

INCENTIVE GUIDELINES



Thematic:

Research, Development and Innovation

Regulation:

Assistance for Research and Development and Innovation Regulations, 2009

Title of Incentive:

**Loan of Highly Qualified Personnel Scheme
(Knowledge Transfer Scheme)**

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://incentives.maltaenterprise.com>

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1. Introduction

1.1 Scope

This initiative is designed to help Small and Medium-sized Enterprises (SMEs) meet today's business challenges by further stimulating their company's Research and Development and Innovation performance through the temporary engagement of specialised personnel.

Access to knowledge is one of the limitations encountered by SMEs. Such enterprises usually lack the resources and attractiveness of larger enterprises to contract highly qualified personnel. This Research & Development and Innovation (R&D&I) initiative is designed to help SMEs in temporarily engaging highly qualified personnel to work on R&D&I projects within the SME. In this way, SMEs can benefit from knowledge transfer and increased innovation capabilities.

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

2.1 Eligible Enterprises

Small and Medium Sized Enterprises that intend to carry out an Industrial Research and Experimental Development project may apply for assistance under this incentive.

2.2 Exclusions

Assistance under the incentive cannot be granted to:

- a. firms in difficulty in the meaning of the *Community Guidelines on State Aid for rescuing and restructuring firms in difficulty, Official Journal C244, 01.10.2004.*
- b. non-profit making undertakings.
- c. enterprises controlled or owned by Government

3. Incentive Description

3.1 Details of Incentive

Through this incentive Malta Enterprise may support eligible SMEs with a cash grant to part finance the costs incurred for the loan (temporary engagement) of highly qualified personnel (as defined in Section 3.2) seconded from a research organisation or a large enterprise, engaged by the SME to work on Industrial Research or Experimental Development Projects.

The **seconded personnel**:

- i. must not be replacing other personnel, but must be employed in a newly created function within the SME and must have been employed for at least two years in the research organisation or the large enterprise, which is sending the personnel on secondment. The seconded highly qualified personnel must work on R&D&I projects within the SME receiving the aid.
- ii. may be employed:
 - a. under contract with the SME (such contract must stipulate that the highly qualified personnel will return to his previous employment within the research organisation or large enterprise);
 - or
 - b. with the research organisation or large enterprise provided on loan to the SME.

In both cases there must be an agreement signed by the SME receiving the seconded personnel and the research organisation or large enterprise specifying the terms and conditions of the loan or secondment.

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.

3) Highly qualified personnel are researchers, engineers, and designers with a tertiary education degree and at least five years of relevant professional experience. Training forming part of a doctoral degree programme may count as relevant professional experience.

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

Eligible costs under this incentive:

- a. must relate directly to the secondment of the highly qualified personnel from a research organisation or large enterprise to the SME.
- b. may consist of wages paid by the SME to seconded personnel or fees charged by the research institute or large undertaking for such secondment.

The maximum aid intensity shall be 50% of the eligible costs for every person seconded. **The value of aid for every seconded, highly qualified personnel is capped at €15,000 per annum.** Any aid granted may cover a period of up to 36 months.

Note:

- i. Costs related to the release of the seconded personnel are not considered as eligible.
- ii. The incentive does not cover consultancy costs¹.

¹ Consultancy costs which consist in payment of the service rendered by an expert without employing the expert in the undertaking are **NOT** eligible costs under this incentive.

4. Application Process

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

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

Loan of Highly Qualified Personnel
Malta Enterprise
Enterprise Centre,
Industrial Estate,
San Gwann
SGN 3000

5. Evaluation and Assignment of Aid

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

Complete applications that meet the terms and conditions of participation will be assessed by Malta Enterprise in accordance with the following criteria:

- a. Mandatory Criteria:
 - i. The project falls within the parameters set in these *Incentive Guidelines*.
 - ii. The project(s) on which the borrowed personnel will be engaged must fall in the definitions provided for industrial research and experimental development – In section 3.2 (Incentive Description).
 - iii. The proposed personnel must have the required competence and knowledge in the areas of the project/s in which he will be supporting the SME.
- b. The extent and value of knowledge transferred and the perceived benefits to be gained by the SME through the supported actions and beyond.
- c. The projects on which the seconded personnel will be engaged, must:
 - i. have a clear scope and objective and are of strategic importance to the enterprise;
 - ii. lead to the acquisition of knowledge and technological achievements;
 - iii. should result in growth through increased investment, employment and market penetration.

5.2 Notification of results

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

Once a secondment is approved, a *Letter of Approval* will be issued and will include such terms and conditions as may be set out 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

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 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. Wage costs of the seconded personnel must be backed through the official Final Settlement System FSS forms and time sheets showing the time the person(s) spent directly engaged on the research 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 as 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

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]

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 SME².

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 the *R&D&I Framework*.

² OJ C 194, 18.8.2006, p. 2.

8. General Conditions

8.1 Changes to Approved Assistance

Any modification to the aid approved 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 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 secondment is in line with:

- 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 that the tasks undertaken by the seconded personnel are consistency with the submitted documentation and the *Letter of Approval* issued by the corporation.

8.4 Sanctions and recovery of aid

Should Malta Enterprise realise that the secondment is not progressing according to the terms set in these *Incentive Guidelines* and the *Letter of Approval* Malta Enterprise may amend, modify or revoke the *Letter of Approval*. In the event that the project does not reach the targets set in the *Letter of Approval*, Malta Enterprise may also recover any funds already distributed to the beneficiary.

10. 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

Email: customer.relations@maltaenterprise.com