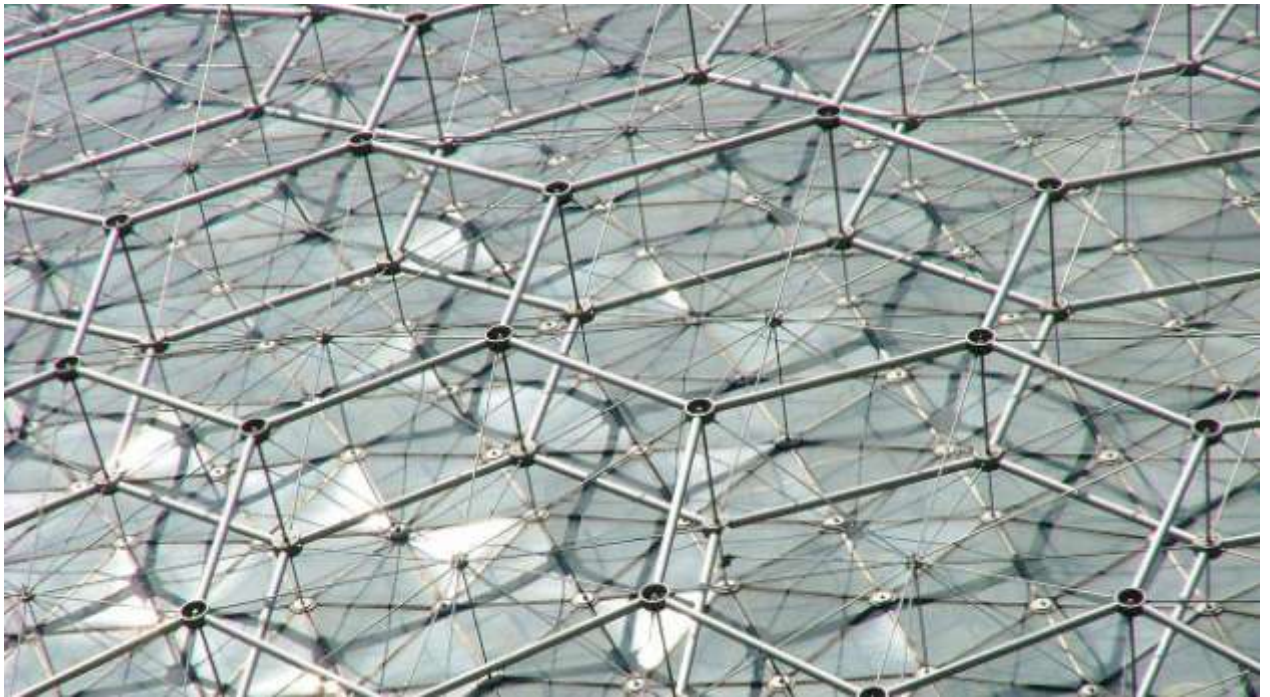


# Incentive Guidelines

ERDF Research and  
Development  
Grant Scheme



**MALTA**ENTERPRISE



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# 1. Introduction

## 1.1 Scope

This incentive provides grants to enterprises carrying out Industrial Research and Experimental Development activities leading to the development of new or significantly improved products, processes or services.

This scheme is part-financed by the European Union through the European Regional Development Fund (ERDF).

## 1.2 Duration of the incentive

These Incentive Guidelines will remain active until 31st December, 2013. Malta Enterprise may review, update and amend these Incentive Guidelines.

## 1.3 Competitive Calls

The incentive will be administered through a series of competitive calls. Malta Enterprise will issue public calls for interested enterprises to submit applications under this incentive. Applications will be reviewed and eligible applications will be evaluated and ranked. Grants will be awarded to the top ranking applicants in accordance to the available budgets.

## 1.4 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 and Development and Innovation Regulations, 2009 S.L. 464.05 (Malta Enterprise Act, Chapter 463 of the Laws of Malta), provides the legal basis of this incentive.

## 1.5 Designated Authority

This incentive is administered by Malta Enterprise.

## 2. Eligibility

### 2.1 Eligible Sectors

All Enterprises are eligible for assistance under this incentive.

### 2.2 Exclusions

- a. Research organisations<sup>1</sup>;
- b. Enterprises controlled, funded or owned by Government are not eligible for this incentive.
- c. Assistance under this scheme will NOT be provided to undertakings engaged in:
  - i. the primary production of agricultural products:
    - Products listed in Annex 1 of the EC Treaty.
    - Products falling under CN codes 4502, 4503 and 4504 (cork products).
    - Products intended to imitate or substitute milk and milk products as referred to in Council Regulation No 1234/2007 of 22 October 2007.
  - ii. the fisheries and aquaculture sector;
  - iii. the retail sector;
  - iv. tourism activities:
    - Hotels and restaurants (NACE 55 and 56).
    - Travel agency activities, Tour operator activities, other reservation services and related activities (NACE 79).
    - Creative, arts and entertainment activities (NACE 90).
    - Libraries, archives, museums and other cultural activities (NACE 91).
    - Sports activities, and amusement and recreation activities (NACE 93).
  - v. the coal industry;
  - vi. the steel industry;
  - vii. the gaming industry;
  - viii. shipbuilding;
  - ix. financial and insurance activities (NACE Section K);
  - x. the synthetic fibres sector.
- d. Assistance under the scheme cannot be granted to undertakings in difficulty in line with 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).
- e. Applicants, who have previously dropped out of any ERDF aid scheme administered by Malta Enterprise after their application was approved, must provide a justification of their reason for doing so; failure to do this may disqualify the application.

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<sup>1</sup> A research organisation is an entity such as a university or research institute, irrespective of its legal status (organised under public law or private law) or way of financing, whose primary goal is to conduct fundamental research, industrial research or experimental development and to disseminate their results by way of teaching, publication or technology transfer; all profits are reinvested in these activities, the dissemination of their results or teaching; undertakings that can exert influence upon such an entity, in the quality of, for example, shareholders or members, shall enjoy no preferential access to the research capacities of such an entity or to the research results generated by it.

## 3. Incentive Description

### 3.1 Details of Incentive

Through this incentive, enterprises may be awarded cash grants to part-finance eligible costs incurred in running projects in the following focus areas:

- a. Industrial Research
- b. Experimental Development

### 3.2 Definitions

The following definitions shall apply

#### 3.2.1 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);

#### 3.2.2 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.

#### 3.2.3 Small and Medium Sized Enterprises (SMEs)

For the full definition of 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>

### 3.3 Eligible costs and the applicable aid intensity

Supported R & D projects shall not exceed 36 months to be completed and all eligible costs shall be incurred within this timeframe.

For an application to be considered for co-funding, a minimum project value (based on eligible expenses) of at least Euro 60,000 is required. (The resultant minimum grant value will depend on the applicable aid intensity).

### 3.3.1 Eligible Expenditure

The following costs are considered as eligible as long as that they are incurred in relation to an approved Industrial Research or Experimental Development project:

#### (A) Personnel costs

Personnel costs in relation to the wages<sup>2</sup> of researchers and technicians shall be eligible to the extent and for the duration that they are directly engaged in the research project;

#### (B) Instruments and equipment

The cost of new instruments and new equipment shall be eligible to the extent and for the period used for the research project. If such instruments and equipment are not used for their full life for the research project, only the depreciation costs shall be considered as eligible.

#### (C) Contractual research, technical knowledge and patents

Cost of contractual research, technical knowledge and patents bought or licensed 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), as well as costs of consultancy and equivalent services used exclusively for the research activity. These costs may not exceed 25% of the total eligible project costs.

#### (D) Material, supplies and similar products

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

### 3.3.2 Maximum Aid Intensity and Value of Grant

The intensity levels shall be determined by the table below. Applicants should specify in which category the project falls at the application stage.


|                          | Small Enterprise | Medium Enterprise | Large Enterprise | Maximum Grant |
|--------------------------|------------------|-------------------|------------------|---------------|
| Industrial Research      | 70%              | 60%               | 50%              | Euro 300,000  |
| Experimental Development | 45%              | 35%               | 25%              |               |

### 3.4 Additional Provisions

The following additional provisions shall apply to any costs that may be supported through this incentive:

- a. Investments in second hand equipment are not eligible.
- b. All funding will be based on reimbursement of eligible costs.
- c. All funding must be on costs incurred by the applicant after the aid is granted.
- d. All consultancy or services must be subcontracted and must not be of a continuous or periodic nature, nor relate to the enterprise's usual operating expenditure, such as routine tax consultancy services, regular legal services, or advertising.

<sup>2</sup> For the aim of this scheme, the term "Wages" refer to the basic pay including any fixed non-discretionary allowances paid to researchers and technicians involved in the project and the employer's National Insurance share."

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- e. For each cost item, applicants shall submit:
    - i. a copy of the standard Request for Quotations (RFQ) that was sent to the suppliers whose quotations are being attached to the application. The RFQ should list the specification such as: size; quantity; material; colour; dimension; speed; features; etc.).
    - ii. at least three comparable quotes from three independent suppliers. Quotes submitted for the same cost item must be from suppliers which are related neither to each other nor to the applicant.
  - f. Successful applicants shall be required to issue a public Request for Proposal (RFP) to select the eventual supplier of any single development or action that is valued at € 130,000 or more (excluding VAT).
  - g. Part financing and grant values will be calculated on the cheapest quotation presented for each cost item.
  - h. Suppliers shall not be related to the applicants/beneficiaries.



## 4. Evaluation and Assignment of Aid

All applications will be assessed by Malta Enterprise on the following criteria:

### 4.1 Eligibility Criteria

For an application to be eligible for evaluation the following conditions must be met:

- a. The application should be complete. That is:
  - i. all fields on the form must be filled in with the relevant details;
  - ii. all requested annexes must be attached to the application form.
- b. The application fits with the focus area(s) of the aid scheme as defined in Section 3 (Incentive Description).
- c. The applicant has honoured / rectified any obligations or conditions set by Malta Enterprise with respect to previous granted support.
- d. The application/applicant must be within State Aid parameters as outlined in Section 6 (State Aid Rules and Obligations). All aid under this incentive must be in line with the de minimis rules.
- e. The applicant must comply with the laws pertaining to the intervention(s) being proposed for funding.
- f. The applicant must be in-line with the criteria in Section 2 (Eligibility).
- g. The project will be completed within the stipulated timeframe (36 months).

Applications that do not comply with any one of the above conditions will be rejected.

### 4.2 Preliminary Evaluation (35%)

- a. Risk Appraisal: Risk will be assessed on the number of years the enterprise has been established, the duration of the project, the value of the project in relation to the financial resources of the applicant, any preparatory work the applicant may have carried out together with the applicant's capacity to implement the project. The riskier the project in line with the above conditions, the lower the score.
- b. Extent of need for support: Applications will be assessed in terms of the applicants' need for support which will be determined on the size of the enterprise and whether it forms part of a network or is a start-up. The smaller the undertaking, the higher the score. Additional points will be given to start-up undertakings and to those undertakings that form part of a relevant network.
- c. Holistic nature of project: Projects comprising more than one eligible cost as outlined in Section 3 (Incentive Description) will be awarded higher marks.

### 4.3 Strategic Evaluation (65%)

- a. Thematic priorities 55%: How will the project contribute to national priorities and to the scheme objective. Projects will be evaluated against the following criteria:
  - i. Project Impact - The expected impact that the project will have on the markets / industries in which the enterprise is active will be assessed (for example, operations in a saturated market segment will attract a lower score). Consideration will be given to the potential future growth of the enterprise, potential cost efficiency and potential cost reductions which are expected as well as the degree of networking initiated through the project.
  - ii. Innovation – This innovative nature of the project with regards to the potential to develop new products, processes and services will be assessed.

- iii. Operational Programme I Indicators<sup>3</sup> – The degree to which the project contributes to increasing the number of SMEs launching new or improved products.
- iv. Employment - The project will be assessed on its potential to ensure job retention & create new employment in the future. The nature and skills of this potential employment will also be taken into consideration.
- b. Horizontal priorities 10%: Projects must contribute to the attainment of the horizontal priority/cross-cutting themes of Environmental Sustainability and Equal Opportunities:
  - i. Environmental Sustainability – Applicants would need to prove that the project addresses issues such as carbon neutrality and climate change, water, waste, air quality and nature protection.
  - ii. Equal Opportunities – Applicants would need to prove that the project addresses issues such as the involvement of disadvantaged groups in the project; increased female participation, ensuring accessibility for all and family friendly measures.

#### 4.4 Notification of results

Successful applicants will be notified in writing of the outcome of their application. Once a project is approved, a Grant Agreement will be issued.

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<sup>3</sup> Operational Programme I - Investing in Competitiveness for a Better Quality of Life, Cohesion Policy 2007-2013 – Section 4.1 - Priority Axis 1 - Enhancing Knowledge & Innovation <http://www.ppcd.gov.mt/op1?l=1>

## 5. Further Information

### 5.1 European Regional Development Fund (ERDF)

Malta Enterprise is responsible for the implementation of a grant scheme for enterprises, which will be operating under Malta's Operational Programme I Cohesion Policy 2007 – 2013.

These Incentive Guidelines are based on the rules specified in the following documentation:

- a. Malta's National Strategic Reference Framework Document, its Operational Programmes and any other implementation guidelines provided by the Managing Authority which may be updated from time to time. These are available on the website of the Managing Authority for Structural Funds [<http://www.ppcd.gov.mt>].
- b. European Commission Regulations on Structural Funds. These apply to all projects benefiting under Structural Funds and are legally binding in all Member States. The Malta Enterprise Grant Schemes will be co-financed under the European Regional Development Fund (ERDF) and the legislative guidelines which apply directly to this scheme include:
  - i. Regulation (EC) No. 1083/2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0025:0078:EN:PDF>]
  - ii. Regulation (EC) No. 1080/2006 on the European Regional Development Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0001:0011:EN:PDF>]
  - iii. Regulation (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.  
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:045:0003:0115:EN:PDF>]

## 6. State Aid Rules and Obligations

### 6.1 State Aid Regime:

The terms and conditions set out in these guidelines are in line with the Community Framework for State Aid for Research and Development and Innovation OJ C 323 of 30.12.2006 (R&D&I Framework).

[[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c\\_323/c\\_32320061230en00010026.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_323/c_32320061230en00010026.pdf)]

This incentive forms part of a group of R&D&I incentives under the measure entitled Assistance for Research and Development and Innovation State aid No N 604/2007.

### 6.2 Cumulation

The aid ceilings fixed under the R&D&I Framework shall apply regardless of whether the support for the aided project is financed entirely from State resources or is partly financed by the Community, except in the specific and limited context of the conditions established for Community funding under the RTD Framework Programmes, adopted respectively in accordance with Title XVIII of the EC Treaty or Title II of the Euratom Treaty.

Where the expenditure eligible for aid for R&D&I is eligible in whole or in part for aid for other purposes, the common portion will be subject to the most favourable ceiling under the applicable rules. This limitation does not apply to aid granted in accordance with the Community guidelines on State aid to promote risk capital investments in SME<sup>4</sup>.

Aid for R&D&I shall not be cumulated with de minimis support in respect of the same eligible expenses in order to circumvent the maximum aid intensities laid down in the R&D&I Framework.

### 6.3 Retention of Investments under the Incentive

As outlined in Article 57 of Regulation (EC) No. 1081/2006 on durability of operations: Activities / investments that are funded under these schemes will not undergo substantial modifications either through changes in the activity itself or resulting from the change of ownership for at least five years from the completion of the operation.

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<sup>4</sup> OJ C 194, 18.8.2006, p. 2.

## 7. 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 Malta Enterprise during office hours.

Postal Address: Malta Enterprise  
Gwardamangia Hill,  
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Operational Programme I – Cohesion Policy 2007-2013  
*Investing in Competitiveness for a Better Quality of Life*  
Aid Scheme part-financed by the European Union  
European Regional Development Fund (ERDF)  
Co-financing: EU Funds, National Funds, and Private Funds  
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