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# Start-up Innovation Project

## Q&A – Most Frequently Asked Questions

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### Important notice

The purpose of the Q&A document is to give some additional guidance to the potential applicants interested in the new instrument called Start-up Innovation Project. The content is based on the current situation and will be completed over time with additional clarifications and inputs. There is no claim to completeness. It is important to stress that the relevant legal texts of the [RIPA](#), the [Funding Ordinance](#) and the [Implementing provisions for innovation projects](#) are always determining and should be consulted.

## **1 What are the conditions for submitting an application?**

### **1.1 What legal form of enterprise must a start-up have in order to be able to submit an application?**

Non-commercially active associations and foundations as well as units of public administration are not considered as start-ups. Apart from that, there is no strict condition on the legal form of an enterprise. Typically, the legal form of a start-up is a limited company (AG or GmbH). The start-up must be registered in the Swiss registry of commerce, i.e. have a Swiss company identification number (UID-number) and have been founded no more than five years ago (up to 10 years in justified cases).

Please note that a start-up in the process of being set up does not qualify as applicant (it must have a UID number at the time of the application submission). In addition, the Innosuisse grant will not cover any expenses related to the incorporation and establishment of the start-up.

Individuals or legal entities may be shareholders of the start-up. In the latter case, we will ask you to disclose the shareholders for the purpose of identifying if your company is controlled by another company. If your start-up is controlled by another company (i.e. another company commands a direct/indirect majority of votes or has the direct/indirect right to appoint or remove a majority of the members of the executive board or board of directors of the start-up) and its financials are consolidated by the controlling company, then the consolidated group must have less than 250 FTE.

### **1.2 The start-up should not have entered the market yet, but when is a start-up considered as established on the market?**

A company is considered established on the market when it produces and sells at least one fully developed product (e.g. a linear motor, software or a medicine) or service (e.g. software as a service).

### **1.3 We have already installed prototypes of our product/service at some customer sites, does this mean our company is considered as established on the market?**

No, prototypes or demonstrators are not considered fully developed products or services. This is true even if the prototypes or demonstrators are in operation at the customer's site and the customer pays compensation (cash/in-kind) for their use.

### **1.4 Our company offers services in the field of research and development, consulting and expertise; are we thus considered as established on the market?**

No, if the service is not the scalable service on which the business model of the company is based (i.e. non-scalable services in the field of research and development, consulting or expertise).

## **1.5 Our company is older than 5 years, but we are not on the market with a product or service; are we eligible to submit an application?**

In justified cases, start-ups that were founded more than 5 years ago (max. up to 10 years) can submit an application. However, the applicants must explain why the company is not yet on the market and how, at the end of the project, they plan to have a scalable product/service available on the market.

## **1.6 My Start-up is already involved in a standard Innosuisse project; am I eligible to submit an application for this new instrument?**

A Start-up Innovation Project must be quite different in content from any other project funded by Innosuisse, another funding agency or federal entities. Double funding for the same work is not allowed. Even if the project constellations are totally different on the side of the partners, the content of the project cannot be the same and there must be no overlapping.

We strongly recommend to finish an ongoing Innosuisse project first before applying for a Start-up Innovation Project.

## **2 What type of financial information should be provided?**

### **2.1 Why is it necessary to supply a financial plan?**

We define start-ups as being entities recently set up (UID number is a prerequisite) or operating for a maximum of 5 years (10 years on an exceptional basis). As a result, the existing operational/financial base varies among the applying start-ups. Common to all is that we need to understand the path to monetising the start-ups' ideas.

This is the reason why we ask for a financial plan even though you may not have a track record yet or you may not generate sales in the early planning years. More important is to learn how systematically you prepared the business case, e.g.:

- What is the target market, its size and the expected growth rates?
- Which segment of the target market do you want to penetrate, what is your market share ambition?
- How will you turn your idea into real sales (e.g. pricing, go-to-market)?
- What does it take to deliver the product/service (e.g. procurement of knowhow/material, operational needs)?

Market and competitive intelligence are of importance. This sounds obvious for mature companies but there tends to be higher uncertainty in the business models of start-ups. You may want to consider strategic alternatives, think in scenarios and gain additional insights about the financial viability of your project.

The financial plan (template available in section 5 of the Innolink portal) does not provide space to capture assumptions or to portray scenarios. Please capture your rationale and your assumptions in section 3 of the application form under "Value Creation".

## **2.2 What are the financial requirements of the start-up?**

Eligible costs are personnel and material costs which are directly related to the project and which were actually incurred. Innosuisse covers up to 70% of these expenses, the remaining costs must be borne by the start-up. Therefore, the start-up must be able to convincingly demonstrate its capability to fully fund its share (e.g. having the financial means to execute cash transfers for salaries, equipment, etc., backed up by pay slip, transfer statements or other documents).

The cash flow plan will detail the appropriate Innosuisse funding (template available in section 5 of the Innolink portal). Providing proof of other funding sources (e.g. LOI, documentation about upcoming funding rounds with shareholders or new parties) will support the assessment of the financial capabilities.

Investments by the start-up before the project start or in-kind contributions do not qualify as contributions of the start-up to the project costs.

## **2.3 What is the maximum funding per application?**

Though there is no ceiling on the project funding, the maximum funding derives in particular from the nature of the submitted project:

1. Following the project rationale, what shall be invested during the project lifetime of maximum 36 months?
2. The applicant must always contribute at least 30% to the eligible personnel/material costs. Criteria determining the amount of the start-up's contribution are the project realisation risks, its potential for value creation, the size of the user groups, the start-up's economic capacity.

## **2.4 Financial history**

The project and company financials are expected to be entered into the financial file, as part of the application (template available in section 5 of the Innolink portal). The default tables allow for a financial history of at least 3 years. Please fill in as many past business years as feasible.

# **3 Which innovation projects are funded?**

## **3.1 Innovation projects need to be scienced-based, what does this mean?**

Scienced-based means that the topic of the project should be related to any discipline that is represented by Swiss universities. The innovation of the project should result from scientific research achievements that are now being further developed in order to be commercialised, i.e. brought to market. The state of the art as well as the origin of the research achievements that will be further developed in the scope of the project must be presented in the application form. The innovation content must be high compared with the current state of science and the market potential must be clearly demonstrated.

## **3.2 The business model of the start-up is based on a scalable product or service; what does Innosuisse mean by "scalable"?**

The business model for a product or service is potentially scalable if the revenues it generates can grow more than linearly without a corresponding increase in associated costs. For example, the revenues with a software product or service can grow rapidly once it has been developed. In contrast, a people

service business (e.g. consulting or engineering services) quite often can only grow in a linear way, i.e. the revenues are more or less a function of the people employed.

### **3.3 Applicants should demonstrate on completion of the project that they will enter the market or at least reach a next industry-specific milestone; what does the term “next industry-specific milestones” mean?**

Your project might be supported by Innosuisse if it is clearly moving in the direction to market. In order to demonstrate the potential interest from the market and your future customers, your solution needs to be refined through testing in a relevant environment with relevant stakeholders. On the other hand, if your company is already further progressed and the innovative product or services no longer require development work, your project is not eligible for this instrument.

### **3.4 Is there a pre-defined TRL level that should be reached by the product/service of the start-up before being further developed in the frame of a Start-up Innovation Project?**

There is no defined guidance on the starting TRL level in a Start-up Innovation Project. Early technology or innovation development without any preliminary validation or experimental proof of concept will need to move quickly through the different development steps in order to be qualified at the end of the project for a first market entry. For a drug development in the field of life science, relevant in-vivo or in-vitro proof of concept should ideally already have been performed. The state of the art as well as the origin of the research achievements that will be further developed in the scope of the project must be presented.

If the activities of your project are all related to an early ideation phase, feasibility study or exploratory research activities without a clear market potential, your project is not eligible for this instrument.

### **3.5 Can the start-up enter the market during the project or only after its completion?**

The purpose of this instrument is to prepare the start-up for its first market entry. Ideally the start-up will enter the market towards the end of the project. When the product or service is fully developed, no longer requires development work and is available on the market, support from Innosuisse through this instrument is not possible any longer.

### **3.6 We are a start-up active in the life science sector and working on the development of a new drug, the development time till market entry can be longer than 10 years. We would like to know which stage of drug development could potentially be supported by this instrument?**

The Start-up Innovation Projects are limited to a duration of three years, and at the end of the project the start-up should enter the market, or at least reach a next industry-specific milestone. For drug development processes the time frame to enter the market is not sufficient, however it is clearly sufficient to reach a next industry-specific milestone. Thus, your project might be supported by Innosuisse if it is clearly moving in the direction to market (reaching a next industry-specific milestone). The following elements are of particular importance for your project to be supported:

- **Your project**
  - is science based
  - contains application-oriented research and prepares your start-up for entering the market for the first time (or reaching a next industry-specific milestone)
  - has significant innovation and market potential (its Unique Selling Proposition must be demonstrated)
- **Your solution** needs to be refined through testing in a relevant environment with relevant stakeholders, it means that from the discovery phase you should clearly move towards the first clinical trials (relevant in-vivo or in-vitro proof of concept should ideally already have been performed). The following activities can among others be supported:
  - Strengthening of the R&D package (e.g. additional proof of concept studies, mechanism-of-action studies, target deconvolution studies)
  - IND enabling studies (GLP tox for example)
  - Clinical studies in phase 1
  - Clinical studies in phase 1b/2a
  - Analytical process validation
  - Process validation for GMP (GMP manufacturing itself is not covered, only GMP manufacturing required for the clinical trials mentioned above are eligible)
- Applicants should demonstrate on completion of the project that they will enter the market or at least reach a next industry-specific milestone.
- The business model is based on a scalable product and thus has the potential for more than linear growth.

If the activities of your project are all related to the discovery phase (early drug development without a clear market potential or exploratory research), your project is not eligible for this instrument.

### **3.7 We are a start-up active in the life science sector and working on the development of a new medical device. We would like to know which stage of development and certification could potentially be supported by this instrument?**

The Start-up Innovation Projects are limited to a duration of three years, and at the end of the project the start-up should enter the market, or at least reach a next industry-specific milestone. For the development of medical devices this time frame is not sufficient to effectively enter the market especially because of the long and intensive validation and certification steps. Your project might be supported by Innosuisse if it is clearly moving in the direction to market. The following elements are of particular importance for your project to be supported:

- **Your project**
  - is science based
  - contains application-oriented research and prepares your start-up for entering the market for the first time (or reaching a next industry-specific milestone)
  - has significant innovation and market potential (its Unique Selling Proposition must be demonstrated)

- **Your solution** needs to be refined through testing in a relevant environment with relevant stakeholders, it means that from the conceptual phase you should clearly move towards the manufacturing and testing of the first prototype in a relevant environment (technical proof of concept and product concept design should ideally already have been performed). The following activities can among others be supported:
  - Product development (from concept to design, engineering and prototyping)
  - Design prototyping and construction
  - Prototype development
  - Clinical studies
  - Validation studies that need to be performed to get to regulatory approval
  - Design for manufacturing
- Applicants should demonstrate on completion of the project that they will enter the market or at least reach a next industry-specific milestone.
- The business model is based on a scalable product and thus has the potential for more than linear growth.

If the activities of your project are all related to the manufacturing of a first prototype without starting the validation phase, your project is not eligible for this instrument.

## 4 What types of material costs are eligible?

### 4.1 How detailed do I have to describe the material costs of my project?

Innosuisse can only cover costs that are necessary and directly related to your project, i.e. the product and/or service development. The material costs should be clearly described and justified.

For expenditure exceeding CHF 50'000, appropriate evidence in the form of, for example, a current offer/quotation, a cost calculation backed up by assumptions or an up-to-date list price must be attached (if necessary, please indicate the page number where the amount can be found).

Please note that only expenditures that can be supported by the corresponding evidence will be taken into account in the financial audit.

### 4.2 Can you give me some examples of material costs that are eligible and that are not eligible?

Innosuisse can only cover costs that are necessary and directly related to your project, i.e. the product and/or service development. According to the Implementing provisions for innovation projects (art. 23 para. 5.), the following material and service expenses are eligible:

1. Investments in specific infrastructure, equipment and material that are required exclusively for the project
2. Costs of rented/leased infrastructure or existing own infrastructure required for the project
3. Costs of consumables or licences used exclusively for the project

4. Costs of market research and related activities
5. Costs of other third-party services specific and critical for the success of the project
6. Travel expenses for international business trips required for the project

Costs of other third-party services are allowed also if such services are provided by Swiss research institutions or by providers based abroad. There is no maximum defined for third party expenses, however, these contributions must be a crucial stepping stone for advancing the project. These contributions must be fully associated with the project and be an essential complement to the start-up's own competence/resources in carrying out the project. The ratio between subcontracted work and the contribution of the start-up should be plausible and consistent for the project, but most importantly, the lead of the project should remain under the control of the start-up company.

The following costs in particular are not eligible (not exhaustive):

- Costs of the general infrastructure and basic equipment of the applying company (e.g. general IT-infrastructure and software, office space and furniture)
- Expenses for travel, accommodation, meals and conferences in Switzerland
- Costs for customer acquisition and promotion of the finished product
- General operating expenses of a company (administration, HR, finance, etc)
- Costs for the publication of research results or fees for the registration of intellectual property rights
- Production and certification costs that do not serve to finalise the development of your product and/or service

Type of cost	Description of eligible cost	Examples of <u>non-eligible</u> cost (not exhaustive)
<b>1. Infrastructure investments</b>	Investments in specific infrastructure and tools required exclusively for the project can be charged.	- General IT infrastructure for employees (e.g. laptops, screens, phones, etc.) - Office space and furniture
<b>2. Renting infrastructure or using own infrastructure</b>	<p><u>Renting/leasing infrastructure</u> Costs for the use of third-party infrastructure required for the project can be charged based on the supplier's invoice.</p> <p><u>Using own infrastructure:</u> The cost of existing own infrastructure that is exclusively used for the project can be charged, based on the depreciation incurred during the project period (evidence of depreciation rates and initial investment). Cost for partially used own infrastructure can be charged with a cost calculation based on the usage rate (logbook entries).</p>	- General IT infrastructure for employees (e.g. laptops, screens, phones, etc.) - Office space and furniture



<b>3.</b> <b>Consumables and licenses</b>	<p>Costs for consumables that are necessary for the project implementation and are purchased and consumed during the project period are chargeable.</p> <p>Costs for licenses that are specifically required for the project can be charged (e.g. software-licenses).</p>	<ul style="list-style-type: none"> <li>- Licenses for standard business software (Microsoft-Office, CRM-tools, ERP-system, etc.)</li> <li>- Office supplies</li> </ul>
<b>4.</b> <b>Market research and related activities</b>	<p>Cost for market research services (customer surveys, competitor analysis, etc.) can be charged.</p> <p>Other market-related services that have a direct influence on the design of the final product/service (development of pricing models, clarification of licensing or IP issues, execution of beta-testing) can be charged.</p>	<ul style="list-style-type: none"> <li>- Cost for customer acquisition and promotion of the finished product (brochures, homepages, flyers, videos, etc.)</li> <li>- Membership fees in industry associations</li> <li>- cost of external sales support (e.g. telephone marketing, sales promotion, marketing campaigns)</li> </ul>
<b>5.</b> <b>Other third-party services</b>	<p>In principle, the work in a project must be carried out by the applicant. The involvement of third parties (technical, legal etc.) must be directly related to the project and must be justified and appropriate.</p>	<ul style="list-style-type: none"> <li>- Certification cost not directly related to the product or market entry (e.g. company certifications)</li> <li>- Legal service to create individual sales or customer contracts</li> <li>- Financial consulting or accounting services</li> </ul>
<b>6.</b> <b>Travel abroad</b>	<p>Cost for necessary cross-border travel which is directly relevant for the project can be charged.</p> <p>Examples include travel for experiments or clinical studies abroad, for prototype implementation at customer sites, for the presentation of demo results at industry-relevant conferences (booth).</p>	<ul style="list-style-type: none"> <li>- Meetings / events which can be done via video conferencing (unless cogent need for physical presence can be explained)</li> <li>- Mere attendance at conferences (without an active part related to the project)</li> <li>- Travel for maintenance of general business relationships</li> <li>- Alcoholic beverages in general</li> </ul>

## 5 Questions on the evaluation & decision process

### 5.1 Can value creation of the project's implementation take place abroad?

Swiss companies are embedded in an open network of cross-border value chains and compete internationally. Hence, a part of the start-up's inputs and outputs will not be domestic. Nevertheless, the Innosuisse Funding Ordinance stipulates that a project must generate an added value for the benefit of the Swiss economy and society. The project evaluation will assess whether a substantial part of the value creation will accrue to Switzerland.

### 5.2 If my application is rejected, can I resubmit it?

Innosuisse will not consider a resubmitted project unless it is demonstrated clearly that the weaknesses that lead to the rejection of the project in the first place have been addressed. If done so, the new project will be treated and evaluated according to the normal evaluation process. We recommend that you allow sufficient time to amend and address the deficiencies of the first project to achieve a significant improvement in quality. This is a highly competitive instrument and only the very best projects are funded, please make sure that your application is sound, complete and of very high quality.

## **6 How do contract creation & project follow-up work?**

### **6.1 Will the financial status of the company be evaluated during the project?**

The progress of the project will be monitored during its lifetime. Among others, Innosuisse will review the financial situation. One of the focal points will be to make sure that the share representing the own contribution of the start-up is met:

1. The incurred costs must be evidenced and accounted for as part of the interim and final audits (before the interim and final instalments are paid)
2. Only expenditures that can be documented with corresponding evidence will be finally accredited and compensated by Innosuisse

## **7 General questions**

### **7.1 How large is the Innosuisse funding budget for start-up innovation projects in 2023?**

The funding budget has not been finalised as it will depend on the number of applications we receive and also the demand for funding in other instruments. The funding budget will be evenly spread over the entire year to make sure that we can fund projects throughout the year. However, this is a highly competitive instrument and only the very best Start-up Innovation Projects will be funded. We expect an approval rate of about 10%. In order to increase your chance, please make sure that the application is sound, complete and of very high quality.

### **7.2 Can we get support from an Innosuisse mentor for our Start-up Innovation Project?**

Currently this service is not available for this instrument.

### **7.3 Is this instrument, similar to the other Innosuisse supports, also accessible to start-ups based in Liechtenstein?**

Currently this instrument is not available for start-ups based in Liechtenstein.

### **7.4 Could my project be supported by other funding instruments from Innosuisse?**

Please, check-out the Innosuisse website to get an overview of all Innosuisse funding instruments ([Innosuisse Guide](#)).