



Incentive Development Unit

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# MALTA ENTERPRISE ACT

## INCENTIVE GUIDELINES

**Thematic:** SME Development

**Regulation** Assistance to Small and Medium-Sized Undertakings

**Title of** Exploratory Award

**Incentive:** *(Assistance in the preparation and submission of proposal for participation in projects funded by the FP7 or CIP)*

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## CONTENTS

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CONTENTS .....	2
1. Introduction.....	3
2. Eligibility .....	3
3. Incentive Description .....	4
4. Evaluation and Assignment of Aid.....	5
5 Further Information.....	6
6 State Aid Rules and Obligations.....	7
7. Contact Details .....	8
Annex 1 Application Process	
Annex 2 Claims	
Annex 3 General Rules and Conditions	

## ABBREVIATIONS

EC	European Commission
EU	European Union
FP7	Seventh Research Framework Programme
IPR	Intellectual Property Rights
LOI	Letter of Intent
MCST	Malta Council for Science and Technology
ME	Malta Enterprise
R&D	Research and Development
RM	Relationship Management
SME	Micro, Small and Medium-Sized Enterprises

# 1. Introduction

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## 1.1 Scope and Background

Micro, small and medium-sized enterprises (SMEs) are socially and economically important to the European Union (EU) as they represent 99% of all enterprises and provide around 65 million jobs. SMEs also contribute to entrepreneurship and innovation. However, they face particular difficulties which the EU and national legislation try to redress by granting various advantages to SMEs.

The EU provides support to SMEs through a number of programmes. The thematic funding opportunities provided by the EU, target specific objectives such as research and innovation. SMEs or other organisations can usually apply directly for the programmes, generally on condition that they present sustainable, value-added and trans-national projects.

The objective of this scheme is to support SMEs that are prepared to participate in EU funded programmes issued by the EU Commission.

The objectives of the scheme are to:

1. Increase the participation of enterprises in EU funded projects;
2. Increase the R&D and innovation linkages between enterprises.
3. Encourage firms to collaborate with other research performers within the EU and Third Country Partners.

## 1.2 Duration of the scheme.

This scheme will run until 31<sup>st</sup> 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 'Assistance to Small and Medium-Sized Undertakings Regulations' provides the parameters of the aid awarded under this scheme.

## 1.4 Designated Authority

This incentive is administered by Malta Enterprise.

# 2. Eligibility

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Enterprises engaged in the following activities as defined in the Legal Notice on Assistance to Small and Medium-Sized Undertakings will be eligible for this incentive.

- i. Manufacturing;
- ii. Maintenance, Repair and Overhaul (M.R.O.) of: equipment, engines, plant and machinery, pleasure crafts and yachts, heavy equipment, aircraft;
- iii. Rendering of industrial services directly related to (i) and (ii) above;
- iv. ICT development activities, software development, and ICT enabled services but excluding enterprises engaged in gaming and telecommunications;
- v. R&D and Innovation;
- vi. Waste Treatment, Environmental solutions and eco-innovations.

- vii. Biotechnology
- viii. Other start-up enterprises proposing innovative products, services and process development, which are typically more advanced than those prevailing in their respective industry, in terms of technology, know-how and skills, shall be considered for aid under this incentive.

**NB:**

- Interpretation of eligible activities is in line with the criteria set in the Investment Aid Guidelines
- Enterprises controlled or owned by government are not eligible for this incentive.

### **3. Incentive Description**

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Under this scheme, cash grants will be awarded to Maltese enterprises to assist in the preparation and submission of proposals for participation in the European Union's programmes, particularly the Framework Programme 7 (FP7) and the Competitiveness and Innovation Programme (CIP).

Under this incentive undertakings can benefit from a maximum of Euro10,000 in one calendar year

#### **3.1 Details of Incentive**

This incentive is designed to provide support for enterprises for the preparation and submission of proposals particularly for FP7, and CIP programmes. Activities to be assisted under this measure include:

- i. Feasibility check (desk studies, literature survey, risk analysis, etc. to determine if the project is achievable);
- ii. Research and Development work for the compilation of the EU Project.
- iii. Market analysis to assess possible exploitation;
- iv. Novelty verification (including a world-wide patent search);
- v. Search for partners together with consortium-building activities and call info days;
- vi. Preparatory meetings with potential partners for the EU Project;
- vii. Detailed EU project planning
- viii. EU Proposal Writing

Each project funded under this scheme should not exceed 12 months to complete.

#### **3.2 Actions and eligible costs under this incentive and the applicable aid intensity.**

Approved projects may benefit from a cash grant of up to Euro10,000 which can be claimed against expenses listed below.

##### **(A) Personnel Costs (up to 60% of costs)**

The costs of the scientific and administrative personnel directly employed by the SME and assigned wholly or partially in developing the required proposal as long as:

- i. At least one key person working on the project proposal has a first degree qualification or equivalent.
- ii. The number of hours claimed must not exceed 150hours unless the applicant will be the lead partner in the proposed FP7 or CIP project.

**(B) Procurement of technical consultancy services from external experts (up to 60% of costs)**

Technical consultancy services that are acquired from external consultants and that are directly related to the development of the project proposal. **Consultancy services should be pre-approved in writing by Malta Enterprise** and the grant value may not exceed Euro5,000.

**(C) Travel and Per Diem**

**(i) Travel (up to 60% of Costs)**

A maximum of two trips for meeting potential partners or for participating in information seminars or related events will be supported. The beneficiary should demonstrate that any travel will support the enterprise in the preparation of the project proposal. For each trip enterprises may claim the expenses of two persons that are directly related to the development of the project proposal.

**Note:**

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

**(ii) Per Diem**

Beneficiaries shall be entitled to claim a per diem of up to Euro100 covering a maximum of 3 days for each approved trip under (i) above.

**(iii) Capping**

The maximum total grant in relation to travel costs and per diem is capped at Euro2,000 per supported project.

## **4. Evaluation and Assignment of Aid**

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Aid under this incentive is subject to pre-approval by Malta Enterprise and is awarded at the discretion of Malta Enterprise.

All complete applications that meet the terms and conditions of participation will be assessed by Malta Enterprise. Approval is subject to an evaluation process which will focus on the following evaluation criteria:

**I. Quality**

- ✓ Sound concept and quality of objectives in relation to the topics addressed by the call.
- ✓ Objectives are achievable
- ✓ Contribution to innovation / advancement of knowledge / technological progress
- ✓ The core business activities in relation to the topics addressed by the call.

**II. Implementation**

- ✓ Quality and relevant experience of the personnel
- ✓ Quality of partners chosen
- ✓ Effectiveness of methodology

### III. Impact

- ✓ Contribution at a national/European level to the expected impacts listed in the work programme under the relevant call for proposals
- ✓ The expected long term impact as a result of participating in the project

### IV. Value of Money requested

## 4.1 Notification of results

Successful applicants will be notified in writing of the outcome of their application. 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 ME Act.

## 5 Further Information

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For the full definition of SME, see the “Official Journal of the European Union (L124/36) dated 20<sup>th</sup> May 2003 – Commission Recommendation of 6<sup>th</sup> May 2003 concerning the definition of micro, small and medium-sized enterprise”. [\[link\]](#)

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*. [\[link\]](#)

### 5.1 Business Advisory Services

Malta Enterprise may recommend the use of a Business Advisor to support you in this project. Through *Business Advisory Services*, Malta Enterprise will provide you with advice and assistance in writing proposals for EU Programmes, market research, market analysis, technical feasibility and legal advice.  
(Please refer to the *Business Advisory Services* scheme for further details.)

### 5.2 European Support programmes

The Malta Enterprise Exploratory Award can be used for a number of EU programmes such as the FP7 and CIP:

- The **7th Framework Programme** (FP7) for research and technological development pays special attention to the SME's through its different programmes. Its main priority is to promote world-class research and scientific excellence. SME's can benefit mainly through the following programmes: Cooperation, Capacities and People. Further information about these programmes may be found on CORDIS [http://cordis.europa.eu/fp7/home\\_en.html](http://cordis.europa.eu/fp7/home_en.html) or through the National Contact point - MCST [www.mcst.gov.mt](http://www.mcst.gov.mt)
- The **Competitiveness Innovation Programme** (CIP) focuses on all innovation-related Community Programmes. This programme has a number of objectives amongst which to promote the competitiveness of enterprises, in particular SME's; foster all forms of innovation; and improve and speed up the development of a sustainable, competitive, inventive and comprehensive Information Society. The programmes supported through this fund are: Entrepreneurship and Innovation (EIP); Information Communication Technologies Policy support programme (ICT PSP); and Intelligent Energy Europe (IEE). Further information, including the relevant National Contact Points may be found on [http://ec.europa.eu/cip/index\\_en.htm](http://ec.europa.eu/cip/index_en.htm)

## 6 State Aid Rules and Obligations

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### 6.1 Applicable State Aid

The exploratory award 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* [\[link\]](#). The *de minimis* allowance for SME's is of Euro 200,000 over a rolling 3 year period. More details of the State Aid Cumulation may be found in section 8.2 below.

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 Euro 200,000 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

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Further information on the scheme, as well as information and guidance on the filling in of the application form can be obtained by contacting Malta Enterprise on:

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

Tel:                        +356 2542 0000

Fax:                        +356 2542 3401

Websites:                [www.maltaenterprise.com](http://www.maltaenterprise.com)

Email:                     [customer.relations@maltaenterprise.com](mailto:customer.relations@maltaenterprise.com)

## Annex 1 – Application Process

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1. Enterprises should download the relevant 'Instructions to Applicants' and/or Application forms from the Malta Enterprise website: [incentives.maltaenterprise.com](http://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 an problems they might encounter when completing their application.

## Annex 2 – Claims

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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**

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### **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.