

INCENTIVE GUIDELINES



Thematic:

SME Development

Regulation:

*Assistance to Small and Medium-Sized Undertakings
Regulations, 2008*

Title of Incentive:

**ERDF Innovation Actions Grant Scheme
(Innovation)**

Issue Date: 15th January 2010

Version: 1.3

www.20millionforindustry.com

<http://incentives.maltaenterprise.com>

CONTENTS

1.	Introduction	3
2.	Eligibility.....	4
3.	Incentive Description	5
4.	Evaluation and Assignment of Aid	7
5.	Further Information	9
6.	State Aid Rules and Obligations	10
7.	Contact Details.....	11

1. Introduction

1.1 Scope

Rapid advances in technologies and continuous changes in market demands require businesses to continually innovate. Businesses that are able to successfully exploit new ideas are likely to achieve better results in an increasingly competitive global environment.

This incentive seeks to help Small, and Medium-sized Enterprises (SMEs) meet today's business challenges by stimulating innovative processes, products and services and organisational innovations.

1.2 Duration of the incentive

This incentive will remain effective until 31st December 2013. Malta Enterprise may review, update and amend this Incentive Guideline.

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 to Small and Medium-Sized Undertakings Regulations, 2008 (L.N. 69 of 2008)*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive.

1.5 Designated Authority

This incentive is administered by Malta Enterprise.

2. Eligibility

2.1 Eligible Sectors

Small, and Medium-sized Enterprises (SMEs) are eligible for assistance under this incentive.

2.2 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" are not eligible under this scheme. Nevertheless commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest are eligible under this scheme.
- b. Assistance under this scheme will NOT be provided to undertakings engaged in:
 - the primary production of agricultural products:
 - i. Products listed in Annex I of the EC Treaty;
 - ii. Products falling under CN codes 4502, 4503 and 4504 (cork products);
 - iii. Products intended to imitate or substitute milk and milk products as referred to in Council Regulation No 1234/2007 of 22 October 2007;
 - the fisheries and aquaculture sector;
 - wholesale and retail trade; repair of motor vehicles and motorcycles (NACE Section G);
 - tourism activities:
 - i. Hotels and restaurants (NACE 55 and 56);
 - ii. Travel agency activities, Tour operator activities, other reservation services and related activities (NACE 79);
 - iii. Creative, arts and entertainment activities (NACE 90);
 - iv. Libraries, archives, museums and other cultural activities (NACE 91);
 - v. Sports activities, and amusement and recreation activities (NACE 93);
 - the coal industry;
 - the steel industry;
 - the gaming industry;
 - shipbuilding;
 - financial and insurance activities (NACE Section K);
 - the synthetic fibres sector.
- c. 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).

3. Incentive Description

3.1 Details of Incentive

This incentive will provide cash grants to SMEs by part-financing costs incurred for investment projects leading to:

- i. **Product or Service Innovation** – The development of a new or significantly improved product or service which provides customers with an improved product or service.
- ii. **Process Innovation** – The implementation/adoption of new or significantly improved production or delivery methods.
- iii. **Organisational Innovation** – The implementation of new organisational methods in the undertaking's business practices, workplace organisation or external relations.

3.2 Eligible costs and the applicable aid intensity

The aid intensity for projects supported under this incentive is set as a percentage of the eligible costs incurred in relation to the items of expenditure mentioned below. The applicable percentage of aid is:

- a) 50% of eligible costs in the case of Small Enterprises;
- b) 40% of eligible costs in the case of Medium-sized Enterprises;
- c) 30% of eligible costs in the case of SMEs active in the transport sector (in line with the General Block Exemption Regulation).

Projects benefiting from this incentive should be completed within 24 months. For an application to be considered for co-funding, the project value (based on eligible expenses) must be at least **Euro 50,000**. The resultant minimum and maximum grant values are provided below.

Enterprise Size	Co-financing rate	Maximum grant	<i>Minimum grant based on a project value of Euro 50,000</i>
Small Enterprises	50%	Euro 125,000	Euro 25,000
Medium-sized Enterprise	40%	Euro 100,000	Euro 20,000
SME active in the transport sector	30%	Euro 75,000	Euro 15,000

The eligible costs must fall within the classifications set below:

(A) Sub-contracted services acquired for implementing an Innovation Management Technique (IMT)

The implementation of an Innovation Management Technique should provide a framework for supporting the process of innovation. Such framework could address various aspects including knowledge management, market intelligence, creativity development, process improvement and design management. This framework should be clearly documented and maintained. It is also expected that an enterprise will have resources dedicated to ensuring that the IMT framework is maintained.

The IMT framework may take various forms such as:

- a. quality management systems;
- b. structured technology watch and audits;
- c. intellectual property / technology transfer management systems;
- d. business process management; and
- e. benchmarking.

(B) Investment costs in tangible and intangible assets

Investment costs related to tangible and intangible assets shall be eligible. Such investment should result in:

- i. the diversification of output of the enterprises;
- ii. a fundamental change in the overall production process.

3.3 Additional Provisions

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

- i. Tangible assets shall include plant, machinery and equipment.
- ii. Intangible assets means assets acquired in relation to the transfer of technology and may include the acquisition of patent rights, licences, know-how or unpatented technical knowledge.
- iii. All assets including 'Intangible assets' must be included in the Capital Assets Register.
- iv. Investments in second hand equipment are not eligible.
- v. Costs incurred for replacing existing equipment are not considered eligible.
- vi. Costs related to the generation of energy through renewable energy sources and energy saving measures are not eligible.
- vii. All funding will be based on reimbursement of eligible costs.
- viii. All funding must be on costs incurred by the applicant after the aid is granted.
- ix. 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.

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:

1. The application should be complete. That is:
 - a. all fields on the form must be filled in with the relevant details;
 - b. all requested annexes must be attached to the application form.
2. The application fits with the focus area(s) of the aid scheme as defined in Section 3 (*Incentive Description*).
3. The applicant has honoured / rectified any obligations or conditions set by Malta Enterprise with respect to previous granted support.
4. The application/applicant must be within State Aid parameters as outlined in Section 6 (*State Aid Rules and Obligations*).
5. The applicant must comply with the laws pertaining to the intervention(s) being proposed for funding.
6. The applicant must be in-line with the criteria in Section 2 (*Eligibility*).

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

4.2 Preliminary Evaluation (35%)

1. **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.
2. **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.
3. **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 (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** – The innovative nature of the project with regards to the potential to develop new products, processes and services will be assessed.
 - iii. **Operational Programme I Indicators¹** – The degree to which the project contributes to increasing the number of SMEs launching new or improved product or processes.
 - 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 participation of females, 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.

¹ 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.

This Incentive Guideline is 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:
 - Commission 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>]
 - Commission 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>]
 - Commission 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 *Applicable State Aid*

This Incentive Guideline is 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).

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

6.2 *Cumulation*

Any aid granted through this Incentive shall not be cumulated with any other aid exempted under this Regulation or de minimis aid fulfilling the conditions laid down in Commission Regulation (EC) No. 1998/2006 (1) or with other Community funding in relation to the same - partly or fully overlapping - eligible costs if such cumulation would result in exceeding the highest aid intensity or aid amount applicable to this aid under Commission Regulation (EC) No. 800/2008 of 6 August 2008 (General Block Exemption Regulation).

Full rules on cumulation can be found in Article 7 of Commission Regulation (EC) No. 800/2008 of 6 August 2008.

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
Enterprise Centre
Industrial Estate
San Gwann
SGN 3000
Malta

Tel: +356 2542 2020

Websites: <http://www.20millionforindustry.com>
(The official Incentive Guideline is published at <http://incentives.maltaenterprise.com/>)

Email: info@20millionforindustry.com