



Incentive Development Unit

MALTA ENTERPRISE ACT

INCENTIVE GUIDELINES

Thematic:	Enterprise Support Incentive.
Regulation:	Enterprise Support Incentives Regulations 2007
Title of Incentive:	Enterprise Network Support Scheme <i>(Assistance for collaboration with other undertakings.)</i>

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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 2013.

1.3 Legal Basis

These Guidelines are issued pursuant to the vires granted to Malta Enterprise under Article 8(3)(a) of the Malta Enterprise Act.

The Legal Notice entitled 'Enterprise Support Incentives Regulations' provides the parameters of the aid awarded under this scheme.

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:

- i. focus on manufacturing, ICT, biotechnology, R&D or other innovative or high value adding activities;
- ii. 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 *linked*¹ 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:

- i. actions that facilitate the exchange of information;
- ii. the development of shared services;
- iii. capacity building and training;
- iv. establishing and improving standards;
- v. promoting and supporting Research and Development and Innovation;
- vi. quality management;
- vii. various other actions providing a common benefit to the member enterprises.

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:

- i. accept and process membership applications;
- ii. ensure *democratic* leadership.

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

- has a majority of the shareholders' or members' voting rights in another enterprise in the network,
- 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,
- 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,
- 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

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 Euro100 per person covering two persons for:

- 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 Euro100 per person covering two persons for a maximum of 3 days for each approved business trip.

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.

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:

- will provide added value to the member enterprises;
- will support the development of internal capacities in the member enterprises;
- 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. Further Information

- i. These guidelines are pursuant to the 'De Minimis Rule' as defined in *Commission Regulation (EC) No. 1998/2006 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid.*

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

- ii. This table provides a summary of the aid available under this incentive

	Business Networks	Development Networks
Network size	<ul style="list-style-type: none">▪ At least 3 enterprises that are not linked.▪ Not more than 10 enterprises	At least 10 member 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.

6 State Aid Rules and Obligations

6.1 Applicable State Aid

Network development aid falls under the *Commission Regulation (EC) No. 1998/2006 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid*. The *de minimis* allowance for SME's is of Euro200,000 over a rolling 3 year period. More details on State Aid Cumulation may be found in section 8.2 below.

6.1.1 De minimis Aid

In terms of *Commission Regulation (EC) No. 1998/2006 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid*, an enterprise may receive a total amount of aid up to Euro 200,000 of *de minimis* aid over a rolling three fiscal year period. This maximum threshold includes all aid granted as *de minimis* aid from Malta Enterprise as well as from any body other than Malta Enterprise. Potentially any assistance from a public body may constitute State aid. Any *de minimis* aid received in excess of the Euro200,000 threshold will have to be recuperated, with interest, from the enterprise receiving the aid.

The *de minimis* regulation will **NOT** apply to the following:

1. Aid granted to undertakings active in the fishery and aquaculture sectors as covered by Council Regulation (EC) No. 104/2000;
2. Aid granted to undertakings active in the primary production of agricultural products as listed in Annex 1 to the Treaty;
3. Aid granted to undertakings active in the processing and marketing of agricultural products as listed in Annex 1 to the Treaty, in the following cases:
 - When 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;
 - When the aid is conditional on being partly or entirely passed on to primary producers;
4. 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;
5. Aid contingent upon the use of domestic over imported goods;
6. Aid granted to undertakings in difficulty.

6.2 Cumulation

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 this Guideline.

De minimis aid shall not be cumulated with State aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption regulation or decision adopted by the European commission.

7. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application forms may be obtained by contacting Malta Enterprise during office hours.

Postal Address: Relationship Management
Malta Enterprise
Enterprise Centre
Industrial Estate
San Gwann (SGN 3000)
Malta

Tel: +356 2542 0000

Fax: +356 2542 3401

Websites: www.maltaenterprise.com
incentives.maltaenterprise.com

Email: customer.relations@maltaenterprise.com

Annex 1 – Application Process

1. Enterprises should download the relevant 'Instructions to Applicants' and/or Application forms from the Malta Enterprise website: incentives.maltaenterprise.com.
2. Scheme administered through competitive calls
 - a. Incentives managed through a competitive call are based on a fixed budget and timeframe. Requests for assistance through these incentives will be evaluated and ranked. Once ranked, the top ranking applicants will be offered support through these incentives.
 - b. When an incentive is managed through a competitive call, Malta Enterprise will publish the call text in the local press. The call will be closed after circa 6 weeks from the first date of publication of the call text. Enterprises will be required to submit the relevant application form(s) and any other required documentation within this period. The call will also provide details on:
 - i. how to obtain application forms;
 - ii. how questions and queries related to the call can be addressed;
 - iii. any support available to sustain enterprises in compiling the required data.
 - c. Application forms for competitive calls must be deposited in the tender box bearing the name of the incentive.

3. Other Schemes

The complete application as describe in the 'Instructions to Applicants' document must be submitted to Malta Enterprise either by hand in a sealed envelope or through registered post. The application should be addressed to:

Relationship Management
Malta Enterprise
Enterprise Centre,
Industrial Estate,
San Gwann SGN 3000

4. It is recommended that potential applicants contact Malta Enterprise prior to submitting their application. Malta enterprise staff will support prospective applicants:
 - to understand the objectives of the incentive;
 - by explaining details relevant to this guideline document;
 - to address any problems they might encounter when completing their application.

Annex 2 – Claims

1. Any claims for co-funding must be based on the reimbursement of eligible costs.
2. All undertaking shall be expected to submit claims in line with the terms of the Incentive Entitlement Certificate.
3. Once the incentive is approved, claims for reimbursement shall be submitted at intervals as stipulated in the Incentive Entitlement Certificate.
4. All claims must be made on the claim form which will be made available by Malta Enterprise
5. A claim made for reimbursement must be accompanied by the following information:
 - a. An original VAT invoice and a receipt (an original fiscal receipt unless a VAT invoice is presented together with a copy of the invoice);
 - b. Proof of payment of the invoice. (In the case of foreign payments the original proof of payment is required);
 - c. Copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
 - d. Where applicable written justification covering claims related to services / products where supplier / provider is different to that indicated in the application form;
 - e. Supporting documentation such as studies (where applicable);
 - f. In the case of Personnel costs (where applicable) the enterprises must back these claims through the official Final Settlement System FSS forms and time sheets where applicable.
6. Any reports (technical or otherwise) submitted to substantiate the claim should be cleared for confidentiality with any third parties before submission to Malta Enterprise.
7. Claims should be presented as net of VAT since VAT is not eligible for co-financing.
8. Payments will only be issued after invoices, reports and any other requested documentation is submitted to and approved by Malta Enterprise.
9. If the final eligible expenditure accounted for is less than the eligible costs budgeted for, the amount to be co-financed will be reduced pro rata and will be in line with the approved percentage(s) of co-financing.
10. In the event that the project does not reach the targets set in the Incentive Entitlement Certificate relevant to the aid granted, Malta Enterprise may recall any funds already distributed to the beneficiary.

Annex 3 – General Rules and Conditions

1) Amendments to Approved Assistance

Any amendments to an approved project must be timely notified to Malta Enterprise. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be presented. Malta Enterprise will evaluate the proposed amendments and will within 6 weeks inform the applicant in writing of the outcome pursuant to the evaluation. The outcome of such evaluation may lead to any of the following:

- i. A change in the amount of aid and/or activities supported.
- ii. A request for further information on the proposed changes.
- iii. A recommendation to reconsider the proposed amendments.
- iv. An approval of the proposed changes.
- v. A revocation or modification of the Incentive Entitlement Certificate if the proposed amendments are not in line with the scope, terms and conditions of the scheme.

Failure to notify Malta Enterprise of any changes to the project as approved may result in Malta Enterprise revoking the Incentive Entitlement Certificate and claiming back any support received by the beneficiary.

2) Monitoring

Successful applicants will be subject to monitoring to ensure that the project is moving according to:

- i. the milestone schedule (if applicable);
- ii. the Incentive Entitlement Certificate;
- iii. this Guideline and the Regulation relevant to the incentive;
- iv. any applicable state aid obligations and regulations;
- v. any publicity obligations.

Monitoring visits will also ensure that all documentation is kept at the enterprise end.

3) On-Site Visits

Malta Enterprise and other relative authorities may undertake a number of random on site checks to verify documentation submitted and the implementation. Site visit may entail assessing:

- i. any required publicity obligations;
- ii. originals / copies of the relevant administrative and financial documentation, are in line with the requirements set in the Incentive Entitlement Certificate and any relevant regulation cited in or annexed to the Incentive Entitlement Certificate.

4) Sanctions and recovery of aid

In terms of Part VII and Part VIII of the Malta Enterprise Act, Chapter 463 for the Laws of Malta, Malta Enterprise 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 and any relevant regulations.

5) General Ineligible expenditure

Any item of expenditure not aligned to the rationale of this measure will be deemed as ineligible. The following is an inexhaustive list of such ineligible costs:

- i. cost incurred for the purchase of second hand equipment;
- ii. costs incurred prior to signature date of Incentive Entitlement Certificate;
- iii. overheads allocated or apportioned at rates materially in excess of those used for any similar work carried out by the applicant or above market prices;
- iv. contingencies and/or losses made by the applicant;
- v. the payment of dividends, royalty and interest charges;
- vi. service charges arising on finance leases, hire purchase and credit arrangements;
- vii. cost resulting from the deferral of payments to creditors;
- viii. costs involved in winding up a company;
- ix. cost related to litigation including any resulting claims for damages or fines;
 - x. insurance and indemnity costs;
 - xi. bad debts;
 - xii. payments for gifts and donations;
 - xiii. entertainment (including catering, receptions etc.);
 - xiv. tax (VAT, Income tax);
 - xv. statutory fines and penalties.