepreneurs can find there practical information about support service providers in the EU and on international markets. The portal includes a database of support services (e.g. local chambers of commerce) and links to other EU sources providing help and/or advice to SMEs, which want to be more international (European Commission, ©2015d).

Web pages: <https://webgate.ec.europa.eu/smeip>

## 2.5 UML language

UML (Unified Modeling Language) is a “*visual language for modeling and communicating about systems through the use of diagrams and supporting texts*” (Sinan Si Alhir, 2003, p.4). Arlow and Noestadt (2003) are offering another definition of UML. According to them UML is a universal language for visual modeling of systems. UML provides no methodology for modeling but it supplies some kind of visual syntax, which might be used in creation of our own models.

According to Fowler (2004) there are three cases when and how to use UML: UML as a sketch, UML as a blueprint and as a programming language.

**UML as a sketch** is used by forward and reverse engineering. In the case of forward engineering developers use UML diagrams for creation of code, but in the case of reverse engineering they create diagrams according existing code (mostly for explaining and better understanding the code) (Fowler, 2004).

When we use **UML as a blueprint** in forward engineering, designer prepares blueprint for programmer. This blueprint should be complete and all decisions should be done before programmer gets it. Programmer should take it and encode it in fluent process and without any thinking. Blueprint can be general or can focus on only one area or part. In reverse engineering the aim of the blueprint is to provide detailed information about code in paper or electric form (Fowler, 2004).

And the last usage of UML is **UML as a programming language**. In this case developers create UML diagrams, which are directly transferred to executable code and so UML becomes source code (Fowler, 2004).

UML language consists of many graphical elements, which may be combined into the form of diagrams. Following list contains the UML diagrams, which will be mostly used in the practical part of this diploma thesis.

### 2.5.1 Class diagrams

Class diagram is widely used; it depicts the structure of the system in general. It describes the types of objects in the system and the various kind of static relationships that exist among them. It shows the properties (structural features of the class) and operations (actions that a class knows to carry out) of the classes in the system (Fowler, 2004).

According Si Alhir (2003) class diagram consists of:

- ✓ A class – shown as solid-outline rectangle labeled with a name, class represents a general concept;
- ✓ An association – represents a relationship between classes, it is shown as a solid-line path labeled with a name;
- ✓ An attribute – depicts what objects of the class know, an attribute is shown as a text string in a class’s second compartment;
- ✓ An operation – depicts what objects of the class can do, it is a text string in the third class’s compartment.

## 2.5.2 Collaboration diagrams

Collaboration diagrams, also called as interaction diagrams, show how elements interact over time and how they are related (Arlow and Neustadt, 2003).

Si Alhir (2003) explains the element of collaboration diagram as following:

- ✓ Classes and objects – class means the same as the class in class diagram (see chapter 2.5.1). Object represents a specific concept; it is shown as a solid-outline rectangle labeled with a name followed by a colon followed by the name of its class.
- ✓ Association – means the same as association in class diagram (see chapter 2.5.1).
- ✓ A communication – means that sender has sent a message to the receiver. Communication is shown in collaboration diagram as an arrow attached to a relationship pointing from the sender toward the receiver. The arrow is labeled by sequence number which shows the order of sent communication followed by a colon followed by the name of the operation to be invoked.

## 2.5.3 Activity diagrams

According to Arlow and Neustadt (2003) activity diagram describes activities and responsibilities of elements.

Si Alhir (2003) describes activity diagram as a set of following elements:

- ✓ An initial action state – with this small solid filled circle whole activity diagram starts;
- ✓ A final action state – the end of the activity diagram is shown as a circle surrounding small solid filled circle;
- ✓ An action state – represents processing and it is shown as a shape with straight top and bottom with convex arcs on the two sides;
- ✓ A control-flow transition – it is a solid line from a source action state towards a target action state, it represents that as far as the source action completes its processing, the target action state can start its processing;
- ✓ A swimlane – represents responsibility for actions, it is shown as a visual region separated on both sides from neighboring swimlanes by vertical solid lines and labeled on the top with element responsible for activities and actions within the swimlane.

## 2.5.4 Other elements

Other elements contain purely notational elements and elements, which extend the language.

The most used other element in UML is the Note. It is shown as a rectangle with bent upper-right corner. It is usually attached to another element by dashed line. Its aim is to provide important comments (Si Alhir, 2003).

## 3 Methodology

This diploma thesis is divided into two main parts: Literature review and Results. The literature review demonstrates the theoretical view on the examined topic. In the practical part, called Results, the author will firstly focus on the analysis of available support programmes according to selected criteria. Subsequently the author will model processes of searching, selection and submission of application processes using UML diagrams. The author will provide also verbal instructions attached to all diagrams, to better understand the actions behind the diagrams.

### 3.1 Analysis of available support programmes

The analysis of available support programmes for European SMEs given by the European Commission has already started in the Literature review. The first necessary step of the analysis was to find suitable and available programmes from the EU supporting just SMEs and their needs. By introducing these support tools the author focused on two important aspects. The first one is the benefits for SMEs won by their participation in the programme, in other words what are the reasons for taking part in such a support tool. The second aspect is the conditions that need to be fulfilled in order to participate in a selected support programme.

Using the information and data in the Literature review, the author will continue in the analysis of available support programmes by elaborating a summary table. Support programmes for European SMEs will be divided in the table according to significant criteria used in the selection process. These criteria will simplify the whole process of selecting the right support tool. The main criteria are as follows:

- Is this programme intended just for SMEs and their needs?
- Is this support tool designated for an individual manager of SME or for whole enterprise?
- Does this programme support just innovative SMEs?
- Is this programme focused mainly on internationalization of SMEs?
- Does this programme provide a financial support to SMEs?
- Are only transnational projects supported in this programme?
- Is this programme dedicated to just already running enterprise or shall also newly established enterprises take part in such programme?
- Is a concrete support provided through national intermediaries?

On the basis of the analysis of support programmes the author will construct a decision-making diagram. Its purpose is to help each SME to find the best support tool. Step by step, by elimination method, every manager of SME will find the best match between his/her needs and help provided in the selected programme. This UML activity diagram will also be the beginning of the second significant part of

the chapter Results - modeling processes of selection and submission of application.

### **3.2 Modeling of selection and application processes**

UML language, especially its diagrams will be the main tool used to model processes. There are many diagrams UML is offering, but for the needs of this diploma thesis just few of them will be used. The author will particularly use class, collaboration and activity diagrams. Information needed to construct diagrams can be found in the Literature review.

To visualize the diagrams the author will use Visual Paradigm for UML Standard Edition. This program is available for free for students of Faculty of Business and Economics. It is possible to download it on web pages of Department of Informatics. The author takes this opportunity, but the result of a school license is, that all diagrams designed in such a programme include the name of the program, faculty and university.

The aim of UML diagrams is to help SMEs managers to gain better orientation in the supply of support programmes. They explain the rules of each programme and illustrate activities needed to be undertaken in order to participate in the European support tools. Class and cooperation diagrams will explain the whole programme operation, in other words what is behind the programme: who is responsible for what, who can become a participant, what organizations are involved in the process and what are their roles, and last but not least they will explain relations among involved parties. On the other hand activity diagrams will show the application process, steps every involved individual or company need to follow in order to be able to benefit from the support programme. By looking at the diagram and following the actions every manager of SME should find the way how to become successful in the application process.

The method described in previous paragraph relies on the ability of managers to read diagrams. But unfortunately not every manager knows UML language and its diagrams. Similarly not everybody prefers a graphical representation of processes. That is the reason why the author has decided to depict the processes in a dual way: graphically by UML diagrams and also verbally by describing the processes illustrated in diagrams. This verbal direction will become a sort of manual how to read the given diagrams and verbal manual for managers, who prefer to follow written steps.

## 4 Results

In the next chapters author will firstly continue in analysis of support programmes given by European Union to European Small and Medium-sized Enterprises. Secondly author will model processes of selection and submission of application for each support programme individually.

### 4.1 Analysis of supply of support tools provided by European Union towards SME

Analysis of supply of support programmes provided by EU towards European SMEs consists of two steps:

- The finding of required programmes, they need to fulfill two main criteria:
  - ✓ programmes have to be designated to SMEs only;
  - ✓ programmes have to be actual for year 2015.
- The distribution of programmes according to selected criteria (for criteria see the chapter 3 Methodology).

The first step was already done in the chapter 2.3 Support programmes for SMEs provided by EU. Actually there are six support programmes available for European SMEs: COSME, Erasmus for young entrepreneurs, EUROSTARS 2, SME Instrument, European Progress Microfinance Facility and InnovFin SME Guarantee Facility. Each programme focuses on different kind of help and on different target group of SMEs. In the table below, Tab.4 Distribution of support programmes according to selected criteria we can observe for what purpose is every support tool designated. Based on this table and its criteria every SME can find the best support programme satisfying its needs and requirements. For example if innovative Small and Medium-sized Enterprise searches for finance the best option is to take loan under InnovFin SME Guarantee Facility with the assistance of national intermediary.

For some managers orientation in provided table might be still confusing. That is why author has elaborated also Decision-making diagram, see Fig.1. With gradual elimination method SME will find the best match between its needs and support programme. Taking the same example as in the previous paragraph, innovative SME searching for finance, manager of such as SME looks at the first condition. His/hers SME is innovative one so he/she can continue to the right to next condition: does she/he needs grant for project or just finance for further operation. He/she takes the second option so the best activity for him/her is to get finance from financial intermediary under InnovFin SME Guarantee Facility. Diagram counts also with option, that SME needs something else than supplied services under selected programmes. In such a case manager of non innovative SME, which does not want to become more international and does not need finance goes still downwards the diagram until he/she finds the best solution: to search for help somewhere else, for example in national support programmes.

Tab. 4 Distribution of support programmes according to selected criteria

Criteria	Programme	COSME - Access to markets <sup>6</sup>	COSME - Better access to finance <sup>7</sup>	Erasmus for young entrepreneurs <sup>8</sup>	EUROSTARS 2 <sup>9</sup>	EPMF <sup>10</sup>	InnovFin SME Guarantee Facility <sup>11</sup>	SME Instrument <sup>12</sup>
SME oriented only		✓	✓	✓	✓	✓	✓	✓
Designated just to individuals		✗	✗	✓	✗	✗	✗	✗
Designated to whole enterprise		✓	✓	✗	✓	✓	✓	✓
Support just for innovative SMEs		✗	✗	✗	✓	✗	✓	✓
Support internationalization		✓	✗	✓	✗	✗	✗	✗
Financial support		✗	✓	✗	✗	✓	✓	✗
Support just transnational projects		✗	✗	✗	✓	✗	✗	✗
Support for already running SMEs		✓	✓	✗	✓	✓	✓	✓
Support for newly established SMEs		✗	✓	✓	✓	✓	✗	✗
Support given through national intermediaries		✗	✓	✗	✗	✓	✓	✗

<sup>6</sup> European Commission, ©2014a

<sup>7</sup> European Investment Fund, ©2013

<sup>8</sup> Erasmus for young entrepreneurs, ©2009-2015

<sup>9</sup> EUREKA Secretariat, ©2013a

<sup>10</sup> European Investment Fund, ©2015c

<sup>11</sup> EIB, ©2014

<sup>12</sup> European Union, ©2013

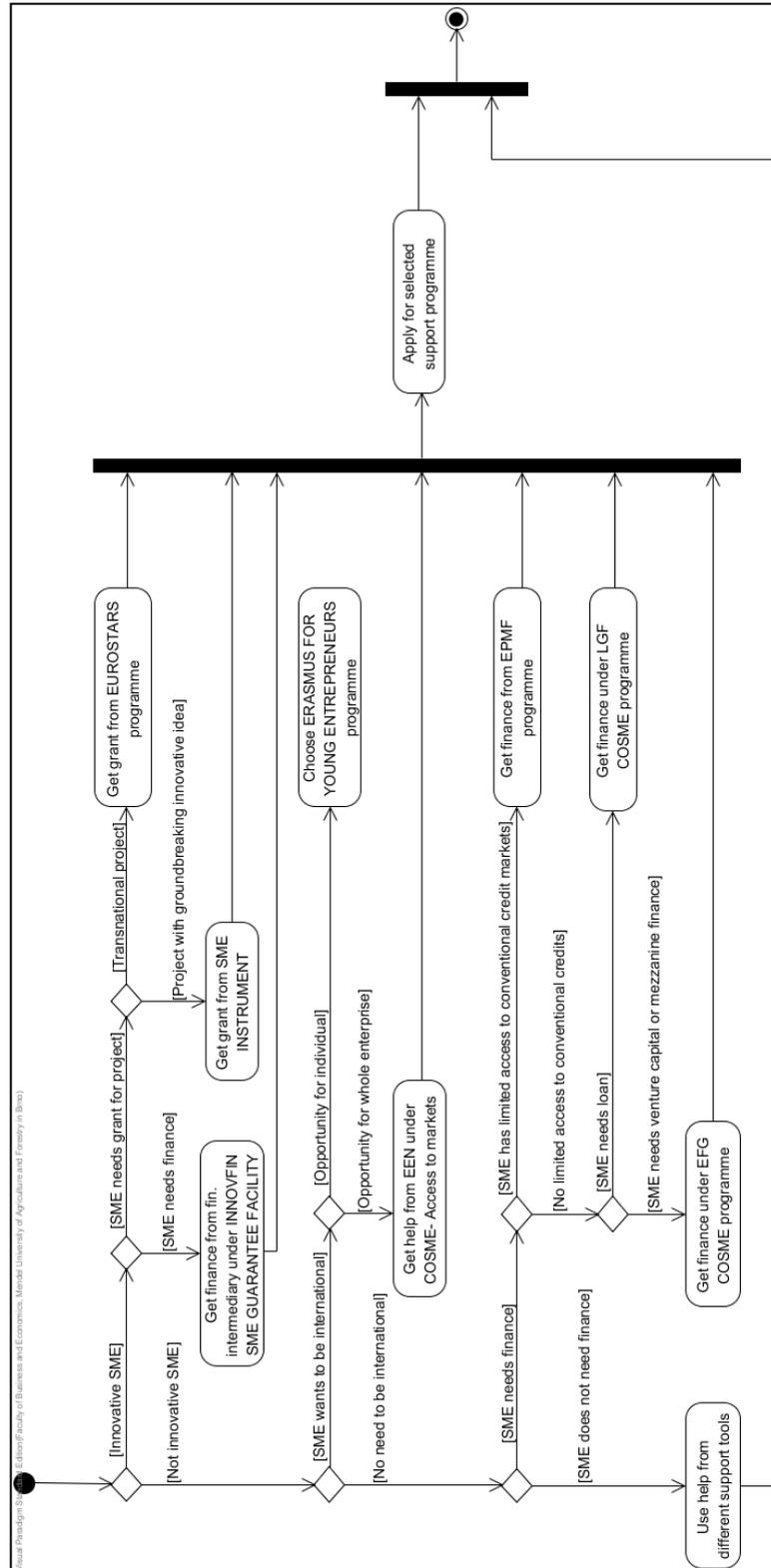


Fig. 1 Activity diagram of selection process

## 4.2 Modeling processes

In the following chapters author will describe the functioning of each support programme by class or collaboration diagrams. Activity diagrams will be used to illustrate application process for selected support tool.

### 4.2.1 COSME – Access to markets

To describe the functioning of COSME programme author has decided to use class diagram in Fig.2. This diagram shows classes involved and their relations among them. It also illustrates the characteristics and activities of each class. There are two important classes: SME as a participant and Enterprise Europe Network (EEN). SME simply turns to EEN with request to find the right business partner in the region of operation or abroad. The role of EEN is to help SME find the potential business partner through matchmaking events or through its online database of companies looking for cooperation.



Fig. 2 Class diagram of COSME- Access to markets

Fig.3 shows the diagram, which describes processes of selection and application under COSME- Access to market programme. The main aim of this programme is to find international business partner. This diagram and following verbal instructions describe the way how to reach this benefit.

### Participant's manual for COSME – Access to markets programme

To be able to find the right business partner under COSME – Access to markets programme you should follow these steps:

1. Visit the web pages of Enterprise Europe Network (<http://een.ec.europa.eu>).
2. On the web pages of EEN select the country of residency and exact city where your SME is operating.
3. Based on the previous steps there will be shown contact information of closest EEN branch. You should contact this local point – local office of EEN personally, by phone or via e-mail.

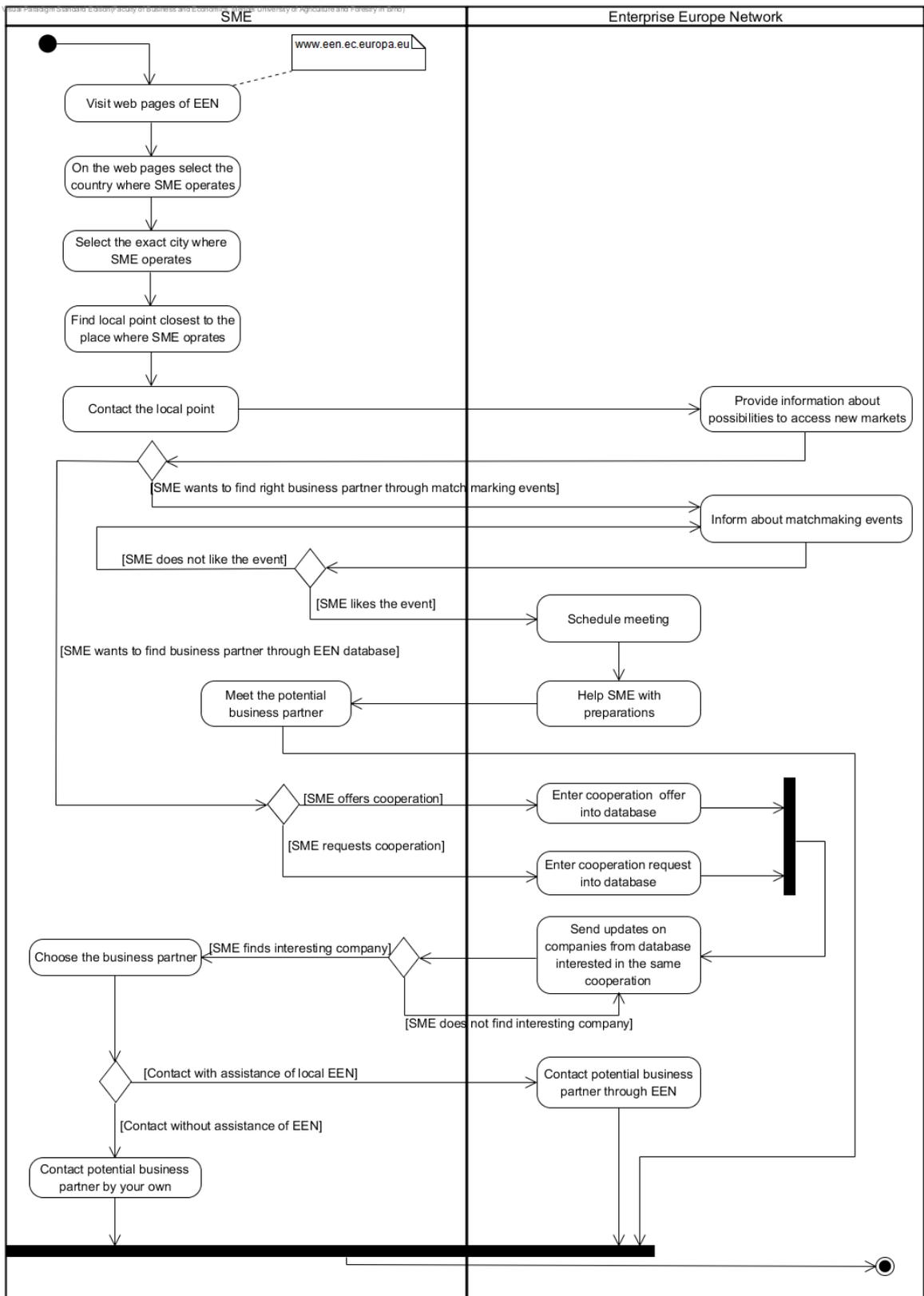


Fig. 3 Activity diagram under COSME - Access to markets

4. If you want to find the future business partner through matchmaking event, local EEN will send you information about upcoming events, interesting to your business. EEN will send this offers until you as a manager of SME decide that event (mostly its participants) is beneficial for you and you want to attend. In this case EEN will schedule for you all meeting(s) with selected entrepreneur(s) presented at that event. EEN will also help you with preparation for meeting. The last step is to meet the business partner.
5. On the other hand, if you prefer to find potential business partner through EEN database, you need to decide whether your aim is to request or offer future cooperation. In both cases EEN will enter your request/offer into its database.
6. EEN will send you regularly the updates of the database of companies interested in the same cooperation. You should check and consider the offer and decide whether you like it or not. EEN will continue with sending the updates until you finally find interesting enterprise to cooperate with.
7. After finding the right match you have two possibilities how to contact the future business partner: with help and assistance of EEN or on your own.
8. Final step is to contact the potential business partner either through EEN or personally without any help.

This diagram ends with the final step “Contact the potential business partner”(in the case of finding in EEN database) or “Meet the potential partner ” (in the case of finding through matchmaking events). It does not deal with further establishment of cooperation. This would involve third element into the diagram – “cooperator” and its decisions and activities. Of course author is aware of the fact that after contact there should be more meetings needed to sign contract of cooperation. And also it is possible that coordinator will not like the offer and he/she will not want to cooperate. But this is not the aim of this diagram to show this process. The important thing is to find potential business partner for further cooperation.

#### 4.2.2 COSME – Access to finance

To understand the processes in COSME financial instruments' operation see the Fig.4 Collaboration diagram for LGF and Fig.5 Collaboration diagram for EFG. In both figures we can observe what is behind this programmes. European Investment Fund does not provide financing directly to SMEs but through selected financial intermediaries.

In the case of LGF, EIF provides guarantees and counter-guarantees to financial intermediaries to encourage them to supply loans and leases to SMEs. In the case of EFG, EIF invests in financial intermediaries to enable them to offer mezzanine finance and venture capital to SMEs.

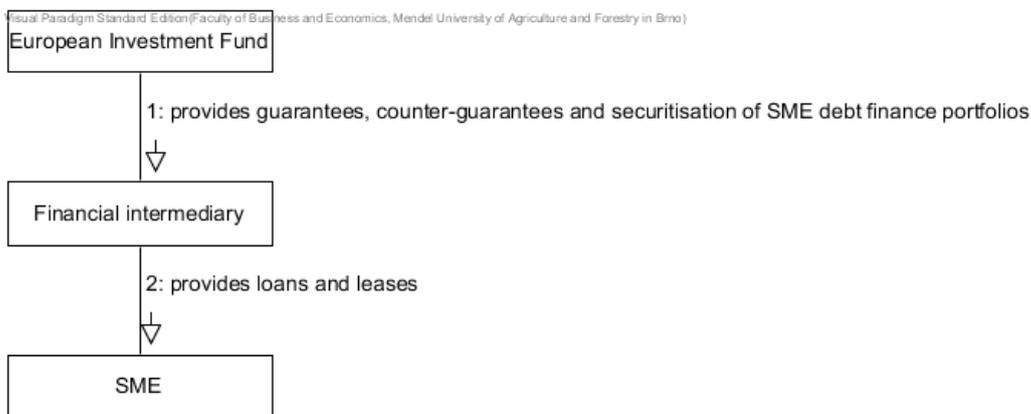


Fig. 4 Collaboration diagram for LGF

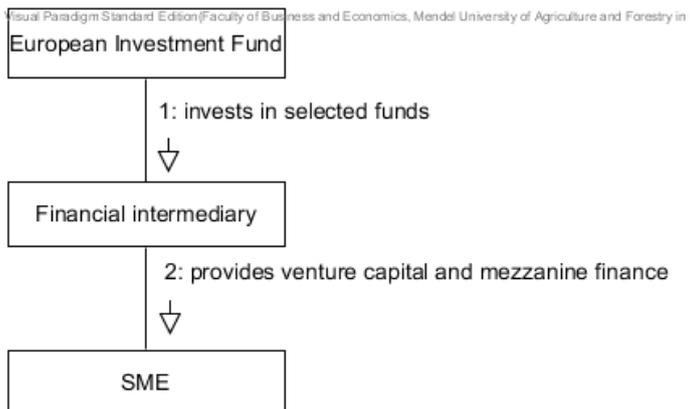


Fig. 5 Collaboration diagram for EFG

Every SME which wants to improve access to finance can apply for one of the products under COSME programme. The application process for LGF or EFG is the same and is described graphically in Fig.6 and following verbal manual.

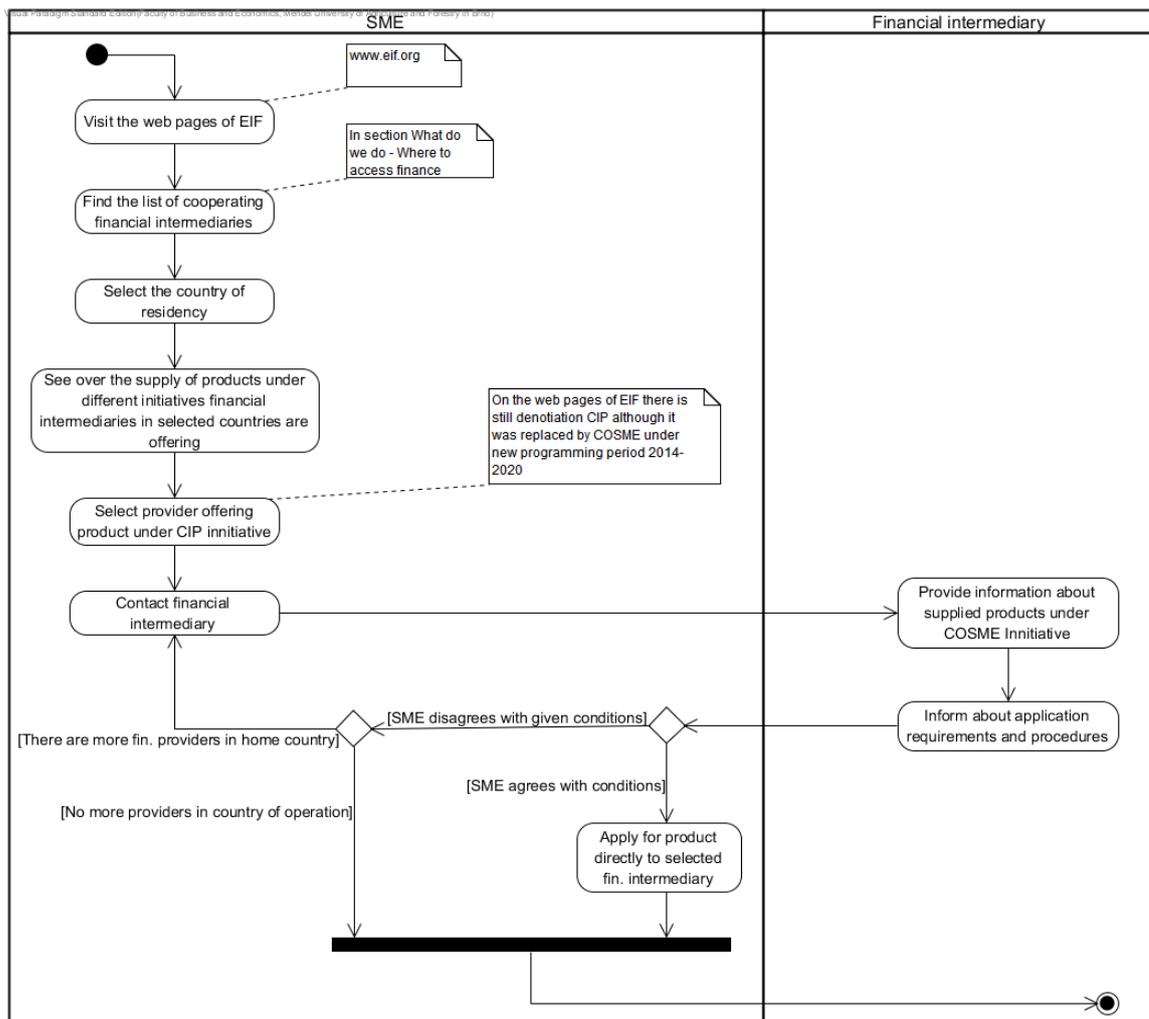


Fig. 6 Activity diagram for COSME – Access to finance programme

### Participant's manual for debt financing under COSME

If you are manager searching for finance for your SME, you should apply for products under COSME- Access to finance programme. Following the activities in diagram in Fig.6 or attached verbal manual enables you to increase access to finance for your enterprise.

1. As the first step, you should visit the web pages of EIF ([www.eif.org](http://www.eif.org)).
2. In the section “What do we do” – “Where to access finance” you can find the list of financial intermediaries currently operating with EIF.
3. You should choose the country of residency in the list of financial intermediaries.
4. After selecting home country, there will be the summary table of supply of products under different programmes and initiatives of EIF. You should select provider, who is providing products under CIP initiative. In some

countries there is just one provider, but there are countries with more than one provider. Selection is based on your subjective reasons, such as previous experience with intermediary, recommendations from family, friends etc.

5. Subsequently you can contact the selected financial intermediary by phone, personally or via e-mail.
6. Financial intermediary informs you about supply of products under COSME. Every financial intermediary has also its own required requirements and procedures which need to be undertaken in order to receive finance.
7. After hearing the conditions from your selected financial intermediary, you can either agree or disagree with them.
  - If you agree with all conditions, you can continue downwards in diagram and with step n.9 in this manual. But if you do not like the offer from financial intermediary, you should continue to the left in the diagram and with step n.8 below.
8. If you disagree, you have two options.
  - 8.1. First one counts with scenario, that there are more than one financial provider in home country of your SME. In that case, you can turn to another provider and see its conditions and requirements.
  - 8.2. Second option is that there is no more financial intermediary in your country of residency, so the whole application process is over.
9. If you agree with all conditions set by financial intermediary, you can apply for product directly to selected intermediary.

This process ends with application for product under COSME to selected financial intermediary. Author has decided not to continue for example by evaluation process executed by intermediary. The main reason is that every financial institution has its own requirements and procedures and so its own evaluation process. The description of all these processes would far exceed extent of this diploma thesis.

### 4.2.3 Erasmus for young entrepreneurs

The Fig.7 illustrates parties involved in the programme Erasmus for young entrepreneurs. Author has decided to use class diagram to show how this programme works, who cooperates with whom and who is responsible for what. There are four classes: new entrepreneur (NE), host entrepreneur (HE), Local Contact Point (LCP) and marginally European Commission. EC is included just to show that it provides grants (financing) for stays for new entrepreneurs. These grants are given to NE through LCP. So the main role of LCP is to provide financing for NE. But it is not its only duty, it provides help and support for both NE and HE during whole application process. New entrepreneur, someone who is planning to start or has started business within 3 years, spends 1-6 months in HE's company. During the stay he/she contributes to HE's business. On the other hand Host entrepreneur acts as a mentor during the whole stay of New entrepreneur in his/her company. He/she shares knowledge, skills and competences with NE.

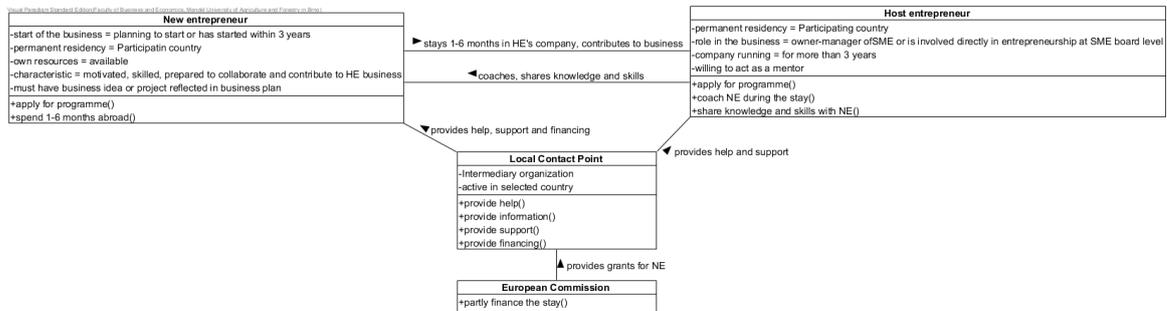


Fig. 7 Class diagram for Erasmus for young entrepreneurs programme

To describe application process under Erasmus for young entrepreneurs programme author has decided to use activity diagrams. In Fig.8 there is illustrated application process for New Entrepreneur. Below the diagram there is also provided verbal manual for potential participants, who prefer verbal description before graphical one.

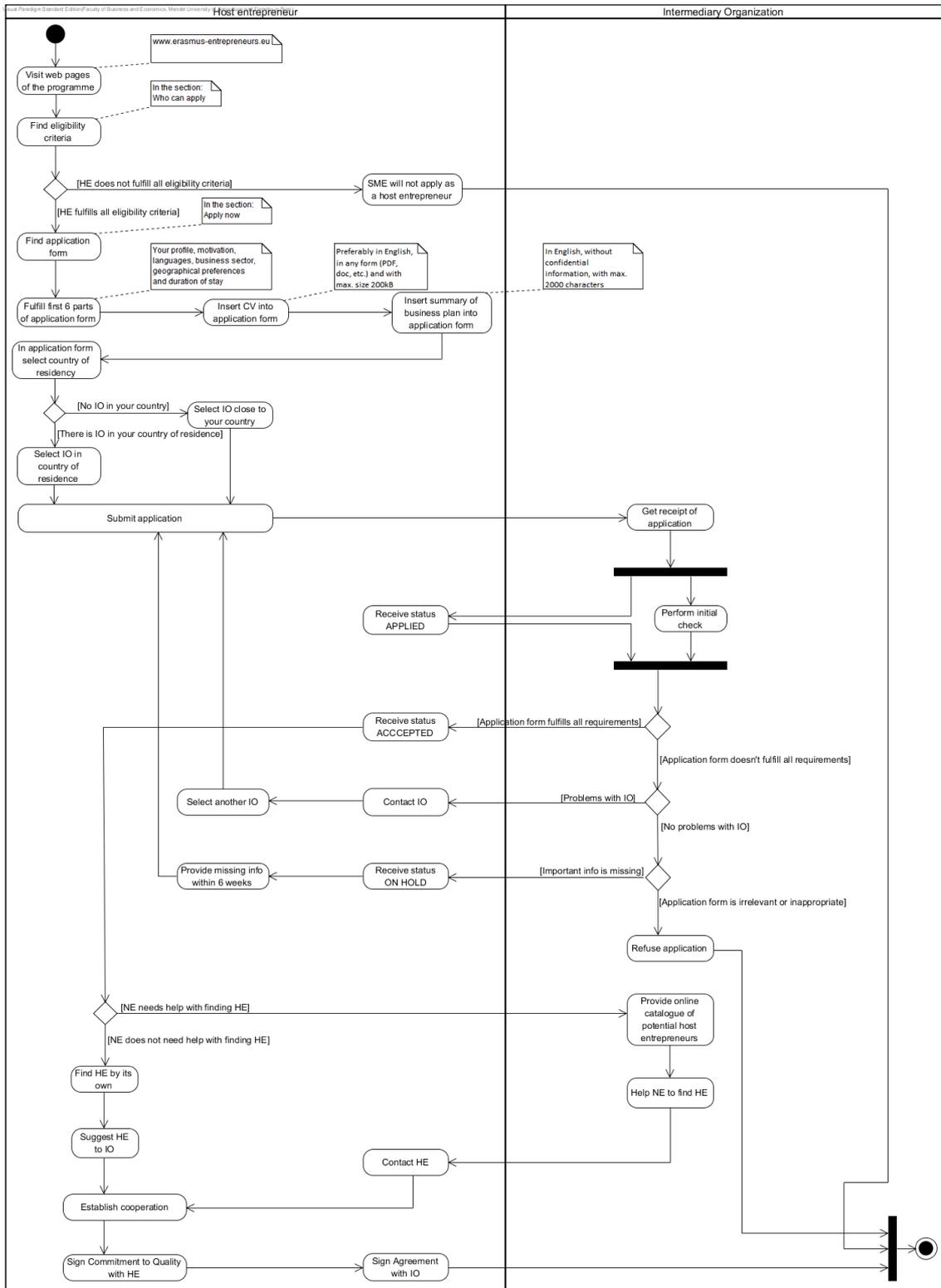


Fig 8 Activity diagram of application process of New Entrepreneur

## Manual for New entrepreneur

To be able to participate in Erasmus for young entrepreneurs programme you as a New entrepreneur should either follow activities in Activity diagram for New entrepreneur, Fig.8 or steps in this verbal manual:

1. You should firstly visit the web pages of the programme ([www.erasmus-entrepreneurs.eu](http://www.erasmus-entrepreneurs.eu)).
2. On the web pages of the programme, section “Who can apply”, you need to find the eligibility criteria for new entrepreneurs.
3. Based on own judgment decide whether you fulfill all criteria.
  - 3.1. If not there is no point to continue in application process. You cannot apply as NE and the whole application process is over.
  - 3.2. Conversely if you meet all criteria, you can continue in application process by taking the next step.
4. Online application form is available on the web pages of the programme. You should find it and fulfill the first six parts of it. Concretely parts: your profile, motivation, languages, business sector, geographical preferences and duration of stay.
5. You should also insert two important documents into online application form: your CV and summary of your business plan.

CV should be preferably in English, in any form and with max. size 200kB. Summary of the business plan should be also in English, without confidential information, with max. 2000 characters.
6. Very important step is to find Intermediary Organization. You can do it directly in application form by selecting the country of residency into it.
7. Based on the previous step, there will emerge list of IO in selected country.
  - 7.1. If there is no IO in your country, you can select IO close to your country.
  - 7.2. If there is IO in your country of residency, select that IO.
8. After selection of IO, you can submit the online application form (AF).
9. After getting receipt of application, Intermediary Organization awards you with status “Applied”. Same time IO starts the initial check of application.
10. There are two possibilities what can happen with AF after initial check: application form fulfills all requirements or it does not.
  - If everything is alright, you can continue leftwards or with step n.11 and then n.16. But in the case of any problem with application form follow the diagram downwards or continue with step n.12 to find the problem.
11. If application form fulfills all requirements you will receive status “Accepted” and so you can continue with next step (n.13).

12. If AF does not fulfill all requirements there are three main reasons why: either there is problem with IO, or there is important information missing or the whole AF is irrelevant or inappropriate.
  - 12.1. In the case of problem with IO, you should contact your IO in order to communicate the problem and finding the new IO.
  - 12.2. When important information is missing, you will receive status "On hold" until you provide needed data. You have 6 weeks to do so.  
In both cases you can re-submit the AF until you receive status "Accepted".
  - 12.3. Only in case of irrelevant and inappropriate AF, IO will refuse the entire application which is the end of the whole application process.
13. Next essential step is to find Host entrepreneur. There are two ways how to do so: with the help of IO or by own.
  - If you prefer to find HE with the assistance of IO follow the diagram to the right or continue with step n.14 in this manual. If you want to find HE by your own, follow the diagram downwards or continue with step n.15.
14. IO provides to you online catalogue of potential HE and it helps you find the best match.
15. But you can find HE by your own, or you can contact enterprise with which you have already been in contact before.
16. Get in touch with selected HE and establish relative cooperation.
17. Before departure you are obliged to sign two important documents. One of those is Commitment to Quality with HE. This document sets the duties and responsibilities for both parties during the stay.
18. Second important document, which needs to be signed before your departure is Agreement with IO. It sets the conditions of payment of the grant.

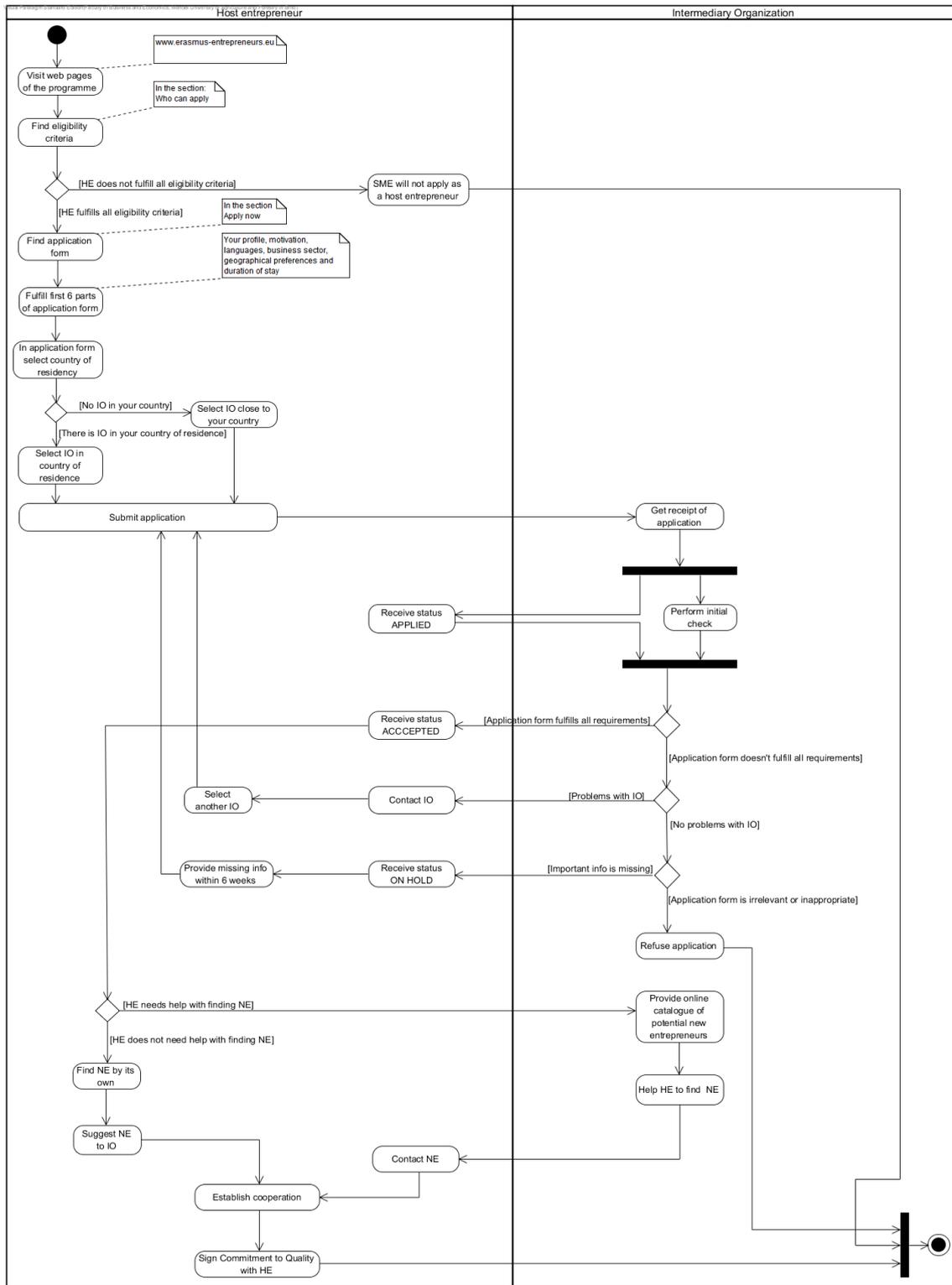


Fig. 9 Application process of Host Entrepreneur

The application process of HE is described in Fig. 9. The procedure is very similar to application process for New entrepreneur. The only differences are that HE does not have to submit CV or summary of business plan and also he/she does not receive any grant so he/she is not obliged to sign any Agreement with IO. Also HE is searching for NE, so vice versa like in Fig.8 but the process is the same. They can find it with or without help of IO (like in step n.13 in previous list of activities).

### **Manual for Host Entrepreneur**

If you want to participate in Erasmus for young entrepreneurs as a Host entrepreneur you should follow these steps:

1. Firstly visit the web pages of the programme ([www.erasmus-entrepreneurs.eu](http://www.erasmus-entrepreneurs.eu)).
2. On the web pages of the programme, in the section "Who can apply", you need to find the eligibility criteria for Host entrepreneurs.
3. Based on own judgment decide whether you fulfill all criteria.
  - 3.1. If not there is no point to continue in application process. You cannot apply as HE, so the whole process is over.
  - 3.2. Conversely if you meet all criteria, you can continue in application process by taking the next step.
4. Online application form is available on the web pages of the programme. You should find it and fulfill the first six parts of it. Concretely it is your profile, motivation, languages, business sector, geographical preferences and duration of stay.
5. Before submitting the application form, you should find and select your Intermediary Organization. You can do it directly in application form by choosing the country of your residency.
6. Based on the previous step, there will emerge list of IO in selected country.
  - 6.1. If there is no IO in your country you can select IO close to your country.
  - 6.2. If there is IO in your country of residency, select it.
7. After selection of IO, you can submit the online application form.
8. Just after getting receipt of application, Intermediary Organization awards you with status "Applied". Same time IO starts also initial check of application.
9. There are two possibilities what can happen with AF after initial check: application fulfills all requirements or it does not.
  - If everything is alright you can continue leftwards or with step n.10 and then n.12. But in the case of any problem with application form follow the diagram downwards or continue with step n.12 to find the problem.

10. If application form fulfills all requirements, you will receive status “Accepted” and so you can continue with next step (n.12).
11. If AF does not fulfill all requirements, there are three main reasons why: either there is problem with IO, or there is important information missing in AF or the whole AF is irrelevant or inappropriate.
  - 11.1. In the case of problem with IO, you should contact your IO in order to communicate the problem and finding the new IO.
  - 11.2. When important information is missing, you will receive status “On hold” until you provide needed data. You have 6 weeks to do so.  
In both cases you can re-submit the AF until you receive status “Accepted”.
  - 11.3. Only in the case of irrelevant and inappropriate AF, IO will refuse the entire application which is the end of the whole application process.
12. Next essential step is to find New entrepreneur. There are two ways how to do so: with the help of IO or by own.
  - If you prefer to find NE with the assistance of IO follow the diagram to the right or continue with step n.13 in this manual. If you want to find HE by your own, follow the diagram downwards or continue with step n.14.
13. IO provides you online catalogue with potential NE and helps you to find the best match.
14. You can find NE by your own, or you can contact enterprise with which you have already been in contact before.
15. Get in touch with selected NE and establish further cooperation.
16. As the last step before welcoming NE, you are obliged to sign Commitment to Quality with NE. This document sets the duties and responsibilities for both parties during the stay.

#### 4.2.4 Eurostars 2

Class diagram in Fig.10 describes all parties involved in Eurostars 2 application process and relations among them. Participant, in this case R&D performing SME from Eurostars country, elaborates together with at least two other legal entities transnational project with specific characteristics (see the class Transnational project in Fig.10). Programme Eurostars 2 provides financing for these transnational projects through NPCs. NPC allocates national budget to SME according the specific rules. NPC has also supporting role in this process, it provides useful advices, information and help to participant.

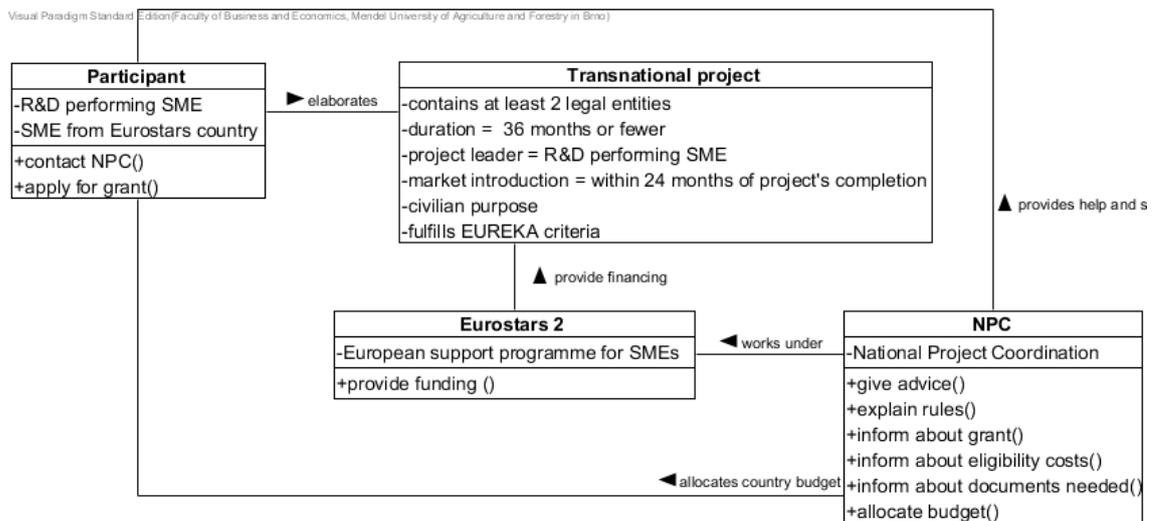


Fig. 10 Class diagram under Eurostars 2 programme

Diagram illustrated in Fig.11 shows the necessary steps, need to be undertaken in order to benefit from Eurostars 2 programme. Every applicant for grant under Eurostars 2 programme should follow these activities. In the case that applicant, manager of SME, is not skilled in reading UML diagrams, he/she should take steps described in attached manual.

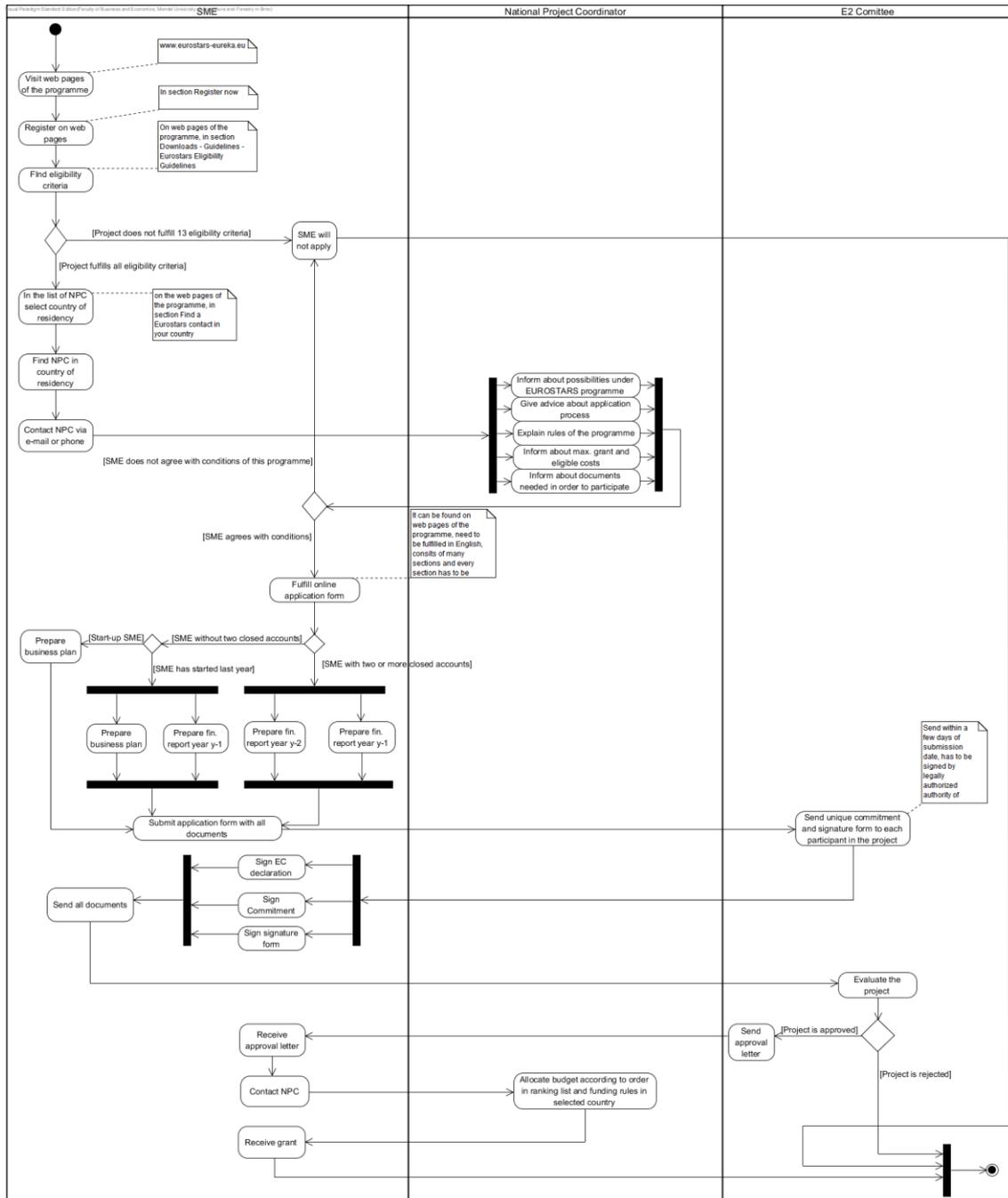


Fig. 11 Activity diagram under EUROSTARS 2 programme

### Participant's manual for Eurostars 2 programme

If you, as a manager of innovative SME, want to apply for grant under Eurostars 2 programme, you should follow these important steps:

1. Visit the web pages of the programme (www.eurostars-eureka.eu).
2. Register on these web pages, in section "Register now".

3. Find the list of eligibility criteria (in the section Downloads →Guidelines →Eurostars Eligibility Guidelines on the web pages of the programme).
4. There are 13 eligibility criteria every SME, which wants to participate in Eurostars 2, has to fulfill. Based on your own judgment decide whether you and your enterprise meet all the criteria or not.
  - If you do not meet even one criterion you should continue rightwards in diagram or take step n.5 in this manual. On the other hand if you consider that you meet every criteria, continue downwards in diagram in Fig.11 or by taking step n.6.
5. If you do not meet even one (or more) of eligibility criteria you cannot participate in this programme. It is the end of application process for your enterprise.
6. If your SME fulfills all criteria, you can continue in application process by selecting the country of residency in the list of NPCs (again it can be found on the web pages of the programme).
7. After selection of the country, you can easily find your NPC and subsequently contact it personally, by phone or via e-mail.
8. National Project Coordinator will inform you about all possibilities under Eurostars 2 programme. It will explain the rules and conditions, it will inform you about maximum grant provided and documents needed in order to participate. Last but not least it will guide you during the entire application process.
9. After all these information from NPC, you can decide whether you agree with all these conditions or not.
  - It is up to you if you like the NPC's conditions or not. If you do not agree, continue upwards in diagram or with step n.10. Conversely if you agree with all conditions, continue downwards and/or take step n.11 in this diagram.
10. If you disagree, because of any reason (for example you have expected higher grant, or you do not want to or cannot provide required documents, etc.) there is no point to continue in application process.
11. On the other hand if you know all the conditions and agree with them, you can continue with fulfilling the online application form.
10. The application form can be found on the web pages of the programme. It consists of many sections. Every part of application form has to be fulfilled and all information has to be provided in English.
11. Together with application form you are obliged to send important documents, based on the stage where your SME is operating in the moment of application.

- You know your business the best, so continue down- or leftwards in the diagram or by elimination method in steps 11.1 – 11.2 to find the right stage of your business.
- 11.1. If your SME has two or more closed accounts, you are obliged to send annual financial report corresponding to last accounting year together with annual financial report from pre-previous accounting year.
  - 11.2. If your SME does not have two closed accounts, there are two possible options:
    - 11.2.1. SME which has started its operation last year. This kind of SME is obliged to send financial report corresponding to last accounting year together with its business plan.
    - 11.2.2. Start-up SME. In this case only business plan is required to be send together with application form.
12. After submission of AF and all documents Eurostars Committee send to each participating organization in the project unique Commitment and Signature form. Within seven days of receiving these documents, legally authorized representative of all participating organizations in the project, has to sign them and return them to Eurostars 2 Committee.

Together with these documents you have to also complete the appropriate sections of the European Commission SME declaration and send it with Signature form and Commitment.
  13. Next step after all this paperwork is the evaluation of the project undertaken by Eurostars 2 Committee.
  14. The outcome of the evaluation can be either successful (project will be funded) or unsuccessful (project is rejected).
    - If your project is successful, continue leftwards or with step n.16. If not, please take the downwards way in diagram or continue with step n.15.
  15. If the project is rejected, unfortunately the whole the application process ends without receiving any grant.
  16. When your project is approved, Eurostars Committee sends to you an approval letter.
  17. Just after receiving the approval letter, you can contact your NPC in order to get the grant.
  18. NPC allocates the budget according to order in ranking list and funding rules in your home country. You will obtain the part of this budget, so called grant.

### 4.2.5 European Progress Microfinance Facility

To show how the programme European Progress Microfinance Facility (EPMF) works, author has decided to use two diagrams, collaboration diagram on Fig.13 and class diagram in Fig.14.

The aim of the Collaboration diagram under EPMF is to show that European Commission under this programme does not provide microfinance directly, but through so called microfinance providers. Firstly the funding flows from EC and EIB to European Investment Fund, then to microcredit providers (mostly private or public banks) and after that to SMEs.

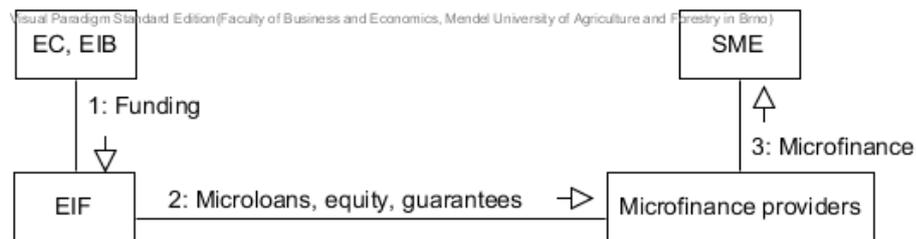


Fig. 12 Collaboration diagram under EPMF

In the Class diagram under EPMF (Fig. 13) we can observe what kind of SME can apply for microfinance under EPMF and what are the duties of the applicant. On the other hand we can see who are microfinance providers and what are their responsibilities.

The process behind EPMF programme is simple: participant, in this case SME with difficulty to obtain conventional credit, applies for microcredit to microfinance provider. On the other hand microfinance provider, usually bank, provides to such as SME microcredit.

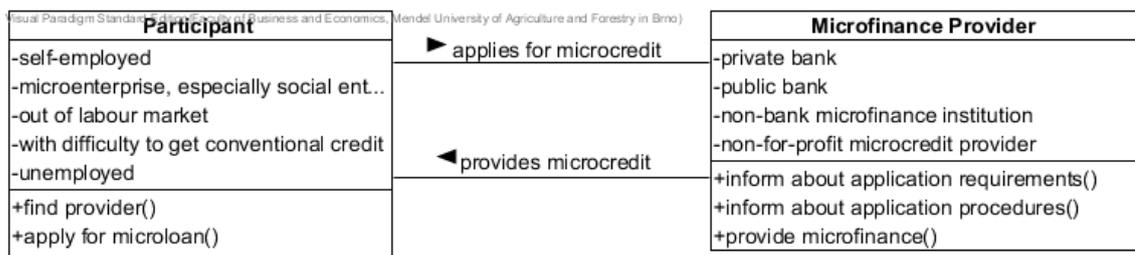


Fig. 13 Class diagram under EPMF

Now we know how the programme works, but the important for applicants is to know the whole application procedure step by step. That is why author has provided activity diagram on Fig.14, which describes the process graphically. There is also attached the manual to describe steps of application process verbally.

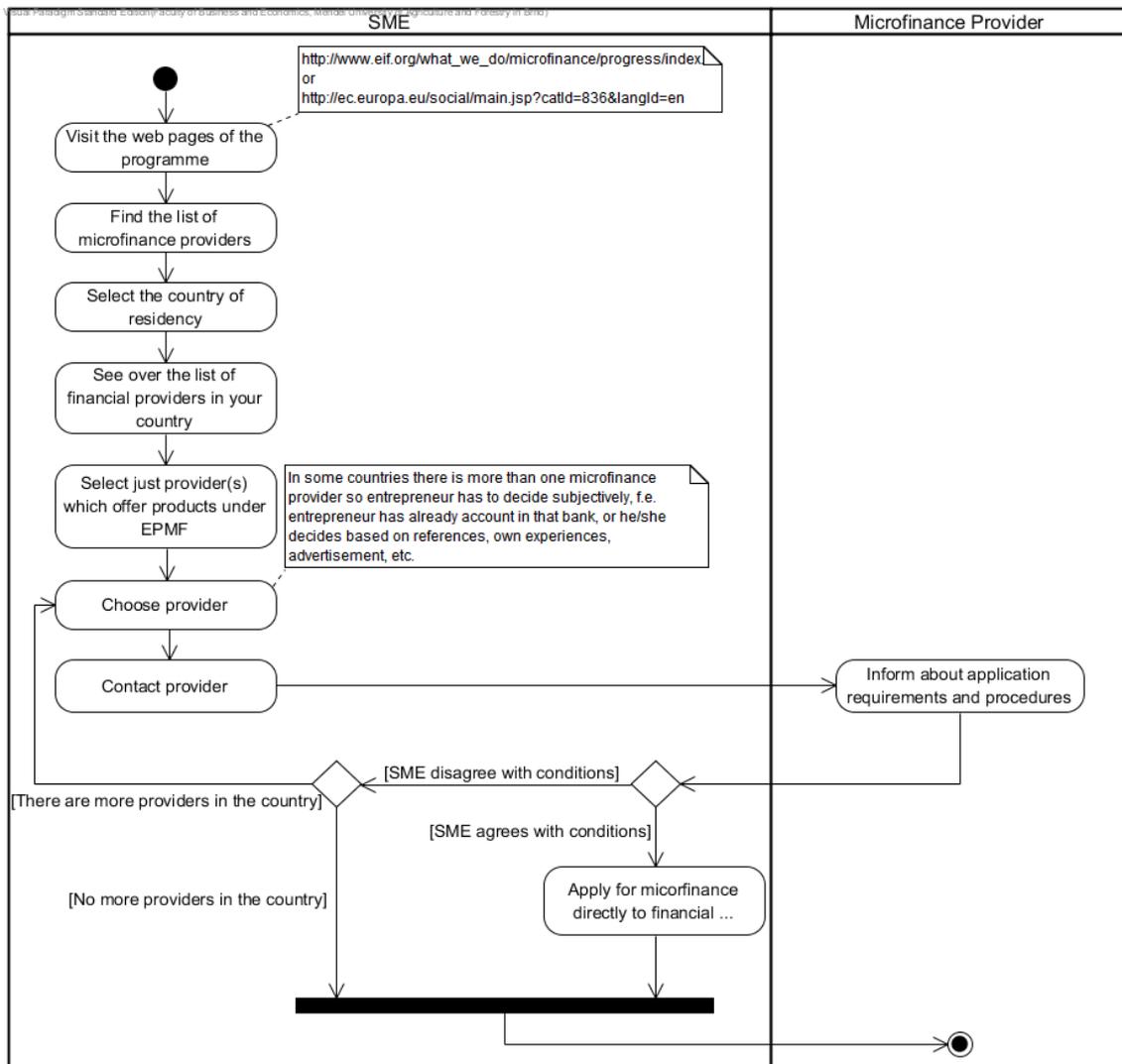


Fig. 14 Activity diagram for EPMF programme

### Participant's manual for microloan under EPMF programme

For SMEs which has limited access to conventional credit, EC together with EIF provides microloans under EPMF programme. Managers of SMEs who want/need finance for development of their businesses, should follow activities in diagram in Fig. 14 or steps in following manual:

1. Firstly you have to visit the web pages of the programme. There are actually two of them, on the web pages of European Commission ([www.ec.europa.eu](http://www.ec.europa.eu)) and on the web pages of EIF ([www.eif.org](http://www.eif.org)). You can decide which one you prefer.
2. On the selected web pages you should find the list of microfinance providers.
3. In this list you should select the country of residency.

4. Based on the previous step (selecting the country of residency) there will emerge the list of microfinance providers in your country.
5. See over the list of financial intermediaries in your country and select just those of them which offer products under Progress Microfinance initiative.
6. It is up to you which provider you will contact in order to get financial help. This decision is purely individual. In some countries there is just one microfinance provider, so the choice is simple. But in the case there are many providers, the choice can have different basis: for example personal experience with the bank, references from family and friends, advertising activities of the provider, etc.
7. The next step is to contact selected provider. You can do it personally, by phone or via e-mail.
8. Microfinance provider's duty is to inform you about specific application requirements and procedures in order to get microfinance under EPMF.
9. You can either agree or disagree with given conditions.
  - If you do not like supplied conditions you can follow step n.9 in this manual or continue leftwards in diagram. In case you agree with all requirements and conditions provided by financial intermediary, you can follow step n.10 or continue downwards in diagram in Fig.14.
10. In the case you find the conditions irrelevant there are two possibilities what to do.
  - 10.1. If there is another provider in your home country, you can simply turn to it and consider their offer.
  - 10.2. But if there is no other provider in your country of residency, you have no other option to whom to turn to so the whole application process is over.
11. If you agree with all conditions of selected provider, you can continue with the next step in application process.
12. Sending application for microloan directly to selected microcredit provider is the last step in application process.

The reason why author did not continue with evaluation process after applying for product is the same as in the case of COSME – Access to finance. Every financial intermediary has its own procedure of evaluating the application form, and it is not the aim of this diploma thesis to examine also this area. The important is to explain managers of SMEs how to proceed to apply for financial product under EPMF.

#### 4.2.6 InnovFin SME Guarantee Facility

The best diagram to show the functioning of InnovFin SME Guarantee Facility is collaboration diagram, see Fig.15. We can clearly see how the finance gets from EC to SMEs. EC does not support SMEs directly, but through European Investment Fund and financial intermediaries.

Firstly there is the flow of funding from EC to EIF. EIF afterwards provides 50% guarantees against credit losses towards financial intermediaries, mostly banks. Financial intermediaries can then supply loans, bonds or leases in amount 25,000 – 7.5mil. EUR to innovative SMEs.

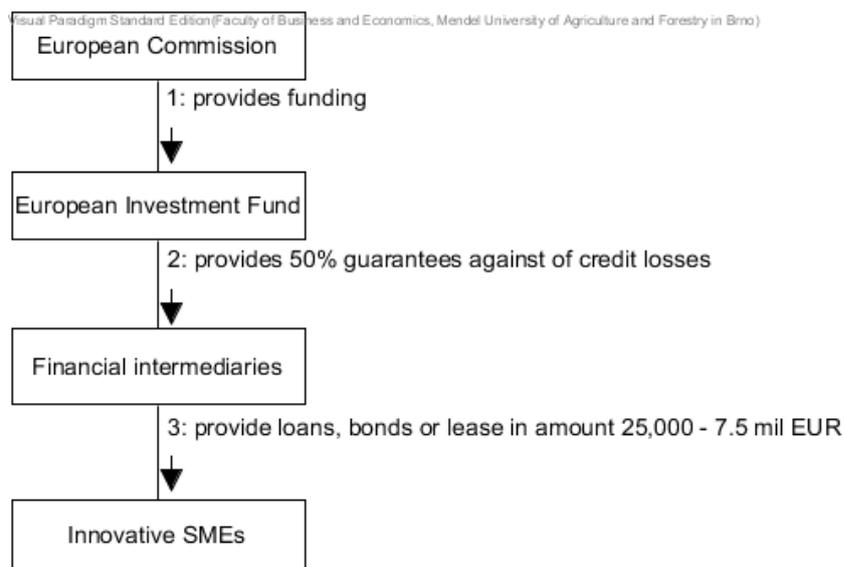


Fig. 15 Collaboration diagram under IFSGF

Innovative SMEs which want to receive finance under IFSGF should follow activities illustrated in Fig.16 Activity diagram for InnovFin SME Guarantee Facility. For managers, not well skilled in reading diagrams, there is attached also verbal instruction, how to become successful applicant.

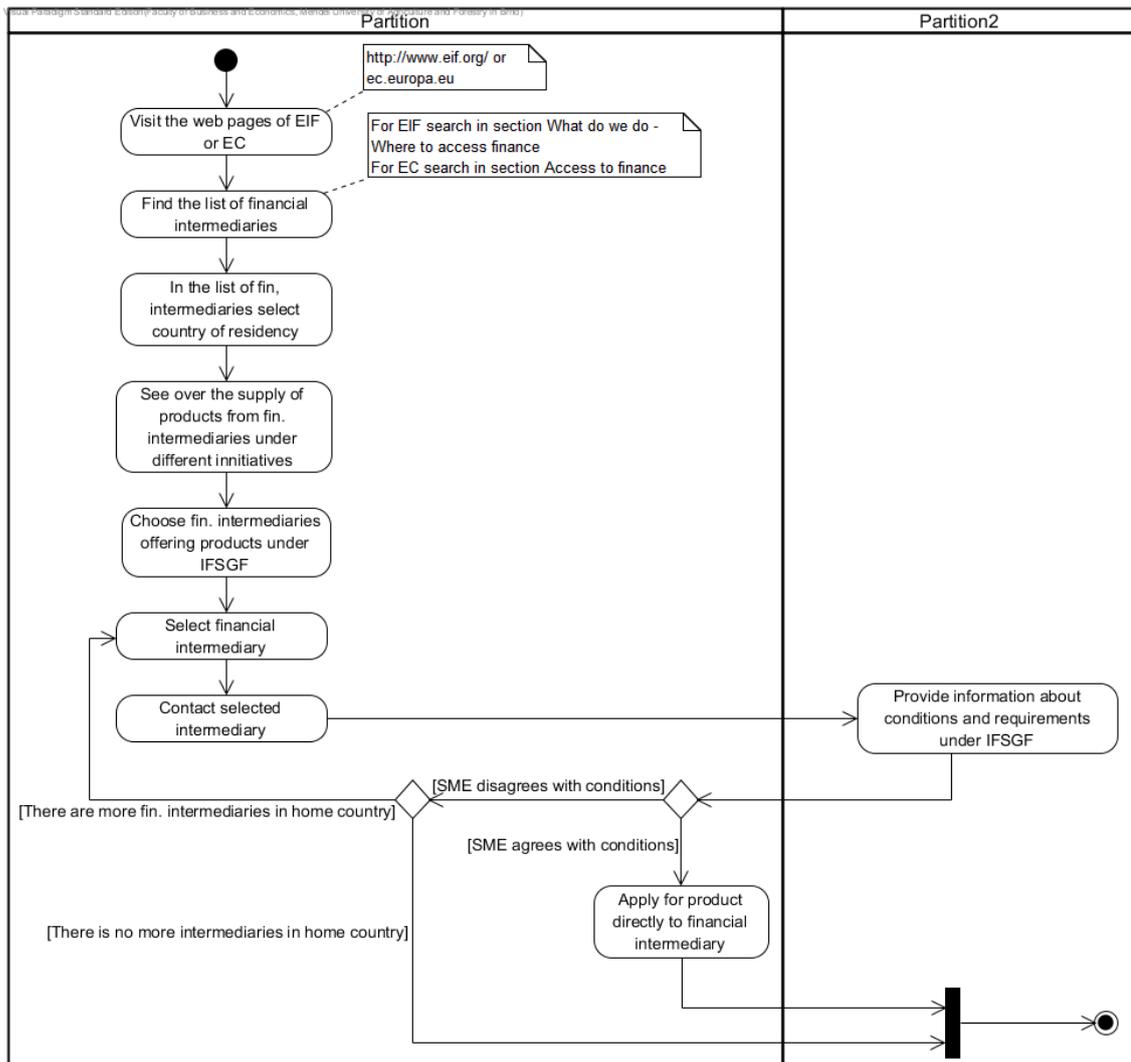


Fig. 16 Activity diagram for participants under InnovFin SME Guarantee Facility

### Participant's manual for InnovFin SME Guarantee Facility

To be able to apply for financial product under InnovFin SME Guarantee Facility, you should follow these important steps:

1. You should visit the web pages of EIF ([www.eif.org](http://www.eif.org)) or EC ([ec.europa.eu](http://ec.europa.eu)) firstly. Both sources include the same important information about programme.
1. There is the list of financial intermediaries on both web pages. In the case of EIF, you should search in section “What do we do”→ “Where to access finance”. If you prefer web pages of EC, financial intermediaries can be found in the section “Access to finance for SMEs”.
2. To find the relevant financial intermediary, you are obliged to select the country of residency in the list.

3. Based on the previous step there will emerge the table with intermediaries and their supply of financial products under different initiatives.
4. You should see over the supply and choose just intermediaries, which offer products under IFSGF.
5. You should select one intermediary among those which are offering products under IFSGF. The choice is individual, can be based on your previous experience, advertisement, family members or friends recommendations.
6. After selection of intermediary, you should contact it personally, via e-mail or by phone.
7. Financial intermediary's duty is to provide information about requirements and conditions under IFSGF.
8. After examination of their offer, you can decide whether you accept their conditions and rules or not.
  - If you consider the conditions relevant and you fully agree with them, continue with step n.9 or follow the downward way in diagram. But if you do not like the offer, continue with step n.10 or leftwards in diagram in Fig. 16.
9. If SME agrees with all conditions application process may continue with the last step in application process, n.11.
10. If you disagree with conditions set by financial intermediary, you have two options.
  - 10.1. First one counts with possibility that there are more than one provider in selected country. In that case you can turn to another intermediary and hear about their offer.
  - 10.2. Second option ends with no possibility to participate in IFSG programme, because there is no more financial intermediary available in selected country.
11. As the last step in application process, you should apply for product directly to selected financial intermediary.

#### 4.2.7 SME Instrument

Figure n.17 describes involved parties in SME Instrument programme and their relationships among each other.

What we can observe is that Participant, in this case innovative SME, can apply for grant under SME Instrument after elaboration the proposal/project with groundbreaking innovative idea. This project is later evaluated by external experts, who work under SME Instrument. There are also EEN and NPC involved. They play important role as a providers of help, support and important information for participants during the entire application process.

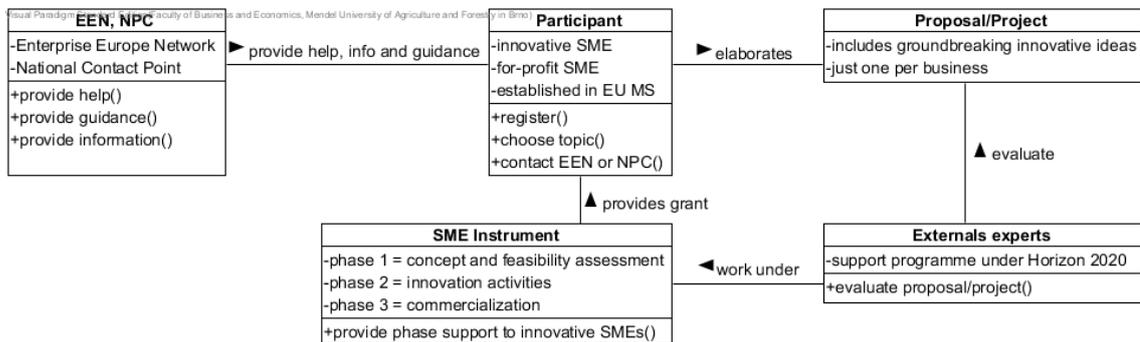


Fig. 17 SME Instrument's class diagram

In the Fig. 18 we can observe process of application for SME Instrument programme. Participant should follow activities illustrated in diagram or described in following verbal manual in order to obtain grant for their innovative project.

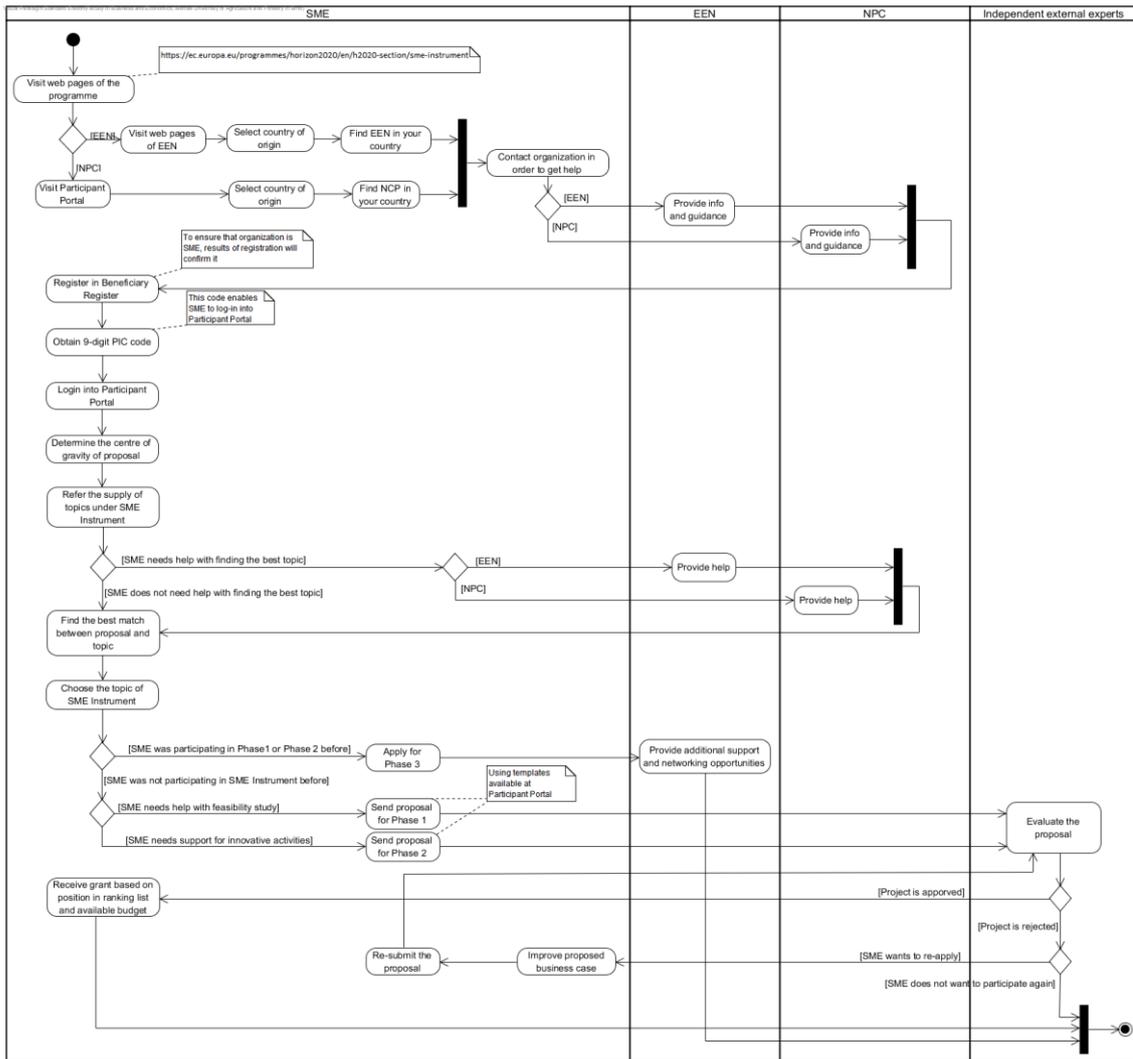


Fig. 18 Activity diagram under SME Instrument programme

### Participant’s manual for SME Instrument programme

If you think your project can be financed by European Commission under SME Instrument programme, please follow these steps:

1. Start the application process by visiting the web pages of the programme (<https://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument>).
2. Mind the fact that during the entire application process there will be needed help from EEN or NPC. But you can decide which organization you prefer to contact. On the web pages of the programme, there is contact to both of them. You can simply click on the Participant Portal (in case of help from NPC) or web pages of EEN (in case of help from EEN), select your country of residency and find the local branch of selected organization.

3. Then contact the selected organization personally, via e-mail or by phone.
4. No matter what organization you have selected, both EEN and NPC will provide you needed information and guidance.
5. Important step is to register in Beneficiary Register. It includes SME self-assessment test to ensure that you are the Small and Medium-sized Enterprise and so you can participate in SME Instrument programme. You have to fulfill the registration form and test in order to continue in application process.
6. After this registration you will obtain 9-digit PIC code which allows you to login into Participant Portal.
7. In the Participant Portal there are available many topics under SME Instrument. You should see over the whole supply and determine where the centre of gravity of your proposal stays.
8. Previous step is very demanding. That is the reason why you can, but do not have to, use help from EEN or NPC.
  - If you prefer help provided by EEN or NPC continue with step n. 9 or rightwards in diagram. If you think you can do it by your own, continue with step n.10 or downwards the diagram.
9. EEN and NPC provide you help with picking the right topic. Again, you can decide which organization you prefer to turn to. Both of them supply free of charge help with finding the best match between the aim of your proposal and SME Instrument topic.
10. Of course, when you are able to do it without help, you do not have to turn to any organization. You can choose the topic of SME Instrument according to your own judgment.
11. SME Instrument provides grants in three phases. Only if you were participating in SME Instrument (Phase 1 or 2) before, you would be able to apply for Phase 3. Otherwise you have to apply for Phase 1 or 2.
  - In the case of participating in Phase 3 continue rightwards the diagram, or take step n.12 in this manual. For applying for Phase 1 or 2 continue downwards the diagram or with step n. 13.
12. Phase 3 does not provide direct funding; it offers a range of services in support to go-to-market and access to finance. Additional support and networking opportunities are provided by EEN.
13. The decision whether to apply for Phase 1 or 2 is based on your specific needs.
  - 13.1. If you need help with feasibility study, the best for you is to apply/send proposal for Phase 1.
  - 13.2. If you prefer to get support for innovation activities (such as piloting, testing, prototyping of products, processes or services, design of

products, scale-up studies, etc.) you should definitely send the proposal for Phase 2.

Templates for applications for Phase 1 and 2 are available in Participant Portal for each of the SME Instrument call topic.

14. No matter if you apply for Phase 1 or 2, after sending the proposal, independent experts will evaluate it against three main criteria.
15. There are two options after evaluation: the project will or will not be funded.
  - If your project is rejected continue downwards the diagram in Fig.18 or with step n.17. When your project is approved, continue leftwards the diagram or by step n. 16.
16. If you are lucky and your project has reached the minimum threshold, you will receive grant based on position in ranking list and available budget.
17. On the other hand, when designed project did not reach the minimum threshold in evaluation SME will not obtain any grant. But if you are a manager of rejected project you have still two options what do do.
  - 17.1. First option is that you will decide not to participate in SME Instrument anymore. In this case this is the end of application process.
  - 17.2. Second one calculates with the possibility that you want to re-apply. In this case proposed business case should be improved and re-submitted once again.
18. Proposal of the re-submitted project will be evaluated by external experts one more time. Whole process of evaluation and re-submission will repeat until the project is approved or until SME decides not to participate anymore.

## 5 Discussion

The aim of this diploma thesis was to create a summary methodology for SMEs and so to facilitate the searching, selection and submission of application processes. The author decided to formulate the methodology in two ways: graphically by UML diagrams and verbally by instructions separately for each support programme. Using this methodology every SME will be able to find, select and apply for support programme corresponding to its needs.

### 5.1 UML diagrams, their strengths and weaknesses

UML diagrams are good and very useful tool to simplify and visualize the reality. They are easy to understand, anyone even without previous experience with UML or without any specific IT skills can quickly understand the logic behind. That was the main reason why the author has decided to use it for modeling the processes.

But on the other hand author has to admit that this tool has also its weaknesses. The reality caught in UML diagrams is still relative. It is not possible to model every situation, every decision in the process, which are European SMEs undertaking. The best examples are financial support programmes. In those cases SMEs have to turn to financial intermediaries in their countries of residency. Every intermediary has its own rules, procedures and requirements, which need to be fulfilled in order to get financial support. The author was not able to illustrate the actions (for example evaluation process) of every financial intermediary involved in described programme. That is why activity diagrams for financial support programmes end with the action “Apply for finance” not “Get/do not get the financial support”.

UML diagrams also do not deal with time. The whole application process designed in one smaller or even larger diagram can take weeks, sometimes even months. Applicant has to count with the possibility that one action in diagram can be very time consuming.

### 5.2 Obstacles during the elaboration

During the elaboration of this diploma thesis the author had to face few problems.

A lack of book sources about the actual supply of support programmes was one of the first barriers. New programming period 2014–2020 brings new changes in support tools provided by the EU towards European SMEs. Some of them have just changed their names, some of them have grouped into one but some have ended up and were replaced by different ones. Unfortunately there were only few actual book sources dealing with these changes, so the author was forced to use mainly web ones.

In the case of online resources there had occurred also another obstacles, problem with actual information and very complicated way of sharing the

information. It took time and a lot of clicking to find the needed information. Important information were not visible for the first sight, they were hidden in sections where no one will expect (mostly in sections “Frequently asked questions”).

The obstacles mentioned in previous paragraph lead to decision of the author to communicate with the European organizations providing support programmes and also support portals. The communication was in some cases very good and effective. The best example is the European Investment Fund. They answered all questions in few hours and also admitted their fault in non-actual web pages. Also e-mail communication with the EIF or the EC through Europe Direct was a great benefit for this thesis. On the other hand the author has not pleasant experience with communication with the national branch of the EEN in Slovakia. They ignored all her e-mails. On this example we can see how difficult is for SMEs to find useful information. The designed methodology in this diploma thesis should help SME to be ready to get help in the form of support programmes without any tedious precesses of searching.

### **5.3 Suggestions for further improvements**

The author has to admit that there exists an online manual for selection of a support programme for SMEs on the web pages of European Commission. Although it is just the list of available support programmes with their brief description, it can be useful for SMEs with orientation in supply of support programmes and selection process. But according to author’s opinion this manual should be improved by two things.

Firstly there should be added at least one table or diagram similar to ones provided in Chapter 4.1 Analysis of supply of support tools provided by European Union towards SME. This would make the selection process more transparent and easier for SMEs. Step by step, by elimination method every manager of SME will find the best support tool.

But what is missing the most in the manual, are the steps describing what to do after selection of the appropriate support tool. There are available just links on web pages for getting more information. But some of them are not updated anymore. For SMEs it is important to select a programme, but it cannot end with it. Managers should be able to continue with the application process. When following the actual EC’s manual, SME will spend a lot of time searching for information needed to apply. This may be a tedious process and may result in rejection to participate. That is why the author suggests supplementing this manual by PDF papers describing the application process.

In both annexes A and B the author has tried to design a possible version of PDF manuals, which could be used to add the existing list of available support programmes. Again both blueprints consider two options: managers are skilled in reading diagrams and prefer a graphical representation of activities or they require verbal descriptions of steps needed to undertake in order to participate.

The author has decided to show the possible look on two selected programmes, concretely support programme Eurostars 2, where applicant gets the help in form of grant and financial support programme European Progress Microfinance Facility.

Annex A Blueprint of application process manual for Eurostars 2 programme shows just the application process, in graphical and verbal version. For better understanding and orientation both diagram and instructions are divided into few thematic parts (A-D).

Annex B Blueprint of application process manual for EPMF programme has two parts. First one describes the programme as a whole. Diagrams and also verbal descriptions define the functioning of the EPMF programme. Collaboration diagram and attached description explain how the money flows from EC to SME. On the other hand class diagram illustrate who can be a participant and financial intermediary in this programme and what are their responsibilities. It also shows relations between these two groups. Second part shows the application process, again graphically and in verbal manual.

Both of the proposals are in one selected language (English) and are just for two selected programmes. In the case of acceptance of these blueprints, the EC should provide such as manual for each programme separately in every national language of EU Member States.

## 6 Conclusion

This diploma thesis deals with the problem of so called “drivers of European economy”, Small and Medium-sized Enterprises. In particular, it focuses on their access to support programmes provided by the European Union.

SMEs are engines of not just national but entire European economy. They are significant GDP creators, employers and source of competition and innovations. But together with these important positives, SMEs deals with essential weaknesses. The biggest one is the lack of managerial skills of SMEs owners and managers. They are mostly not educated managers. They are educated experts in their field of business, but they usually do not know how to lead their business. They miss knowledge in business and strategic management. Exactly this is considered to be one of the biggest barriers to development of SMEs. Managers searching for help in any form often do not know possibilities available for them. And if they have information about offered support tools, they usually do not know whom to contact and what to do in order to achieve the benefit.

Further growth and development of European SMEs is very important for national and supranational level. But unfortunately for most of European SMEs, growth and development is not possible without help. That is why the author decided to address this issue: making the searching, selecting and submission of application processes easier and more understandable for laic managers of SMEs.

The main purpose of this diploma thesis was to introduce a summary methodology for managers of European SMEs, which will help them reach support tools provided by the European Union. This objective was successfully fulfilled in two steps.

The author had to firstly analyze the supply of support tools provided by the EU, particularly the European Commission. As regards the target group, European Small and Medium-sized Enterprises, the author focused on two important aspects. Firstly, the examined programmes should be dedicated to specific needs of SMEs and should deal with actual topics, in which most of SMEs are engaged: access to finance, internationalization and innovative activities. Secondly, they should be updated for programming period 2014–2020. By elaborating this analysis the author has facilitated not just the searching process for SMEs, but also the selection process. The summary table and decision-making-diagram, both provided in Chapter 4.1, will help SMEs, interested in the provided help, to find the best programme according to their actual needs.

But it is not sufficient to know just which programme is the best for the business. Managers should also know how to apply for the selected support tool. For illustrating and describing the application processes for each support programme, the author used UML diagrams and following verbal manuals. No matter what the manager of SME prefers, whether he/she is skilled enough to read diagrams or he/she likes more to read verbal instructions, he/she will thanks to this methodology be able to find the way how to successfully participate.

The designed methodology will help SMEs facilitate searching, selection and application processes. It will save them not just time, which otherwise would be spent by searching on internet or in book sources to gain the important information, but in some cases also money. Following the steps in provided diagrams or manuals enables managers to undertake the processes by themselves, without any paid services from consulting firms.

In general, the purpose of methodology provided in this diploma thesis is to increase awareness of European SMEs of support tools, to increase their interest in participating in supplied programmes, which will subsequently enable their growth and development.

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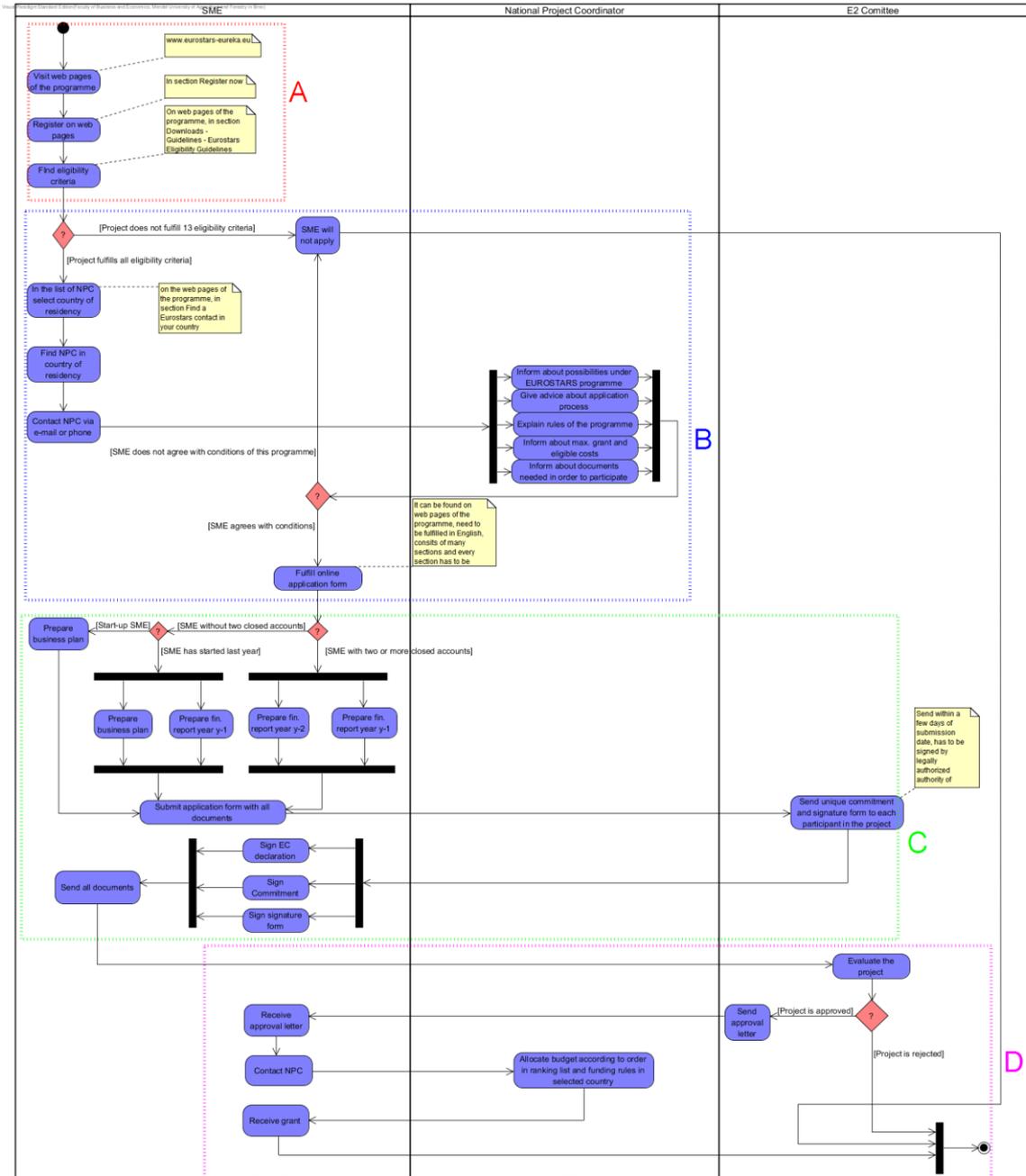
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## **Annexes**

# A Blueprint of application process manual for Eurostars 2 programme



## **A. Starting the application process**

1. Visit the web page of the programme ([www.eurostars-eureka.eu](http://www.eurostars-eureka.eu)).
2. Register on the web pages in the section "Register now".
3. Find the list of eligibility criteria in the section "Downloads".
4. Does your project fulfill all 13 eligibility criteria?
  - ✓ If yes continue with step n. 5
  - ✓ If not you can not apply for grant.

## **B. Contact with NPC**

5. In the list of NPCs on web pages of the programme select the country of residency.
6. Find the NPC in your country.
7. Contact your NPC personally, via e-mail or by phone.
8. NPC will provide you important information about programme.
9. Do you agree with all conditions set by NPC?
  - ✓ If yes start fulfilling the application form.
  - ✓ If no you can not apply for grant.

## **C. Sending documents**

10. Are you SME with two or more closed accounts?
  - ✓ If yes send financial report from previous year and year before.
  - ✓ If not: Are you start-up SME or SME which has started its operation last year?
    - In the case of start-up SME send business plan.
    - In the case of SME which has started operation last year send financial report from previous year and business plan.
11. Submit application form and all documents.
12. Eurostars 2 Committee will send you unique document and Signature form.
13. Sign these two documents together with EC declaration and submit all documents.

## **D. Receiving grant**

15. Eurostars 2 Committee evaluates the project.
16. Is the project approved?
  - ✓ If yes you will receive approval letter.
  - ✓ If not you will not receive grant and the entire application process is over.
17. After receiving the approval letter contact your NPC.
18. NPC allocates the budget according to order in ranking list and funding rules in your country.
19. You will receive grant from your NPC.

## B Blueprint of application process manual for EPMF programme

### How does EPMF Facility work?

European Commission does not provide finance to Small and Medium-sized Enterprises directly, but through European Investment Fund (EIF) and so called Microfinance providers. Firstly the funding flows from EC and European Investment Bank to EIF. Secondly EIF provides microloans, equity and guarantees to microfinance providers, usually banks. As the final step finance providers provide microfinance to SME.



### Who can apply for products under EPMF Facility?

Participant of EPMF Facility programme should be someone who fulfills at least one the following criteria:

- ✓ He/she has difficulty to get conventional credit;
- ✓ He/she has just set up or wants to set up microenterprise, especially social enterprise;
- ✓ He/she is self-employed;
- ✓ He/she is unemployed or has been for some time out of labor market.

Participant should find the microfinance provider and apply for microcredit.

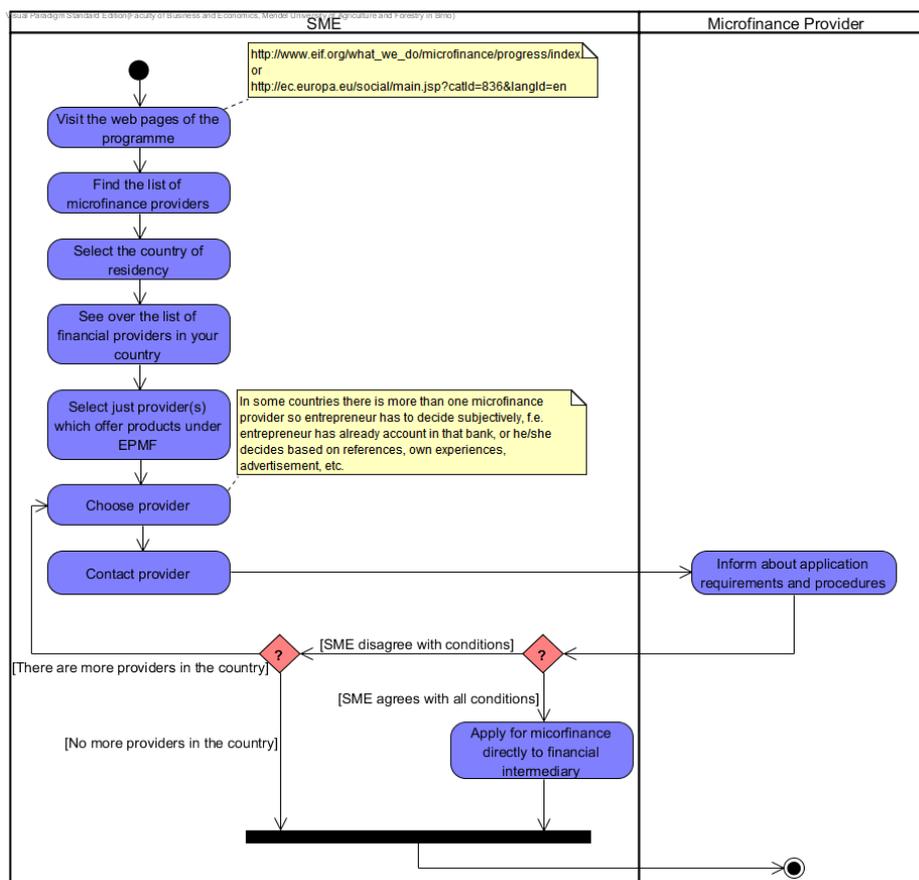
### Who are financial providers?

Under EPMF Facility programme microfinance providers are financial, microfinance, guarantee or development institutions such as:

- ✓ Private or public banks;
- ✓ Non-bank microfinance institutions;
- ✓ Non-profit microcredit providers.

Participant		Microfinance Provider
-self-employed	▶ applies for microcredit	-private bank
-microenterprise, especially social enterprise		-public bank
-out of labour market		-non-bank microfinance institution
-with difficulty to get conventional credit		-non-for-profit microcredit provider
-unemployed	◀ provides microcredit	+inform about application requirements()
+find provider()		+inform about application procedures()
+apply for microloan()		+provide microfinance()

## How can you apply?



1. Visit the web pages of EIF ([www.eif.org](http://www.eif.org)) or EC ([www.ec.europa.eu](http://www.ec.europa.eu)).
2. Find the list of microfinance providers on the web pages of EIF or EC and select into it your country of residency.
3. See over the list of financial intermediaries in your country.
4. Select just providers, which offer just products under Progress Microfinance initiative.
5. Choose one provider (purely subjective decision; based on your previous experiences, friends' or family members' recommendations, etc.).
6. Contact the provider personally, by e-mail or by phone.
7. Financial intermediary will inform you about its own application requirements and procedures.
8. Do you agree with all conditions set by selected financial intermediary?
  - ✓ If yes you can apply for microloan directly to your selected financial intermediary.
  - ✓ If not you have to search for another financial intermediary. Are there in your country more providers of microfinance?
    - If yes, turn to another intermediary and consider their offer.
    - If not, unfortunately you have no other option and the whole application process is over.