

## INCENTIVE GUIDELINES



*Thematic:*

Research, Development and Innovation

*Regulation:*

*Assistance for Research and Development and Innovation Regulations, 2009*

*Title of Incentive:*

### **Innovative Clusters**

*This incentive forms part of a group of R&D&I incentives under the measure entitled Assistance for Research and Development and Innovation State aid No N 604/2007.*

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

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# **1. Introduction**

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## **1.1 Scope**

Clusters involve groupings of competing, collaborating and interdependent companies and institutions that are connected by a system of market and non-market links. Participants in a cluster have a long term commitment to address general business objectives that should result in overall growth, development and increased competitiveness of the entire group. Clusters should be managed by one or more key players that champion the development of the other members in the cluster or by a specific entity set-up by the cluster members so as to coordinate and manage their activities.

The objective of this scheme is to support formal collaboration between enterprises by assisting in the setting-up, expansion and animation of innovation clusters. The aid will be provided exclusively to the enterprises operating the cluster which must have the sole purpose of promoting Industrial Research and Experimental Development.

## **1.2 Duration of the incentive**

These *Incentive Guidelines* will remain active until 31st December, 2013. Malta Enterprise may 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*.

The Legal Notice entitled *Assistance for Research and Development and Innovation Regulations, 2009*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive.

## **1.4 Designated Authority**

This incentive is administered by Malta Enterprise.

## 2. Eligibility

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Any Undertakings setting-up or operating a innovation cluster made up of a mixture of SMEs and large undertakings, with the aim of carrying out or promoting *Industrial Research* and *Experimental Development* activities may apply for aid under this incentive.

Where an “**Innovation cluster**” means groupings of *independent undertakings*<sup>1</sup> -

- Innovative start-ups;
- Small, Medium and Large undertakings;
- Research organisations.

Operating in a particular sector and region and designed to stimulate innovative activity by promoting intensive interactions, sharing of facilities, and exchange of knowledge and expertise and by contributing effectively to technology transfer, networking and information dissemination among the undertakings in the cluster.

The undertaking must be a legal entity in charge of managing the participation and access to the cluster’s premises, facilities and activities.

This incentive is **NOT** available to:

- i. Firms in difficulty in terms of *Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty, Official Journal C244, 01.10.2004*;
- ii. Enterprises controlled or owned by government.

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<sup>1</sup> An undertaking is considered as independent if no more than 25% of its capital or voting rights are owned or controlled by another undertaking.

## 3. Incentive Description

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### 3.1 Details of Incentive

Through this incentive, cash grants may be allocated to part-finance investment and operating costs incurred by an undertaking in the setting, expansion and animation of an Innovation Cluster.

### 3.2 Definitions

The following definitions shall apply:

**1) 'Industrial Research'** means 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 of complex systems, which is necessary for the industrial research, notably for generic technology validation, to the exclusion of prototypes as covered by 'experimental development' (see below);

**2) 'Experimental Development'** means acquiring, combining, shaping and using of existing scientific, technological, business and other relevant knowledge and skills for the purpose of producing plans and arrangements or designs for new, altered or improved products, processes or services. These may also include, for example, other activities aiming at the conceptual definition, planning and documentation of new products, processes and services. The activities may comprise producing drafts, drawings, plans and other documentation, provided that they are not intended for commercial use.

The development of commercially usable prototypes and pilot projects is also included where the prototype is necessarily the final commercial product and where it is too expensive to produce for it to be used only for demonstration and validation purposes. In case of a subsequent commercial use of demonstration or pilot projects, any revenue generated from such use must be deducted from the eligible costs.

The experimental production and testing of products, processes and services are also eligible, provided that these cannot be used or transformed to be used in industrial applications or commercially.

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

**4)** For the full **definition of SME**, refer to *Annex I of 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>

### **3.3 Eligible costs and the applicable aid intensity**

**The total aid for any project may not exceed Euro 350,000 over a period of 5 years.** The undertaking receiving assistance shall be a legal entity in charge of managing the participation and access to the cluster's premises, facilities and activities. Aid may be provided only to such undertaking setting up or operating the innovation cluster in relation to:

#### **3.3.1 Investment aid**

Investment costs related to land, buildings, machinery and equipment may be part financed if such costs are incurred for:

- a) Facilities for a training and research centre;
- b) Research infrastructures, such as laboratories, testing facilities;
- c) Broadband network infrastructures.

**The maximum grant value for Investment Aid is of Euro 200,000 per cluster with a maximum aid intensity of 30%.**

Note:

Access to the cluster's premises, facilities and activities must not be restricted and the fees charged for using the cluster's facilities and for participating in the cluster's activities should reflect such costs.

#### **3.3.2 Operating aid for cluster animation**

Part-financing may be granted on operating expenses (personnel and administrative costs) incurred in relation to:

- a) Marketing to recruit new enterprises to take part in the cluster;
- b) Management of the cluster's facilities;
- c) Organisation of training programmes, workshops and conferences to support knowledge sharing and networking between the members of the cluster.

Operating aid shall be:

- i. temporary and shall not exceed 5 years;
- ii. digressive, that is, falling linearly to 0% by the end of the 5<sup>th</sup> year, or up to 50% of the eligible costs over the 5 years.

**The maximum grant value in relation to operating costs is of Euro 150,000 per cluster (Euro 30,000 per annum).**

## 4. Application Process

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Instructions to applicants and application forms may be downloaded from the Malta Enterprise website: <http://incentives.maltaenterprise.com>.

The applicant must provide a detailed report - **Cluster Justification Study**. The study should contain an analysis of the technological specialisation of the innovation cluster, existing regional potential, existing research capacity, presence of clusters in the Community with similar purposes and the potential market volumes of the activities in the cluster.

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

- i. to understand the objectives of the incentive;
- ii. by explaining details relevant to this guideline document;
- iii. to address any problems that might be encountered when completing the application.

The complete application as described must be submitted to Malta Enterprise either by hand in a sealed envelope or by registered post. The application must be addressed to:

Innovative Clusters  
Malta Enterprise  
Enterprise Centre,  
Industrial Estate  
San Gwann  
SGN 3000

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

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Malta Enterprise will assign an annual budget for the scheme which will be allocated to successfully evaluated projects in accordance to the order they were submitted.

Aid under this incentive is:

- i. subject to pre-approval
- ii. subject to available budgets;
- iii. provided at the discretion of Malta Enterprise.

### **5.1 Evaluation**

All applications, meeting the terms and conditions set in these guidelines will be assessed by Malta Enterprise. The main evaluation criteria will be based on the Industrial Research & Experimental Development content and the sustainability of the project to add value in terms of turnover, employment and investments. Additionally each application will be reviewed on the:

- i. strategic importance and potential of cluster;
- ii. technological specialisation of cluster;
- iii. degree of innovation;
- iv. milestones and deliverables of the cluster;
- v. research capacity of Cluster;
- vi. impact on Employment;

### **5.2 Assignment of Aid**

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

Once a project is approved, a Letter of Intent (or Approval) will be issued and will include such terms and conditions as may be set by the Corporation.

Names, the value of the aid granted and other non-confidential details of successful applicants may be published by Malta Enterprise.

## 6. Claims

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An enterprise shall claim any cash grants according to the terms and conditions set out in the *Letter of Approval* issued by Malta Enterprise.

Enterprises benefiting from this incentive will be required to maintain separate accounting information in relation to all costs incurred for the project. Claims for co-funding must be based on the reimbursement of eligible costs and may be submitted annually and at the end of the research project.

### 6.1 Required documentation

All claims must be submitted on the claim form which will be made available by Malta Enterprise. The beneficiary must ensure that the following documentation is submitted along with any other requirement set out in the *Letter of Approval*:

1. 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. Copies of the encashed cheques or original bank advice documents showing all payments effected in relation to the claimed costs.
  - c. In the case of personnel costs the beneficiary must back these claims through the official Final Settlement System FSS forms and time sheets showing the time the person(s) spent directly engaged on the project.
2. Any reports (technical or otherwise) submitted to Malta Enterprise should be cleared for confidentiality.
3. Claims should be presented as net of VAT (since VAT is NOT an eligible cost).

### 6.2 Grant Payments

Malta Enterprise will only process claims after invoices, reports and any other requested documentation is submitted to Malta Enterprise is checked and approved.

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.

In the event that the project does not reach the targets set in the *Letter of Approval*, Malta Enterprise may recover any funds already distributed to the beneficiary.

## 7 State Aid Rules and Obligations

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### 7.1 State Aid Regime:

The terms and conditions set out in these guidelines are in line with the *Community Framework for State Aid for Research and Development and Innovation OJ C 323 of 30.12.2006* (R&D&I Framework).

[[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c\\_323/c\\_32320061230en00010026.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/c_323/c_32320061230en00010026.pdf)]

This incentive forms part of a group of R&D&I incentives under the measure entitled *Assistance for Research and Development and Innovation State aid No N 604/2007*.

### 7.2 Cumulation

The aid ceilings fixed under the *R&D&I Framework* shall apply regardless of whether the support for the aided project is financed entirely from State resources or is partly financed by the Community, except in the specific and limited context of the conditions established for Community funding under the RTD Framework Programmes, adopted respectively in accordance with *Title XVIII of the EC Treaty or Title II of the Euratom Treaty*.

Where the expenditure eligible for aid for R&D&I is eligible in whole or in part for aid for other purposes, the common portion will be subject to the most favourable ceiling under the applicable rules. This limitation does not apply to aid granted in accordance with the Community guidelines on State aid to promote risk capital investments in SME<sup>2</sup>.

Aid for R&D&I shall not be cumulated with *de minimis* support in respect of the same eligible expenses in order to circumvent the maximum aid intensities laid down in this *R&D&I Framework*.

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<sup>2</sup> OJ C 194, 18.8.2006, p. 2.

## **8. Other Conditions**

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### **8.1 Changes to Approved Assistance**

Any modification to an approved project must be immediately notified to Malta Enterprise. A written request describing the proposed changes and including comprehensive arguments justifying the changes must be submitted. Malta Enterprise 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:

- 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 *Letter of Approval*.

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

### **8.2 Monitoring**

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

- i. the terms and conditions of the *Letter of Approval*;
- ii. these Incentive Guidelines and Assistance for R&D&I Regulations 2009;
- iii. any applicable state aid obligations and regulations.

### **8.3 On-Site Visits**

Malta Enterprise may undertake on-site checks during the implementation period in order to verify the implementation of the agreed actions is consistent with the submitted documentation, and the *Letter of Approval* issued by the corporation .

### **8.4 Sanctions and recovery of aid**

Malta Enterprise may revoke, amend or modify the *Letter of Approval* and apply penalties or request recovery of aid in the case of breach of these Incentive Guidelines or the conditions set down in the *Letter of Approval*.

## 9. Contact Details

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Further information on the scheme, as well as information and guidance on the filling in the application forms 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 0000

Fax: +356 2542 3401

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

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