

● ● ● ●

Incentive Guidelines

Network Support Scheme

(Assistance for collaboration)



MALTAENTERPRISE

Issue Date: 5th April 2011

Version: 1.4

Updated: 20th March 2014

<http://support.maltaenterprise.com>

Contents

Incentive Guidelines	1
Network Support Scheme	1
(Assistance for collaboration)	1
Contents	1
1. Introduction	3
1.1 Scope	3
1.2 Duration of the incentive.	3
1.3 Legal Basis	3
1.4 Designated Authority	3
2. Eligibility	4
2.1 Business Networks (Category 1)	4
2.3 Development Networks (Category 2)	4
2.4 Exclusions	5
3. Incentive Description	6
3.1 Actions and eligible costs under this incentive and the applicable aid intensity - Business Networks (Category 1)	6
3.2 Actions and eligible costs under this incentive and the applicable aid intensity - Development Networks (Category 2)	7
3.2 Summary	7
4. Evaluation and Assignment of Aid	9
4.1 Evaluation and Assessment	9
4.2 Notification of results	9
5. State Aid Rules and Obligations	10
5.1 Applicable State Aid	10
5.2 Applicability of the Aid	10
5.3 Undertakings in Difficulty	11
5.4 Cumulation	11
6. Contact Details	12

1. Introduction

1.1 Scope

Collaboration enables Small and Medium-sized Enterprises (SMEs) to develop, share and transfer knowledge and technology. By networking with other enterprises, including large undertakings performing complementary functions, SMEs can mitigate certain disadvantages inherent to smaller operations. Horizontal collaboration (that is collaboration between undertakings occupying complimentary positions within the value chain), allows businesses to achieve economies of scale, enabling them to benefit from joint-purchases, optimal use of machinery and increased production capacities (through pooling of resources and specialisation). Through vertical collaboration (that is collaborations which usually include a 'larger' enterprise having a major role along the value chain) SMEs can focus on their core business and benefit from the knowledge and connections of the 'larger' undertaking.

Through this incentive Malta Enterprise intends to promote the development of networks as mechanisms for facilitating collaboration between undertakings with the aim of enhancing competitiveness. Since the term 'network' is used to describe different forms of inter-firm collaboration, Malta Enterprise will support networks falling within the two categories defined in section 2 of these guidelines.

1.2 Duration of the incentive.

This incentive will be available till 31st December 2017.

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 Enterprise Support Incentives Regulations SL 463.04 (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.

2. Eligibility

This incentive is targeted towards those undertakings engaged in manufacturing, industrial services, ICT, biotechnology or in other innovative or high value adding operations as may be approved by Malta Enterprise.

Networks should:

- a. focus on manufacturing, ICT, biotechnology, R&D or other innovative or high value adding activities;
- b. aim to stimulate growth, development and increased competitiveness.

2.1 Business Networks (Category 1)

These networks involve firms collaborating with the aim of achieving specific business objectives. The results of their combined actions should have some identifiable and measurable impact on their business. Specifically a Business Network is defined as a grouping of firms that have agreed to cooperate to achieve specific business objectives that are likely to result in increased competitiveness and/or mutual financial gain.

Business networks should have very specific business targets that are achievable in the short to medium term. These business targets should relate to the development of new markets, products, services or other value adding activities.

The network must consist of at least three undertakings which are not linked¹ and may have a maximum of ten participating undertakings.

2.3 Development Networks (Category 2)

The main purpose of Development Networks should be to support the development of the specific market in which the members operate. This is expected to be achieved through:

- a. actions that facilitate the exchange of information;
- b. the development of shared services;
- c. capacity building and training;
- d. establishing and improving standards;
- e. promoting and supporting Research and Development and Innovation;
- f. quality management;
- g. various other actions providing a common benefit to the member enterprises.

¹enterprises are considered linked if they are in some way related so that one enterprise:

- a) has a majority of the shareholders' or members' voting rights in another enterprise in the network,
- b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise in the network,
- c) has the right to exercise a dominant influence over another enterprise within the network, pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association,
- d) is a shareholder in or member of another network enterprise, controlling alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders or members' voting rights in that enterprise

Membership in development networks must be related to the economic segments in which the members operate. Development networks should be operated on the principles of not-for-profit organisations.

Development networks should bring together enterprises operating within the same sector or having complimentary activities for the purpose of achieving collaborative and collective development.

The Development Network must have an established secretariat and the necessary statutory mechanisms to:

- a. accept and process membership applications;
- b. ensure democratic leadership.

2.4 Exclusions

- a. 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.
- b. Undertakings engaged in activities specifically excluded under the [de minimis regulations (vide Section 5) are not eligible for this incentive.
- c. Undertakings in difficulty (vide Section 5) are excluded from benefiting from assistance under this incentive.
- d. Applicants must not be defaulting on VAT, Income Tax, Social Security and rent payments to government.

3. Incentive Description

3.1 Actions and eligible costs under this incentive and the applicable aid intensity - Business Networks (Category 1)

Although this incentive is designed to support network activities, enterprises participating in business networks are considered to be the direct beneficiaries of any aid provided. Hence the amount of aid received by the different members might not be in equal proportions.

A business network project is expected to cover a period between 6 and 24 months and the total aid shall be limited to Euro10,000 multiplied by the number of network members but shall never exceed Euro60,000. It is also expected that the aid is distributed reasonably amongst the participating enterprises so as to ensure active participation of all the members.

a. Network Management (up to 60% of Costs)

The wages or contract fees of a Network Development Manager will be supported up to 60% and capped at Euro 1,000 per month. The Network Development Manager will be expected to develop the network's business opportunities, follow market leads and facilitate the communication and collaboration between the member enterprises.

b. Market Development Services (up to 60% of Costs)

Costs incurred by the network for developing the competitiveness of the network, including:

- i. participation in trade fairs and trade events including costs related to travel, hiring of facilities, setting up and running of the stand;
- ii. studies or consultancy services required for the launch of products;
- iii. promotional material including brochures, multilingual websites and CD-ROMs;
- iv. certification of products as may be required in target market.
- v. attainment of quality certifications.

c. Travel (up to 60% of Costs)

Malta Enterprise may cover at up to 60% the travel expenses of two persons that will be representing the network in event, conference or business meeting.

Note:

- i. All travelling should be pre-approved in writing by Malta Enterprise.
- ii. Malta Enterprise will part finance air, rail and ferry travel (other means of travel including taxi services are not be eligible);
- iii. All travel must be economy class or equivalent.

d. Per Diem

For any travel approved under (c), beneficiaries may also be granted a per diem of up to 60% of the official per diem rates listed in Annex 4 of these Guidelines. The per diem may cover:

- i. a maximum of 3 days for each approved business trip;
- ii. the duration of the event in which the network is exhibiting its products or services.

3.2 Actions and eligible costs under this incentive and the applicable aid intensity - Development Networks (Category 2)

Aid for development networks will be approved on an annual basis and shall not exceed Euro30,000 per annum.

a. Wage / Contract Costs for a Network Administrator.

The personal costs or contract fees related to the employment / engagement of a Network Administrator. The network administrator will be responsible of coordinating networking events, memberships and other activities that support the development of the network. The aid will be up to 60% and capped at Euro10,000 per annum for the initial three years after the network is established.

b. Network Development Projects (up to 60% of Costs)

Special projects aimed to develop and build capacity within the network’s sector of activity. These projects must be pre-approved annually by Malta Enterprise. Examples of such projects are:

- i. the development, management and implementation of a quality management systems;
- ii. studies related to the sector’s competitiveness and future development;
- iii. initiatives related to innovations leading to the sector’s development;
- iv. establishing a code of ethics.

c. Operating Aid for Network Animation (up to 60% of Costs)

The activities need to be approved annually by Malta Enterprise and should relate operating expenditure such as:

- i. Dissemination of information such as Newsletters, brochures, development of websites and CD-ROMs;
- ii. Cost related to membership / affiliation with international organisations;
- iii. Organisation of network conferences, workshops, seminars and other similar events;
- iv. Travel for attending conferences and business meetings - All travel must be pre-approved by Malta Enterprise and may cover the expenses two people related to the project will be covered for any particular event or meeting.

Any operation aid will be limited to the initial three years after the network is established.

d. Per Diem

For any travel approved under (c), beneficiaries may also be granted a per diem of up to 60% of the official per diem rates listed in Annex 4 of these Guidelines. A per diem may be granted for two persons for a maximum of 3 days for each approved business trip.

3.2 Summary

	Business Networks	Development Networks
Network size	At least 3 enterprises that are not linked.	At least 10 member enterprises.

	Not more than 10 enterprises	
Aid Intensity	The aid is capped to Euro60,000 over a 24 month period.	The aid is capped up to Euro30,000 per annum.

4. Evaluation and Assignment of Aid

Aid approved under this incentive is subject to pre-approval in writing and is awarded at the sole discretion of Malta Enterprise. Enterprises should contact Business First for guidance on the application process.

4.1 Evaluation and Assessment

Approval is subject to an analysis of the proposed activities and targets of the network. The applications will be expected to demonstrate that the project:

- a. will provide added value to the member enterprises;
- b. will support the development of internal capacities in the member enterprises;
- c. guarantees synergy amongst members;

Projects will be evaluated mainly on the basis of the project's contribution to add value in terms of turnover, employment, investments and market positioning. The evaluators will also seek other desirable indicators in the application in relation to gender equality, environmental concerns, the use of information and communication technologies, the acquisition of knowledge and know-how and the project's potential to support regional economic development.

4.2 Notification of results

Once a project is approved, a Letter of Approval or an Incentive Entitlement Certificate will be issued in line with Part 6 Section 28 et seq. of the Malta Enterprise Act.

5. State Aid Rules and Obligations

5.1 Applicable State Aid

These Incentive Guidelines are in line with the *Commission Regulation (EU) No. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (the de minimis Regulation)*²

The total amount of *de minimis* aid granted to a single undertaking shall not exceed the amount of €200,000 over any period of three consecutive fiscal years.

This aggregate maximum threshold applies in principle to all economic sectors with the exception of the road transport, agriculture and fisheries sectors for which different thresholds and criteria apply. The term 'undertaking' includes also all companies in a group (which fall under the direct or indirect ownership or control of the same ultimate parent company) and relevant partner and linked enterprises as defined in Annex I of Commission Regulation (EC No 800/2008). This period covers the fiscal year concerned as well as the previous two fiscal years. 'Fiscal year' means the fiscal year as used for tax purposes by the undertaking concerned.

This maximum threshold would include all State aid granted under this aid scheme and any other State aid measure granted under the *de minimis* rule including that received from any entity other than Malta Enterprise. Any *de minimis* aid received in excess of the established threshold will have to be recovered, with interest, from the undertaking receiving the aid.

The *de minimis* declaration form³ must be filled in and submitted together with the application form.

5.2 Applicability of the Aid

Assistance approved under this aid scheme is NOT:

- a. Aid granted to undertakings active in the fishery and aquaculture sector, as covered by Council Regulation (EC) No. 104/2000⁴;
- b. Aid granted to undertakings active in the primary production of agricultural products;
- c. Aid granted to undertakings active in the sector of processing and marketing of agricultural products, in the following cases:
 - i. Where the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned;
 - ii. Where the aid is conditional on being partly or entirely passed on to primary producers;
- d. Aid to export-related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity;
- e. Aid contingent upon the use of domestic over imported goods;
- f. Aid for the acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

² [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

³ The *de minimis* Aid Declaration may be downloaded from <http://www.maltaenterprise.com/en/support/docs/de-minimis-declaration>

⁴ Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products (OJ L 17, 21.1.2000, p. 22).

Where an undertaking is active in the sectors referred to in points (1), (2) and (3) above as well as in other sectors falling within the scope of the *de minimis* Regulation, the Corporation will ensure a separation of the activities or distinction of costs. Only those sectors eligible for assistance under the *de minimis* Regulation will be assisted. Activities in the sectors excluded from the scope of the *de minimis* Regulation will not benefit from assistance under this aid scheme.

5.3 Undertakings in Difficulty

Firms in difficulty in terms of Community Guidelines on State aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004, are excluded from benefiting from assistance under this aid scheme.⁵

5.4 Cumulation

In terms of Article 5 of the *de minimis* Regulation, *de minimis* aid granted under this incentive may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012⁶ up to the ceiling laid down in that Regulation. It may be cumulated with *de minimis* aid granted in accordance with other *de minimis* regulations up to the relevant ceiling fixed in terms of these Incentive Guidelines.

De minimis aid approved under the **Network Support Scheme** shall not be cumulated with State aid in relation to the same eligible costs or with State aid for the same risk finance measure, if such cumulation would exceed the highest relevant aid intensity or aid amount fixed in the specific circumstances of each case by a block exemption regulation or a decision adopted by the European Commission. *De minimis* aid which is not granted for or attributable to specific eligible costs may be cumulated with other State aid granted under a block exemption regulation or a decision adopted by the Commission.

⁵ [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)

⁶ Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest (OJ L 114, 26.4.2012, p. 8).

6. 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.

Postal Address: Business First
Gwardamangia Hill,
Pieta`, MEC 0001
Malta.

Tel: 144

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

Email: info.businessfirst@maltaenterprise.com