

# Incentive Guidelines

## Cross-border Collaborative R&D Grant Scheme

EUREKA R&D GRANT

EUROSTARS R&D GRANT



**MALTA**ENTERPRISE

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# 1. Introduction

## 1.1 Scope

The primary scope of this incentive is to assist undertakings established in Malta carry out cross-border collaborative Research and Development (R&D) projects that lead to the development of innovative products, services and processes. Collaborative projects facilitate the transfer and sharing of knowledge thus providing the possibility of achieving results that would have otherwise been unattainable. Beneficiaries of this incentive will be granted cash refunds covering a percentage of the costs incurred on wages, equipment and materials required for the research project.

This incentive provides the framework for supporting undertakings established in Malta to participate in European R&D initiatives namely EUREKA<sup>1</sup> and Eurostars Joint Programme<sup>2</sup>.

## 1.2 Duration of the incentive

**These Incentive Guidelines will remain active until 30<sup>th</sup> June 2014.** In the interim, Malta Enterprise may review, update and amend these Incentive Guidelines.

## 1.3 Legal Basis

Malta Enterprise is enabled to issue and publish official Incentive Guidelines in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

The Legal Notice entitled Assistance for Research Development and Innovation Regulations SL 463 05 (Malta Enterprise Act, Chapter 463 of the Laws of Malta) provides the legal basis of this incentive.

## 1.4 Designated Authority

This incentive is administered by Malta Enterprise.

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<sup>1</sup> EUREKA is an intergovernmental network launched in 1985, to support market-oriented R&D and innovation projects by industry, research institutes and universities across all technological sectors.

<sup>2</sup> The Eurostars Programme is a European innovation programme managed by EUREKA. Its purpose is to provide funding for market-oriented research and development with the active participation of 'Research and Development performing Small and Medium-sized Enterprises' (R&D-performing SMEs). Eurostars is a joint initiative between EUREKA and the EU Seventh Framework Programme for Research and Technological Development (FP7).

## 2. Definitions

The following definitions shall apply:

### 2.1 Industrial Research

'Industrial Research' means planned research or critical investigation aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services. It comprises the creation of components of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by 'experimental development' (see below);

### 2.2 Experimental Development

'Experimental Development' means acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include, for example, other activities aiming at the conceptual definition, planning and documentation of new products, processes and services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use. The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.

The experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

Experimental development does not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.

### 2.3 Small and Medium Sized Enterprise

For the full definition of Small and Medium-Sized Enterprise (SME), refer to Annex I of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>

## 3. Eligibility

### 3.1 Eligible Undertakings

This incentive is open to undertakings engaged in an economic activity in Malta.

### 3.2 Eligible Projects

For a project to be eligible it should:

- a. be cross-border, that is, the research and development activities should be carried out in at least two different countries<sup>3</sup>, one of them being Malta;
- b. comply with the definitions of Industrial Research or Experimental Development set in these guidelines;
- c. be approved by the EUREKA network or through the Eurostars joint Programme;
- d. be completed within 36 months;
- e. provide technological novelty; and
- f. be market oriented, that is, the project should lead to a marketable product, process or service that has a 'civilian' (non-military) purpose.

In addition for a project to be considered eligible no single undertaking participating in the project should bear more than 70% of the eligible costs.

#### A) EUREKA

All projects approved by the EUREKA network will be considered for funding based on the available budget.

EUREKA is an intergovernmental network that supports market-oriented R&D and innovation projects by industry, research centres and universities across all technological sectors. It is composed of 40 members, including the European Community.

EUREKA projects are market-oriented R&D projects, often SME-led, involving partners from EUREKA member countries. Through a EUREKA project a consortium develops new products, processes and/or services for which they agree upon the Intellectual property rights and build partnerships to penetrate new markets.

In order to be eligible as a Eureka project the following minimum conditions have to be met:

- a. At least 2 partners from different EUREKA member countries have to collaborate on the project;
- b. No single undertaking participating in the project bears more than 70% of the eligible costs;
- c. The project must be aimed at the development of a product, process or service which represents a significant advance in the sector;
- d. The project results have to be ready-to-market;
- e. Must have a civilian purpose

Interested applicants are encouraged to contact the National Project Co-ordinator within their respective country prior to project submission. Different member countries may have different support measures.

For further information regarding the EUREKA network visit: [www.eurekanetwork.org](http://www.eurekanetwork.org)

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<sup>3</sup> The countries are to be members of the EUREKA or the Eurostars Network depending upon the R&D initiative being considered.

## B) Eurostars

All projects approved under the Eurostars Joint Programme will be considered for funding based on the available budget.

Its purpose is to provide funding for market-oriented research and development with the active participation of research and development - performing small and medium-sized undertakings (enterprises) (R&D-performing SMEs). The Eurostars Programme defines an R&D-performing SME as an SME that dedicates at least 10% of its turnover or full-time equivalent (FTE) to research activities.

In order to be eligible as a Eurostars project the following minimum conditions have to be met:

- a. The main project participant must be an R&D-performing SME.
- b. At least 50% of the project's core activity should be carried out by SMEs.
- c. The project should be market driven, that is
  - i. The project duration should not exceed 3 years
  - ii. The product of the research should be ready for launch on to the market within 2 years of project completion

For further information regarding the Eurostars Joint Programme visit: [www.eurostars-eureka.eu](http://www.eurostars-eureka.eu).

### 3.3 Additional Provisions

- a. Subcontracting is not considered to be effective collaboration, thus projects should require the cost-free transfer of knowledge and knowhow between the involved parties.
- b. In principle there should not be any transfer of funds from the supported undertaking to the other involved partners in relation to the supported project. If a transfer of funds is required so as to facilitate the progress of the project, this must be clearly explained in the collaboration agreement signed between the involved parties which should stipulate the reasons for such transfer and the repayment terms if applicable.
- c. Public entities defined as: "Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law" and commercial undertakings in which Government has a direct or indirect holding of more than 25%, are not eligible for assistance through this scheme.
- d. Assistance under the scheme cannot be granted to undertakings in difficulty as defined under the applicable State Aid Regulations (vide Section 8).
- e. Assistance may only be granted to applicants that have honoured/rectified any obligations or conditions set by Malta Enterprise with respect to support granted previously.
- f. Applicants defaulting on Value Added Tax (VAT), Income Tax, National Insurance, and rent payment to Government will be disqualified.
- g. This incentive is not intended for voluntary organisations.

## 4. Incentive Description

### 4.1 Applicable aid intensity

Industrial research and experimental development projects that have been approved by the EUREKA network or under the Eurostars Joint Programme may be supported with a grant of up to €200,000, which may be used to cover:

- a. forty percent(40%) of eligible costs when the applicant is a large undertaking;
- b. fifty percent (50%) of eligible costs when the applicant is a medium-sized undertaking; or
- c. sixty percent (60%) of eligible costs when the applicant is a small undertaking.

Summary			
	Size of undertaking	Applicable aid intensity	Maximum grant value
Collaborative industrial research and experimental development projects.	Small	60%	€200,000
	Medium-sized	50%	€200,000
	Large	40%	€200,000

### 4.2 Eligible Costs

The following costs are considered as eligible:

#### A) Personnel costs

Wages of researchers and technicians to the extent and for the duration that they are directly engaged in the research project.

#### B) Depreciation costs of new instruments and equipment

Depreciation costs of new instruments and equipment to the extent used and for the duration of the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs corresponding to their usage in the research project, as calculated on the basis of good accounting practices shall be considered eligible.

#### C) Material, supplies and similar products –

The costs for the purchase of material, supplies and similar products, bought specifically for the research project and incurred directly as a result of the research activity.

#### D) Procurement of technical knowledge and patent –


Cost incurred for the procurement of technical knowledge and acquisition of patented knowledge and technology from outside sources at market prices (where the transaction has been carried out at arm's length and there is no element of collusion involved). The total cost claimed in relation to the procurement of technical and patented knowledge may not exceed 25% of the total project costs.

#### E) Additional overheads –

To cover any additional overheads that are incurred during the project companies will be approved a value which does not exceed 10% of the total project costs.

### 4.3 Additional Provisions

- a. Tax including Value Added Tax (VAT) and other duties are not considered as eligible costs.

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- b. The hourly rate for personnel costs is calculated on the employee's basic wage excluding any bonuses, benefits, overtime allowances and any other additional cost incurred by the applicant.



## 5. Application Process

It is recommended that potential applicants contact Malta Enterprise prior to submitting their application. Malta Enterprise staff will support prospective applicants:

- a. understand the objectives of the incentive;
- b. understand the details relevant to this guideline document; and
- c. address any problems that might be encountered when completing their application.

### 5.1 R&D pre-check

The Pre-Proposal Check allows undertakings, applying for a Malta Enterprise R&D incentive, establish whether or not their intended project is a valid R&D project within the parameters set in the Incentive Guidelines. Furthermore Malta Enterprise and the National Project Coordinator (NPC) for EUREKA and Eurostars may help the undertaking identify potential partners for their proposed project.

It is strongly recommended that undertakings submit a Pre-Proposal Check prior to submitting their full R&D Application. Malta Enterprise's recommendations vis-à-vis the pre-proposal will provide valuable information for the applicant to complete and submit a full application.

The Pre-Proposal Check is a tool provided by Malta Enterprise to assist applicants and provide recommendations prior to the application stage. Requesting a Pre-Proposal Check does not guarantee funding for the project.

### 5.2 Application Process

One of the following application processes must be followed:

#### A) EUREKA network projects:

Undertakings wishing to apply for funding under the EUREKA R&D scheme are to compile the application form which is available on Malta Enterprise's website [http://support.maltaenterprise.com/index\\_files/Page481.htm](http://support.maltaenterprise.com/index_files/Page481.htm).

#### B) Eurostars Joint Programme projects:

Undertakings applying under the Eurostars Joint Programme are to follow the application process described on the programme's website [www.eurostars-eureka.eu](http://www.eurostars-eureka.eu). Once the project is approved, the applicant would be required to submit to Malta Enterprise the project costs and project details in order to request funding from Malta Enterprise.

## 6. Evaluation and Assignment of Aid

Malta Enterprise will assign an annual budget for the scheme which will be allocated to successfully evaluated projects in accordance to the order in which they were submitted.

Aid under this incentive is:

- a. subject to pre-approval;
- b. subject to available budgets;
- c. provided at the discretion of Malta Enterprise.

### A) EUREKA network projects:

The EUREKA network has specific evaluation parameters and processes (similar to the criteria set in section 6.2) yet participation in a EUREKA project does not entitle the applicant automatic funding under this incentive.

### B) Eurostars Joint Programme:

The Eurostars Joint Programme has specific evaluation parameters and processes. Applications approved under the Eurostars Joint Programme will be approved funding, subject to the availability of funds in line with these guidelines but will not be evaluated through the parameters set in section 6.2.

### 6.1 Eligibility Check


All applications for funding should be in line with the parameters established by these Incentive Guidelines. Each project should comply with the following eligibility checks:

- a. The project shall not be for military purposes.
- b. The project cannot be undertaken by the applicant without the additional resources of one or more collaborating partners.
- c. The result of the project should be a new product, process or service.
- d. The project falls under the definition of industrial research and experimental development as defined in section 2.
- e. The project must be in line with the eligibility criteria set in these guidelines.

### 6.2 Evaluation

For a project to be granted aid through this incentive, Malta Enterprise will evaluate the project and the expected benefits that the applicant should achieve from participation and implementation. The project will be required to achieve a positive evaluation of each of the following four criteria.

- a. **Crucial Criteria:** The applicant has demonstrated the financial capacity to implement the project and that a comprehensive formal agreement has been established between the project partners.
- b. **Basic Assessment:** The applicant has provided a clear project methodology and has proven that the project partners bring together the competences, experiences, skills and resources required for the project and that there is synergy and clarity in respect of the sharing of risks, costs, know-how, benefits within the project timeframe and beyond.
- c. **Technology and Innovation:** The project should result in a significant development that will have an impact on industry resulting in new products, processes or services.
- d. **Market & Competitiveness:** The resulting products, processes or services are to provide a competitive advantage that may be exploited by one or more of the partners to establish or achieve a significant market presence.

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- e. National Priorities: Through participation in the project the applicant should envisage an increase in employment, investment and industrial activity in Malta.

### 6.3 Assignment of Aid

Applicants will be notified in writing of the outcome of their application. A Letter of Approval will be issued to successful applicants that will include such terms and conditions as may be set by the Corporation.

Details of the undertaking, the value of the aid granted and other non-confidential details of successful applicants may be published by Malta Enterprise.

## 7. Claims

Claims should be submitted according to the terms and conditions set out in the Letter of Approval issued by Malta Enterprise.

Undertakings benefiting from this incentive will be required to maintain separate accounting information in relation to all costs incurred for the project. Claims for co-funding shall be based on the reimbursement of eligible costs and may be submitted every 6 months and at the end of the research project.

### 7.1 Required documentation

All claims must be submitted on the claim form which will be made available by Malta Enterprise. The following are some of the requirements that will be enforced at claim stage:

- a. When claiming personnel costs, the beneficiary must submit the official Final Settlement System FSS forms and time sheets showing the time the person(s) spent directly engaged on the research project.
- b. When claiming overhead costs, the beneficiary should provide a summary of the costs claimed and their relation to the project. The beneficiary is not expected to submit invoices or receipts of these costs but should keep this documentation available for any audit checks that may be undertaken by Malta Enterprise.
- c. For all costs claimed, excluding personnel and over head costs, the beneficiary should submit:
  - i. Original VAT invoices and receipts (an original fiscal receipt is required unless a VAT invoice is presented together with a copy of the invoice);
  - ii. Proof of payment. Copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
- d. An Auditor's (Certified Public Accountant and Auditor) Report will be required to:
  - i. provide an explanation of how the depreciation costs corresponding to claimed instruments and equipment were calculated;
  - ii. confirm that any technical and patented knowledge was acquired at its market value and followed arm's length principles;
  - iii. overheads and material costs claimed have been incurred in the carrying out of the approved project
- e. A progress report, based on the template made available by Malta Enterprise. This will provide a summary of the technical progress achieved with respect to the original milestones set, and highlight any potential setbacks being foreseen to the running of the project as planned.

### 7.2 Grant Payments

Malta Enterprise will only process claims after invoices, reports and any other requested documentation as submitted to Malta Enterprise is checked and approved.

If the final eligible expenditure accounted for is less than the eligible costs approved, the amount to be co-financed will be reduced pro rata and will be in line with the approved percentage(s) of co-financing.

## 8 State Aid Rules and Obligations

### 8.1 State Aid Regime:

These Incentive Guidelines are in line with Aid for research and development projects under Article 31 of Section 7 of Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation).

[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>]

### 8.2 Firms in Difficulty

Firms in difficulty defined in terms of Community Guidelines on State aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004. Such firms are excluded from benefiting from assistance under this incentive.

[[http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001\(01\):EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004XC1001(01):EN:HTML)]

### 8.3 Cumulation

The aid granted in terms of this incentive may be cumulated with:

- a. other aid in terms of any other incentive(s) administered by Malta Enterprise or any other entity, or
- b. with de minimis aid, or
- c. with other Community funding,

in relation to the same item of expenditure only if, such cumulation does not exceed the gross aid intensity fixed by the most favourable intensity ceiling under the General block exemption Regulation.

## 9. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting Business First during office hours.

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Pieta`, MEC 0001  
Malta.

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Websites: <http://www.maltaenterprise.com>

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