

Incentive Guidelines

Research and Development 2014 - 2020

INDUSTRIAL RESEARCH PROJECTS;
EXPERIMENTAL DEVELOPMENT PROJECTS;
EUREKA AND EUROSTARS PROGRAMME



MALTAENTERPRISE



Aim higher



CO-FUNDED BY EUREKA MEMBER
COUNTRIES AND THE EUROPEAN UNION
HORIZON 2020 FRAMEWORK PROGRAMME

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www.maltaenterprise.com

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1. Introduction

1.1 Objective

The aim of this incentive is to assist undertakings that carry out Industrial Research and Experimental Development required for acquisition of knowledge leading to the development of innovative products and solutions.

The measure also encourages cooperation between firms by providing additional assistance for collaborative Industrial Research or Experimental Development projects. These projects may include projects endorsed by the Eureka Network and projects accepted under the Eurostars framework of the European Commission.

1.2 Duration of the incentive

These Incentive Guidelines will be active until 31st December 2020. Malta Enterprise Corporation (hereinafter referred to as 'the Corporation') may periodically 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.

Assistance for Research and Development and Innovation Regulations is a Subsidiary Legislation 463.05 and 463.17 to the Malta Enterprise Act Chapter 463 of the Laws of Malta.

1.4 Designated Authority

This incentive is administered by Malta Enterprise Corporation (hereinafter referred to as the Corporation)

2. Definitions¹

The following definitions shall apply for the purpose of these Incentive Guidelines:

2.1 Industrial Research

'industrial research' means the 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 parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation;

2.2 Experimental Development

'experimental development' means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services;

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

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

3 Effective Collaboration

'effective collaboration' means collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and provision of research services are not considered forms of collaboration.

4 Research and Knowledge-dissemination Organisation

'research and knowledge-dissemination organisation' means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that

¹These definitions are taken from Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid 'compatible with the internal market in application of Articles 107 and 108 of the Treaty (vide Section 11 of these Incentive Guidelines).

can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it;

5 Start of Works

'Start of Works' means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs, 'start of works' means the moment of acquiring the assets directly linked to the acquired establishment.

The 'start of works' will be indicated in the Incentive Entitlement Certificate.

6 Small and Medium Enterprises (SME)

An 'SME' is an undertaking which fulfils the criteria laid down in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter referred to as the General block exemption Regulation)

7 Large Undertaking

A 'large undertaking' is an undertaking not fulfilling the criteria laid down in Annex I of the General block exemption Regulation.

8 Linked Enterprises

'Linked enterprises' are enterprises which have any of the relationships with each other outlined in Annex I of the General block exemption Regulation.

9 Undertaking in Difficulty

'undertaking in difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:

- (a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and 'share capital' includes, where relevant, any share premium.
- (b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.

- (c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.
- (e) In the case of an undertaking that is not an SME, where, for the past two years:
 - (1) the undertaking's book debt to equity ratio has been greater than 7,5 and
 - (2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

3. Incentive Description

This incentive is awarded to undertakings carrying out research and development projects and which are classified as Industrial Research or Experimental Development as per terms and conditions set within the Incentive Guidelines.

3.1 Details of Incentive

Undertakings established in Malta may benefit from assistance in the form of a cash grant covering wage costs capped at €500,000 per annum per project and tax credits for other eligible costs as describe in section 5. Cash grants are awarded at the sole discretion of the Corporation.

An annual cash budget of €500,000 is allocated for project approved through the Eurostars-2 Joint Programme² these while be awarded. Projects that received funding from the Eurostars-2 Joint Programme are co-funded from the European Union’s Horizon 2020 research and innovation programme.

3.2 Project Duration

Projects supported are to be completed within thirty six (36) months from the ‘start of works’. Unless otherwise specified in the Incentive Entitlement Certificate, the ‘start of works’ date should be within twelve (12) months from the date of the Incentive Entitlement Certificate.

Should a project exceed this period, only eligible costs incurred in the first thirty six (36) months from the date of approval shall be considered eligible.

3.3 Collaborative R&D projects³

A collaborative R&D project must involve *effective collaboration* between at least two (2) undertakings that are independent as per Section 2 of the Incentive Guidelines or *effective collaboration* between an undertaking and one (1) or more research and knowledge-dissemination organisations as defined below.

3.3.1 Collaborations between undertakings

A project is considered to involve effective collaboration between at least two (2) undertakings that are independent of each other if all the following conditions are fulfilled:

- a. The project must:
 - i. involve collaboration with at least one (1) SME;
 - or
 - ii. The project must be cross-border, that is, the research and development activities are carried out in at least two (2) different European Union Member States or in a Member State and a Contracting Party of the EEA Agreement.
- b. No single undertaking must bear more than 70% of the eligible costs of the collaboration project.

3.3.2 Collaborations between an undertaking and a research organisation:

A project is considered to involve effective collaboration between an undertaking and one (1) or more research and knowledge-dissemination organisation if all the following conditions are fulfilled:

² Further information me be sought from Annex 1b attached to the Incentive Guidelines and www.eurostars-eureka.eu

³ Additional conditions are applicable to Eurostars and Eureka projects. For further information vide Annex I.

- a. The research and knowledge-dissemination organisations participating in the project must bear at least 10% of the eligible project costs; and
- b. The research and knowledge-dissemination organisations participating in the project shall have the right to publish the results of the research project insofar as they stem from research implemented by the organisation.

3.4 Maximum Aid Intensities

The maximum levels of assistance that may be provided under this incentive are found in the Table below.

	Small Undertaking	Medium Undertaking	Large Undertaking
Industrial Research & Experimental Development Projects	45%	35%	25%
Collaborative Industrial Research & Experimental development Projects	60%	50%	40%

4. Eligibility

4.1 Eligible Undertakings

Undertakings planning to carry out Industrial Research or Experimental Development projects are eligible to apply for assistance under this incentive.

In order to be eligible, applicants must additionally satisfy the following criteria. They must be either:

- a. a partnership constituted under the Companies Act⁴, being a partnership en nom collectif, en commandite or a limited liability company;
or
- b. a body of persons constituted, incorporated or registered outside Malta and of a nature similar to the aforesaid partnerships and registered as an overseas company in accordance with the Companies Act;
or
- c. be duly registered as a co-operative society under the Co-Operative Societies Act⁵.

4.2 Exclusions

The incentive does not apply to the following:⁶

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- b. Undertakings in difficulty⁷.
- c. Research and knowledge-dissemination organisations and subsidiaries controlled directly or indirectly by such organisations, may only be supported if carrying out collaborative research involving an undertaking engaged mainly in manufacturing (NACE category C). If a Research and knowledge-dissemination organisations or a subsidiaries controlled directly or indirectly by such an organisations is receiving support for a project the project may not be considered to be a collaborative project.
- d. Public Entities, such as Ministries, Departments, Entities, Authorities, Commissions, 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 commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest are not eligible under this incentive.
- e. Any undertaking which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market.

⁴ [Chapter 386 of the Laws of Malta](#)

⁵ [Chapter 442 of the Laws of Malta](#)

⁶ *Vide* par. 11.2 of Section 11 State Aid Rules and Obligations for further information regarding the exclusion of sectors from benefitting from assistance under this incentive.

⁷ For the meaning of an 'undertaking in difficulty' kindly refer to Section 2 of the Incentive Guidelines defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014.

5. Eligible costs

The following costs are considered as eligible as long as they are incurred in relation to an approved Industrial Research or Experimental Development project after the 'start of works'.

5.1 Personnel costs

Wages of researchers and technicians, and other supporting staff, to the extent and for the duration that they are directly engaged on the approved research project.

- a) Eligible wage costs shall be limited to the actual basic salary as defined in the employment contract of the employee. (Any other costs, including bonuses, allowances, national insurance and other taxes, insurance payments and *per diem* shall not be considered eligible).
- b) All employees in respect of whom wage costs are claimed must be registered with *Jobsplus* and covered by a valid contract of employment in terms of the national legislation on employment.
- c) Personnel costs are calculated using an hourly rate calculated on the employee's basic wage. The total hours worked by a full time employee shall be established as 1760 hours *per annum*.
- d) Eligible wage costs of supporting staff shall be capped at 10% of the total personnel costs.

5.2 Instruments and equipment

Costs of instruments and equipment shall be considered as eligible to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible.

5.4 Contractual research, technical knowledge and patents

Costs of contractual research, technical knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the research activity.

Costs of consultancy and equivalent services must be rendered by either:

- i. experts in the relevant field of research that have successfully completed doctoral training; or
- ii. research and knowledge-dissemination organisation; or
- iii. technical laboratories or other similar infrastructures.

5.5 Other operating expenses

Costs of materials, supplies and similar products, incurred directly as a result of the project.

6. Additional Provisions

6.1 Project Accounting

Undertakings benefiting from this incentive will be required to maintain the following information in relation to all costs incurred for the project and must ensure that:

- a) All transactions relevant to the approved project are adequately recorded and maintained.
- b) Any operating expenditure (as defined in Section 5.5) claimed by the beneficiary has to be either fully utilised for the funded project or the beneficiary must demonstrate how such costs were apportioned by providing adequate records through which the expenditure related to the project was quantified.
- c) Any contractual research purchased has respected the arm's length principle.
- d) Any funds claimed have not been supported through other incentives provided by the Corporation or any other national or European Agency.
- e) Wage cost should be recorded on the basis Timesheets.
- f) Depreciation costs of buildings and equipment should be calculated in line with the proper accounting standards.

6.2 Personnel costs - Time sheets

Personnel costs should be substantiated by timesheets signed by the respective personnel and endorsed the person entrusted by the beneficiary to manage the research project. The timesheets should include an explanation of the work carried out and its relation to the project. The timesheets should highlight any specific tests being carried out and the results achieved.

6.3 Ineligible costs

Only cost items falling under the definitions provided in Section 5 shall be considered eligible and the inclusion of the following costs as part of any cost item should be deducted.

- a) Costs related to shipping of equipment, suppliers, materials etc;
 - b) Costs related to repair and maintenance of plant, equipment and buildings;
 - c) Tax including Value Added Tax (VAT) and other duties;
- and
- d) Bonuses, allowances, national insurance and other taxes, insurance payments and per diems shall not be considered eligible.

7. Applying for this incentive

7.1 General information

Application forms may be downloaded from the Corporation's website:

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

- a) to understand the objectives of the incentive;
- b) explain details relevant to this Incentive Guidelines; and/or
- c) to address any problems that might be encountered when completing their application.

A complete application must be submitted via email on r&d@maltaenterprise.com.

7.2 Application process

Applicants should submit the application form on which the Corporation will establish whether their intended project is a valid industrial Research or Experimental Development project in line with the parameters set in the Incentive Guidelines.

The proposal should include::

- a) a clear description of the project;
- b) the project start and end dates;
- c) the location or locations where the project is to be implemented;
- d) a detailed breakdown of the project costs;
- e) the project plan identifying key milestones;
- f) project deliverables; and
- g) a compelling reason justifying that the project if successful shall result in economic growth in terms of market positioning, investment and employment.

The Corporation will evaluate this submission and consequently establish the aid to be awarded. The Corporation will issue an Incentive Entitlement Certificate specifying the value of Cash Grant and/or Tax Credit awarded.

7.2.4 Eureka projects

Undertakings applying through the Eureka Programme are to submit the relevant Eureka applications which can be downloaded from www.maltaenterprise.com

Malta Enterprise will review the EUREKA application and consequently establish the aid to be awarded. Once the project is approved by the Malta Enterprise and the Eureka Secretariat, the Corporation will issue an Incentive Entitlement Certificate specifying the support awarded in line with these guidelines.

7.2.5 Eurostars Joint Programme projects

Undertakings applying through the Eurostars Joint Programme are to follow the application process described on the programme's website <http://www.eurostars-eureka.eu>. Once the project is approved by the European Commission, the applicant would be required to submit to Malta Enterprise the project costs and project details in order to request and have funding from Malta Enterprise. The Corporation will issue an Incentive Entitlement Certificate specifying the support awarded in line with these guidelines.

8. Evaluation and Entitlement of Aid

8.1 Evaluation and Entitlement

All R&D projects that are deemed to satisfy the definitions of Industrial Research or Experimental Development shall be supported within the parameters established in these Incentive Guidelines.

The Corporation will assign an annual budget for Cash Grants which will be allocated in relation to the expected regional economic return the project is expected to generate. The evaluation criteria will be based on the substantiated projections of the added value in terms of employment and investment that the project should generate.

8.2 Eureka and Eurostars Joint Programme:

Eureka and Eurostars Joint Programme have specific evaluation parameters and processes as provided for in Annex 1. Applications approved under the Eureka and Eurostars Joint Programme will be approved funding, subject to the availability of funds and in line with these Guidelines.

8.3 Notification of results

Applicants will be notified in writing of the outcome of their application.

Once an R&D project is approved, an Incentive Entitlement Certificate will be issued specifying the value and form of the aid awarded and including such terms and conditions as may be set by the Corporation.

8.4 Publication of results

Details of the undertaking, the value of the aid granted and other non-confidential details of successful applicants may be published by the Corporation and by other entities responsible for the monitoring of State Aid.

9. Claims

9.1 Requests for Reimbursement

Tax Credits and cash grants may be claimed through the submission of Annual Progress Reports and/or Final Report (see section 9.2). Following the submission of the report, the Corporation will review the documentation and establish the eligible value. Consequently for aid awarded as:

- a) Cash grants: the Corporation will reimburse the beneficiary as specified in these Guidelines and the Incentive Entitlement Certificate..
- b) Tax credits: the Corporation will issue a Tax Certificate confirming the value of tax credit awarded. The Tax Certificate may not be utilised to modify any tax return already submitted to the Inland Revenue Department.

9.2 Annual Progress Reports and Final Report

The beneficiary will be required to annually submit a progress report. A copy of the report should be kept by the beneficiary as it will be referred to during audit and monitoring visits. The report shall include the following documentation:

- a) A written review of the progress achieved and any unforeseen difficulties encountered.
- b) The original fiscal documents (either a fiscal invoice or a fiscal receipt with a copy of the invoice).
- c) Employment Contracts and payslips (signed by the respective employee) covering relevant periods.
- d) Time sheets showing the time the person(s) spent directly engaged on the research project. The timesheets should be signed by the personnel and the project manger and should contain details of the daily tasks undertaken in relation to the project.
- e) Documentation signed by the applicant and a certified accountant specifying of how the depreciation costs claimed were calculated;
- f) Documentation signed by the applicant and a certified accountant quantifying and qualifying how materials, supplies and similar products were utilised establishing the actual project cost incurred;

All reports should be submitted to R&D@maltaenterprise.com and according to the terms and conditions set out in the Incentive Guideline unless stated otherwise in the Incentive Entitlement Certificate issued by the Corporation.

Any required documentation not submitted with the annual progress or final reports may render the whole project or one or more cost items as ineligible. In this case any tax credits and cash grants already awarded will be recovered.

10. Other Conditions

10.1 Changes to Approved Assistance

Any modification to an approved project must be notified to the Corporation. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be submitted. The Corporation will evaluate the proposed amendments and will inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to any of the following:

- a) A change in the amount of aid and/or activities supported.
- b) A request for further information on the proposed changes.
- c) A recommendation to reconsider the proposed amendments.
- d) An approval of the proposed changes.
- e) A revocation or modification of the Incentive Entitlement Certificate.

Any changes not approved by the Corporation shall not be claimed and supported through this incentive.

10.2 Monitoring

Applicants will be subject to monitoring to ensure that the project is being or was implemented according to:

- a) These Incentive Guidelines.
- b) The terms and conditions set in the Incentive Entitlement Certificate issued by the Corporation.
- c) Commission Regulation (EU) No 651/2014 of 17 June 2014.

10.3 On-Site Verifications

The Corporation may carry out or commission third parties to carry out on-site checks during the implementation period or up to five years from completion of the project in order to verify the implementation of the project, its consistency with the submitted documentation and the actual works carried out. Such visits may also entail a review of the tax credit claimed in relation to the documentation held in the project file.

All documentation must be kept for at least ten (10) years from the date on which the aid is granted.

10.4 Sanctions and recovery of aid

The Corporation may revoke, amend or modify the Incentive Entitlement Certificate and apply penalties or request recovery of aid in the case of breach of these Guidelines or the conditions set down in the Incentive Entitlement Certificate.

10.5 Utilisation of Tax Credits

- a) No tax credit shall be due to an undertaking for a year of assessment unless it is claimed in the appropriate section of a tax return submitted by electronic means;
- b) Any tax credits awarded under this incentive shall not give rise to a right of any tax refund (not applicable to any tax overpaid).

11. State Aid Rules and Obligations

11.1 State Aid Regime:

The terms and conditions set out in these guidelines are in line with the [Commission Regulation \(EU\) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty](#).

The incentive is not applicable to the following:

- a. Activities listed down in Article 1 (2), (3), (4) and (5) of Commission Regulation No 651/2014 of 17 June 2014.
- b. Undertakings in difficulty defined in terms of the Commission Regulation (EU) No 651/2014 of 17 June 2014. Such firms are excluded from benefiting from assistance under this incentive.

Furthermore assistance may not be granted if the aid is:

- i. related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity;
- ii. a contingent upon the use of domestic in preference to imported goods.
- iii. in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market should be excluded from the scope of this Regulation,

Aid approved by the Corporation in terms of these Incentive Guidelines will be suspended until the undertaking has reimbursed old, unlawful and incompatible aid that is subject to a recovery.

11.5 Rules on cumulation of aid

Rule on cumulation of aid shall be in line with Article 8 of the Commission Regulation (EU) No 651/2014 of 17th June 2014.

Where Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union that is not directly or indirectly under the control of the Member State is combined with State aid, only the latter shall be considered for determining whether notification thresholds and maximum aid intensities or maximum aid amounts are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate laid down in the applicable rules of Union law.

Aid granted under this incentive may only be cumulated with other aid under any other incentive(s), or with other Community funding, in relation to the same item of expenditure as long as such cumulation does not exceed the gross aid intensity fixed by the most favourable intensity ceiling under the applicable rules. Aid awarded under these Incentive Guidelines shall not be cumulated with any *de minimis* aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding those laid down in these Incentive Guidelines.

12. Contact Details

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

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

Tel: 144

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

The official Incentive Guidelines are published at
<http://support.maltaenterprise.com/>

www.businessfirst.com.mt

Email: info@businessfirst.com.mt

ANNEX 1 (a) – EUREKA

A1.1 EUREKA

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 Malta Enterprise prior to project submission. Different member countries may have different support measures.

A1.2 EUREKA - Eligible Projects

For a project to be eligible for EUREKA endorsement it should:

- a. be cross-border, that is, the research and development activities should be carried out in at least two different countries⁸, one of them being Malta;
- b. comply with the definitions of Industrial Research or Experimental Development set in Section 3 of these guidelines;
- c. be approved by the EUREKA network or through the Eurostars joint Programme;
- d. be completed within thirty six (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.

A1.3 EUREKA - Project Evaluation

The EUREKA network has specific evaluation parameters and processes. Malta Enterprise as the National Project Co-ordinator will evaluate the project and the expected benefits that the applicant should achieve from participation and implementation. If the project is deemed to meet EUREKA requirements, Malta Enterprise will propose the project to the EUREKA network for

⁸ The countries are to be members of the EUREKA or the Eurostars Network depending upon the R&D initiative being considered.

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

For further information regarding the EUREKA network visit: www.eurekanetwork.org

ANNEX 1(b) – EUROSTARS

EUROSTARS is a joint initiative of the European Commission and the EUREKA network. The initiative has the purpose to provide funding for market-oriented research and development with the active participation of *research and development - performing small and medium-sized undertakings* (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 the information regarding the Eurostars Joint Programme visit: <http://www.eurostars-eureka.eu>.